

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 759 (Delegate Bromwell)
Health and Government Operations

Finance

Health Insurance - Small Employer Health Benefit Plan Premium Subsidy
Program - Repeal

This bill repeals the Small Employer Health Benefit Plan Premium Subsidy Program (commonly known as the Health Insurance Partnership).

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: The FY 2015 budget includes \$1.6 million in special funds from the Health Care Coverage Fund for the partnership. As the Maryland Health Care Commission (MHCC) anticipated ending the partnership in FY 2015, no funding was included in the Governor's proposed fiscal 2016 budget. Special funds are now available for other authorized purposes under the Health Care Coverage Fund.

Local Effect: None.

Small Business Effect: Meaningful. Eligible small employers no longer receive subsidies under the program.

Analysis

Current Law: Chapter 7 of the 2007 special session established the Small Employer Health Benefit Plan Premium Subsidy Program (the Health Insurance Partnership) under MHCC to provide subsidies to small employers and their employees if the employer has *not* offered a small employer health benefit plan for at least 12 consecutive months. Funding for the partnership may be provided by the Health Care Coverage Fund or general funds.

To be eligible for a subsidy, a small employer must, at the time of initial application for the subsidy, (1) have from two to nine eligible employees; (2) meet salary and wage requirements determined by MHCC; (3) offer a small employer health benefit plan to its employees; (4) establish a certain payroll deduction plan; (5) agree to offer a wellness benefit, as required by MHCC; and (6) meet any other MHCC requirements.

A subsidy must offset a portion of the small employer health benefit plan premium contributions made by a small employer, but may not exceed the lower of 50% of the employer or employee contribution or an amount established by MHCC. A subsidy may be calculated on a sliding scale and altered according to the number of employees. A small employer that provides a small employer health benefit plan that is compatible with a health savings account may be eligible for a subsidy under specified circumstances. The total amount of subsidies provided is subject to the limitations of the State budget.

The Health Care Coverage Fund may be used only for expenses associated with (1) expanding Medicaid eligibility for specified parents and caretaker relatives; (2) expanding Medicaid eligibility and benefits for specified individuals; (3) providing and administering health benefit plan premium subsidies under the partnership; and (4) in certain years only, supporting specified health care services in Prince George's County.

Background: The federal Patient Protection and Affordable Care Act (ACA) provides qualifying small businesses with a small business health insurance tax credit of up to 50% of the premium beginning with tax year 2014. Eligibility rules for the federal tax credit program are similar to those of the Maryland subsidy, except that the Maryland subsidy is available only to employers who have not offered coverage in the past 12 months and the federal tax credit is available only to employers who pay at least 50% of the premium.

The Small Business Health Options Program (SHOP) under the Maryland Health Benefit Exchange will offer a federal tax credit for qualifying employers, thus eliminating the need for the partnership. Due to information technology problems in the initial enrollment period, the SHOP exchange was delayed, though small businesses have gained access to the federal tax credit through authorized SHOP exchange brokers.

As of December 2013, the partnership had enrolled 423 businesses, with 1,205 participating employees, and covered 1,951 individuals overall. The average annual premium subsidy per individual was \$1,484. Total subsidies provided in 2013 totaled \$2.9 million. By December 2014, 70 employers participated, with 184 participating employees, and 318 covered individuals. Total subsidies provided in 2014 were \$466,551.

In recognition that businesses eligible for the partnership would be eligible for tax credits through the SHOP exchange, in 2013, MHCC recommended that the program be phased out by closing the program to new entrants effective January 2014, and discontinuing

enrollment at the subsequent renewal date. According to MHCC, the subsidy program stopped taking reenrollments on April 30, 2014, and all subsidies will terminate on April 30, 2015. As required under current law, MHCC will issue its final report by January 1, 2016; thus, the bill repeals the partnership effective June 1, 2016.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Health and Mental Hygiene, Maryland Insurance Administration, Department of Legislative Services

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