

KATIE FRY HESTER
Legislative District 9
Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology



Annapolis Office
James Senate Office Building
11 Bladen Street, Room 304
Annapolis, Maryland 21401
410-841-3671 • 301-858-3671
800-492-7122 Ext. 3671
KatieFry.Hester@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony in Support of SB632 – Maryland Health Benefit Exchange – Small Business and Nonprofit Health Insurance Subsidies Program

March 2nd, 2022

Chair Kelly, Vice-Chair Feldman, and members of the Finance Committee, thank you for your consideration of SB632, which creates a \$45M, federally funded program to subsidize insurance coverage for small businesses, non-profits, and their employees.

Small businesses have historically struggled to offer competitive and comprehensive health benefits for their employees. As a result of their size, they are generally unable to bargain effectively with carriers and providers in the ways large businesses can. As a result, small businesses are restricted to smaller, less stable, and less healthy insurance pools. To put reliable and affordable healthcare within the reach of small business owners and their employees, the Affordable Care Act created the Small Business Health Options Program (SHOP). This program, administered by the Maryland Health Benefit Exchange (MHBE) provides small businesses access to a robust set of healthcare options, and provides federal tax credits to qualified participants to assist in covering the cost.

Additionally, the gap in coverage between small businesses and larger corporations is an issue of equity, as Maryland has the highest per-capita minority small business ownership rate in the country. The gap in healthcare coverage disproportionately and systemically hurts minority-owned businesses, and it is our duty as the General Assembly to reduce these disparities.

Despite the gains made by SHOP in Maryland, two significant obstacles prevent its full utilization:

- first, the federal tax credit alone does not fully cover the cost of healthcare benefits;
- second, MHBE is only able to spend a fraction of the amount on marketing this program as it does for individual marketplace outreach.

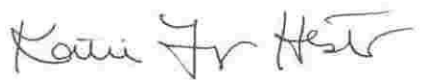
For example, in my district alone, MHBE projects roughly 4,000 businesses may be eligible; however, only a few hundred employers currently use the program statewide. This means that in just District 9, we're leaving more than \$9M of federal money on the table! SB632 would boost MHBE's outreach budget for the SHOP program to \$3M annually, and provide \$45M of tax credits each year, provided there is available federal funding.

The MHBE is excited to get this program up and running, and I have included some slides from them at the end of my testimony to explain three possible mechanisms for this program's implementation. While any of these mechanisms would work under this bill, it is important to understand how much work MHBE has already put into this, and how it could work in practice. With that I would refer you to quickly look at the 3 slides:

- Option A allows employers to provide traditional health plans while benefiting from a two-year federal tax credit and allows employees to receive tax-exempt health benefits.
- Option B allows employees to enroll directly into qualified health plans (QHP) through the MD Health Connection. This has the benefit of enabling them to access all of the federal and state credits & subsidies which they are eligible for, and allows them to keep coverage regardless of their employment status.
- Finally, Option C would allow employers to reimburse employees for QHP premiums. This would give employer contributions tax favored status, but would still allow employees to keep coverage regardless of employment status.

As we hopefully enter the closing stretch of the COVID-19 pandemic, we can directly address the obstacles that limit SHOP's growth and provide additional, high-quality health insurance options for small business, nonprofits, and their employees to take advantage of. For these reasons, **I respectfully request a favorable report for SB632.**

Sincerely,

A handwritten signature in dark ink, appearing to read "Katie Fry Hester". The signature is fluid and cursive, with the first name "Katie" being the most prominent.

Senator Katie Fry Hester
Carroll and Howard Counties

A. Employers provide traditional health plans

Employers:

- Purchase plans from authorized producers
- Provide pre-tax health benefits to employees
- Could be eligible for a two year federal tax credit

Employees:

- Receive tax-exempt health benefits

MHBE:

- Connects employers with authorized producers
- Provides plan comparison feature (already exists)
- Provides eligibility confirmation letters
- Could make a subsidy available to small employers and employees to reduce premiums, using eligibility and payment parameters established by the MHBE Board of Trustees

B. Employees enroll directly into QHPs through Maryland Health Connection (MHC)

Employers:

- Direct employees to MHC to enroll in individual market QHPs

Employees:

- Could access all federal and state tax credits and subsidies for which they are eligible
- Could keep their coverage regardless of their employment status

MHBE:

- Builds eligibility questions into the application process
- Provides open enrollment materials, access to open enrollment events, and other training and assistance
- Could provide a targeted state subsidy to reduce the premiums of small employers and employees enrolling in individual market plans through MHC (in addition to current federal and state tax credits and subsidies for which they may otherwise be eligible)

C. Employers reimburse employees for QHP premiums

Employers:

- Provide premium reimbursement to employees enrolled in QHPs on MHC through an Individual Coverage Health Reimbursement Arrangement (ICHRA)
- Tax favored status for employer contributions

Employees:

- Would not be eligible for federal tax credits
- Could keep coverage regardless of employment status

MHBE:

- Develops a tool for employers and employees to estimate ICHRA impact for this option (resource-intensive)
- Provide open enrollment materials, access to open enrollment events, and other training and assistance
- Build eligibility questions into the application process
- Could provide a targeted state subsidy to reduce the premiums of small employers and employees enrolling in individual market plans through MHC (in addition to current federal and state tax credits and subsidies for which they may otherwise be eligible)