

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 632

Finance

(Senator Hester, *et al.*)

Health and Government Operations

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**Maryland Health Benefit Exchange - Small Business and Nonprofit Health  
Insurance Subsidies Program - Workgroup**

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This bill requires the Maryland Health Benefit Exchange (MHBE) to convene a workgroup to study and make recommendations relating to the establishment of a Small Business and Nonprofit Health Insurance Subsidies Program to provide subsidies for the purchase of health benefit plans. MHBE must invite specified stakeholders to participate in the workgroup, which must study and make recommendations regarding (1) the health insurance coverage needs of small employers, nonprofit employers, and their employees; (2) objectives and target metrics for the program; (3) the optimal scope and design features of a program; (4) the cost to administer the programs; and (5) the sources and levels of funding needed to support the program. By October 1, 2022, MHBE must submit a report on the workgroup's findings and recommendations to the Governor and specified committees of the General Assembly. The bill expresses the intent of the General Assembly that, beginning in fiscal 2024, the Governor include in the annual budget bill an appropriation to establish and operate a program with a design as recommended by the workgroup. **The bill takes effect June 1, 2022; provisions regarding the workgroup terminate June 30, 2023.**

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**Fiscal Summary**

**State Effect:** MHBE can convene a workgroup and submit the required report using existing budgeted resources. Revenues are not affected. To the extent the Governor provides funding for the program, MHBE special fund expenditures increase by a significant amount beginning in FY 2024.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Current Law:** MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal advanced premium tax credits, cost-sharing reduction plans, and public assistance programs such as Medicaid. MHBE is funded in part from a mandated \$35.0 million diversion of premium tax revenues that would otherwise go to the general fund. However, any of these special funds that remain unspent at fiscal year closeout revert to the general fund.

Chapters 37 and 38 of 2018 established a health insurance provider fee assessment on specified entities for calendar 2019 only. In addition to other amounts due, an insurer, a nonprofit health service plan, a health maintenance organization, a dental plan organization, a fraternal benefit organization, a Medicaid managed care organization, and any other person subject to State regulation that provides a product that is subject to a specified federal fee was subject to an assessment of 2.75% on all amounts used to calculate the entity's premium tax liability or the amount of the entity's premium tax exemption value for calendar 2018. The purpose of the assessment was to recoup the aggregate amount of the health insurance provider fee that otherwise would have been assessed under the federal Patient Protection and Affordable Care Act that was attributable to State health risk for calendar 2019 as a bridge to stability in the individual market.

Chapters 597 and 598 of 2019 extended the health insurance provider fee assessment through calendar 2023. In calendar 2020 through 2023, the amount of the assessment must be 1% on all amounts used to calculate the entity's premium tax liability for the immediately preceding calendar year. Assessment revenue is distributed to the MHBE Fund, which may be used only for the operation and administration of MHBE and for the establishment and operation of the State Reinsurance Program.

Chapters 777 and 778 of 2021 require MHBE, in consultation with the Commissioner and as approved by the MHBE Board, to establish and implement a State-Based Young Adult Health Insurance Subsidies Pilot Program. Subject to available funds, in fiscal 2022 through 2024, MHBE may designate funds from the MHBE Fund to be used for the pilot program so that no more than \$20.0 million in annual subsidies may be provided in calendar 2022 and 2023. MHBE must track specified information about the pilot program, which must be posted on the MHBE website and included in the MHBE annual report. The pilot program terminates June 30, 2024.

**State Expenditures:** MHBE can convene the workgroup and submit the required report by October 1, 2022, using existing budgeted resources.

The bill expresses the intent of the General Assembly that, beginning in fiscal 2024, the Governor include in the annual budget bill an appropriation to establish and operate a program with a design as recommended by the workgroup. The workgroup report must include the cost to administer the program and the sources and levels of funding needed to support the program. The bill's language does not meet the requirements necessary to establish a mandated appropriation. Generally, any legislation mandating funding of a program must include either an exact dollar figure or a funding formula that makes it possible to compute the level of funding required.

To the extent the Governor provides discretionary funding for the bill, MHBE special fund expenditures increase by a significant amount beginning in fiscal 2024. This amount is likely at least \$20.0 million, the amount currently authorized for the State-Based Young Adult Health Insurance Subsidies Pilot Program.

**Small Business Effect:** To the extent the program is implemented, small business (and nonprofit) employers and their employees may receive health insurance subsidies to purchase health benefit plans beginning as early as calendar 2024.

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## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 709 (Delegate R. Lewis, *et al.*) - Health and Government Operations.

**Information Source(s):** Department of Budget and Management; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2022  
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