

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 724
Finance

(Senator Rosapepe)

Health Insurance - Exchange Option for Small Business

This bill requires any Small Business Health Options Program (SHOP) Exchange established in the State to allow employers with 100 or fewer employees to purchase health insurance through the SHOP Exchange. The bill specifies that employers may purchase health insurance outside of a SHOP Exchange.

Fiscal Summary

State Effect: The bill does not directly affect governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Under Maryland law, a small business is generally defined as having 2 to 50 employees, whereas federal law defines a small employer as having less than 100 employees.

Background: In March 2010, major federal health care reform legislation, the Patient Protection and Affordable Care Act (ACA), was enacted to expand health care coverage, control health care costs, and improve the health care delivery system. By January 1, 2014, each state must establish an exchange that facilitates the individual purchase of qualified health plans (QHPs) and provides for the establishment of a SHOP Exchange. SHOP Exchanges are intended to assist qualified small employers in facilitating the enrollment of their employees in QHPs in the small group market. States can combine their individual and SHOP Exchanges.

Small businesses with fewer than 100 employees will be able to purchase coverage through SHOP Exchanges beginning in 2014, although ACA allows states to use 50 employees (the current Maryland definition of small employer) as the cutoff for small group market plans until 2016. This bill would ensure that employers with fewer than 100 employees can participate in the SHOP Exchange beginning in 2014. In 2017, states will have the option to allow larger businesses to purchase coverage through the SHOP Exchanges.

ACA specifically states that the Act does not prohibit carriers from offering health benefit plans outside of the exchange to a qualified individual or employer, nor does it prohibit qualified individuals from enrolling in, or a qualified employer from selecting for its employees, a health plan offered outside of the exchange.

In September 2010, the Department of Health and Mental Hygiene received a \$997,227 planning and implementation grant from the U.S. Department of Health and Human Services to:

- create an information infrastructure plan;
- develop an outreach and communications strategy;
- fund Maryland-specific studies of insurance coverage and health care expenditures to determine whether to merge the individual and small group markets and whether to provide additional protection against adverse selection;
- assess current public-sector technological capabilities;
- determine whether the existing public- or private-sector capacity could be adapted for online public access; and
- develop a request for proposal for eligibility system expansion or acquisition.

A portion of these funds will be expended in fiscal 2011, with the remainder in fiscal 2012. If progress is made under the exchange planning grant, Maryland will qualify for a level one establishment grant to fund the exchange in federal fiscal 2012.

Additional Comments: SB 182/HB 166 of 2011, the Administration's bill to establish a health benefit exchange, includes uncodified language that requires the exchange to study and make recommendations regarding, among other things, the rules under which health benefit plans should be offered inside and outside the exchange and the design and function of the SHOP Exchange. Under the bills, the exchange must submit its interim and final recommendations to the Governor and the General Assembly by December 1, 2011, and December 1, 2012, respectively.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kaiser Family Foundation, National Conference of State Legislatures, Department of Health and Mental Hygiene, Department of Legislative Services

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