

March 2, 2022

The Honorable Delores G. Kelley  
Chair, Senate Finance Committee  
Senate Office Building, 3 East  
11 Bladen St.  
Annapolis, MD 21401

**Re: Letter of Information – SB 632 – Maryland Health Benefit Exchange – Small Business and Nonprofit Health Insurance Subsidies Program**

Dear Chair Kelley and Committee Members,

The Maryland Health Benefit Exchange (MHBE) respectfully submits this letter of information on Senate Bill (SB) 632 – Maryland Health Benefit Exchange – Small Business and Nonprofit Health Insurance Subsidies Program. SB 632 would authorize MHBE to collect and administer federal funds to establish and implement a state subsidy program for small business and nonprofit employers.

MHBE would like to clarify that, if SB 632 passes, it will not be able to establish and implement this new subsidy program in the absence of a new source of federal or state funding. MHBE does not have an existing source of funding that could be used for the subsidies. If federal or state funding is secured, MHBE could devise a subsidy program that would support small businesses and their employees.

MHBE could structure the program in several ways. These options include: offering traditional small employer plans; facilitating the direct enrollment of employees into QHPs through Maryland Health Connection (MHC); and supporting employers to provide premium reimbursement to employees enrolling in QHP through MHC.

In the traditional plan scenario, MHBE would connect employers with authorized producers through its Small Business Producer Program to purchase one or more small employer health plans. Employers would provide pre-tax health benefits and employees would receive tax exempt health benefits. MHBE could make available a subsidy to small employers and employees to reduce premiums, using eligibility and payment parameters established by the MHBE Board of Trustees. Small employers purchasing a health plan could also be eligible for the existing two year federal tax credit to reduce the cost of health insurance. This tax credit is most useful for employers with 10 or fewer employees with an average annual wage of less than \$27,000.

Another option would be for MHBE to support employers in directing their employees to MHC to enroll in QHPs in the individual market. In this scenario, employees would have access to all federal and state tax credits and subsidies for which they are eligible and could keep their coverage regardless of their employment status. MHBE would provide open enrollment materials, access to open enrollment events, and other training and assistance to ease the enrollment process for employees. In addition to current federal and state tax credits and subsidies for which they may otherwise be eligible, MHBE could provide a targeted state subsidy to reduce the premiums of small employers and employees enrolling in individual market plans through MHC.

Under federal law today, employers can provide premium reimbursement to employees enrolled in QHPs on MHC through an Individual Coverage Health Reimbursement Arrangement (ICHRA). It is worth noting that employees receiving premium reimbursement would not be eligible for federal tax credits. This scenario otherwise mirrors the direct employee enrollment option above, with the additional benefit of tax favored status for employer contributions. Additionally, MHBE would need to develop a tool for employers and employees to estimate ICHRA impact for this option, which would be resource-intensive.

Lastly, for the latter two scenarios, MHBE would need to build eligibility questions into the application process to determine whether the applying employer or employee meets the subsidy eligibility criteria established by the MHBE Board.

MHBE reiterates that securing new funding is a prerequisite for implementing any of these options. For further discussions or questions on SB 632, please contact Johanna Fabian-Marks, Director of Policy and Plan Management at [johanna.fabian-marks@maryland.gov](mailto:johanna.fabian-marks@maryland.gov).

Sincerely,



Michele Eberle  
Executive Director