SB547_SponsorExhibitA
Uploaded by: Senator James
Position: FAV

Topic:
HEALTH INSURANCE; MUNICIPAL OFFICIALS/EMPLOYEES; MUNICIPALITIES; STATE OFFICERS AND EMPLOYEES;
Location:
INSURANCE - HEALTH; MUNICIPAL OFFICIALS AND EMPLOYEES; PUBLIC EMPLOYEES - STATE;

August 29, 2008 2008-R-0463

IMPACT OF POOLING STATE AND LOCAL EMPLOYEE HEALTH INSURANCE IN OTHER STATES

By: John Moran, Principal Analyst

Ryan F. O'Neil, Research Assistant

You asked whether states that allow pooling municipal employees with state employees in the state health insurance plan have analyzed the impact of the municipal employees on the plan's experience rating and if the analysis shows adverse selection. You also asked, for states where municipal participation is voluntary, what the municipal participation rate is and if there are reasons for a low rate.

SUMMARY

Eleven states have combined their state employees and retirees into one pool with municipal employees and retirees for experience rating purposes. Only California indicated it has evaluated how local government membership in the state program affects costs. California Public Employees Retirement System (CalPERS) officials indicate that local government participation has reduced the state plan's annual premium costs by about $40 million a year.

None of the other states have analyzed the impact municipal members have had on the cost of health insurance. Several states indicated that allowing municipal employers into the program was a policy decision intended to provide more affordable health insurance for municipalities and the issue of whether it affects the pool is secondary.

Of the 22 states included in this report, 21 have voluntary municipal participation in the state plan. Of those some have relatively high municipal participation (in New Jersey about half of the state plan's 780,000 covered lives are from municipal employers) and others have lower participation rates. (The states self-identified their participation rate and their answers are not of a uniform nature, see Table 1.)

Lower participation rates were attributed to a number of reasons including: (1) local governments had other affordable coverage options, (2) state plan requirements made it difficult for some local governments to join, (3) some municipalities would rather have a less comprehensive (and less expensive) plan than the one the state offers, (4) some local governments prefer keeping local control over their health plan, and (5) one state placed a moratorium on any new members.

Since none of the states were required to track why municipalities do not join the state plan, many only had anecdotal explanations for their participation level.

IMPACT OF LOCAL GOVERNMENT PARTICIPATION

Of the 11 states that pool local government and state employees, 10 responded to our inquiry. Of those that responded only California indicated it has evaluated the impact of local government participation in the state plan. CalPERS attributes $40 million in annual premium savings for the overall plan to the local participation. CalPERS provides health insurance coverage for 1.2 million people and 490,000 of them are local government and school district employees and dependents. The local participation greatly increases the state's buying power. California is

the third largest purchaser of employee health benefits in the nation behind the federal government and General Motors.

The other nine states have not analyzed the impact of including local governments in the state plan. Their responses break down as follows:

● Massachusetts, New Mexico, and New York indicated it was primarily a policy decision to help the local government entities so they had no plans to analyze the impact;

● Louisiana, South Carolina, and Washington indicated they review the claims history of local entities seeking admission and if the risk history is higher than the existing pool, the new member is charged a higher rate (usually for a limited period) to cover the risk;

● North Carolina indicated it had not done an analysis and did not mention other efforts to gauge the impact of new members;

● Delaware has moratorium on new members and is considering studying the impact in the future;

● Georgia has mandatory admission of all teachers and retired teachers, which removes the issue of adverse selection.

(Kentucky has not yet responded to our inquiry.)

PARTICIPATION RATES OF LOCAL GOVERNMENT ENTITIES

Table 1 displays the responses from 21 states that have state employee health insurance programs are open to some or all local government employees and retirees. Note that states self-reported their participation rates so the answers do not consistently use the same terms.

Table 1: Local Government Participation in State Employee Health Programs

State and Program	*Local Government Participation Level*	*Reason(s) for Low Participation (if known)*
Arkansas Employee Benefit Division	Low (respondent did not elaborate)	Desire not to disrupt status quo
California* California Public Employees Retirement System (CalPERS)	1.2 million employees, retirees, and dependents covered, and 490,000 are local government and school district employees and dependents (1,142 of 6,000 local governments participate)	● Some localities are large enough to get good rates for their own pool (city/county of San Francisco) ● Some local governments do not participate due to CalPERS requirement that coverage be provided for retirees; ● Some have broader definition of domestic partners (i.e., they allow heterosexual couples to be considered domestic partners) than does CalPERS.
Delaware* Statewide Benefits Office	110,000 lives covered and approximately 5,000 are from local governments.	Currently a moratorium exits on new municipalities joining due to the frequency of municipalities joining and then leaving, which caused an administrative burden.
Florida Division of State Group Insurance	None	No towns have joined due to the burdensome requirements the law places on them.
Georgia* State Health Benefit Plan	Mandatory plan for all school districts for active and retired teachers, so there is 100% participation.	Not applicable

Illinois Group Insurance Division	About 36,000 out of 425,000 covered overall in the state program	Many local governments found coverage locally; state plan maintains separate pools for local governments so rates are comparable with what they can get on the market themselves
Kentucky* Kentucky Employees Health Plan	No response	No response
Louisiana* Office of Group Benefits	Only local school districts can join and 49 of the state's 66 districts have opted in.	New rules regarding retiree vesting period make it hard for additional districts to join.
Massachusetts* Group Insurance Commission	Program is only one year old, nine local governments joined in the first year. Second round of applications are due in October.	Too early to tell due to newness of program.
Missouri Missouri Consolidated Health Care Plan	250 of about 3,000 (or 8.3%) local government entities participate	Not pooled together with state plan so similar premiums available on the market; towns desire to keep business local
Nevada Public Employees Benefit Program	Out of a total of 70,000 lives covered, 8,258 are local government employees or retirees	Many towns desired to keep local control. Since local government employees are not pooled with state employees, when their premiums in the state program went up (due to increased claims) there was little reason to stay in the state plan.
New Jersey State Health Benefits Plan	About half of the state plan's 780,000 covered lives are municipal employees and dependents	Not applicable
New Mexico* State Agency Health Plan	About 30% of the state plan's 95,000 lives are local government employees or dependents	Not applicable
New York* New York State Health Insurance Plan	About 200 local governments participate.	Participation is high among downstate (New York City metropolitan area) local governments and is much lower among upstate local governments. The state plan is a deal for downstate entities, where the cost of health insurance and medical services is much higher than upstate.
North Carolina* North Carolina State Health Plan	No response	Program only allows retired teachers into the state plan
South Carolina* Employee Insurance Program	125 of 316 (towns and counties) participate	Not sure
Tennessee Benefits Administration	34 out of 95 counties participate; no response regarding towns.	No response

Utah Public Employee Health Plan (PEHP)	Approximately 52% of eligible local governments, including service districts, counties, and public schools	There is considerable competition among insurance carriers and brokers for government employee contracts. Many brokers steer local entities away from state plan as they get no commission from a PEHP contract
Washington* Public Employees Benefits Board	About 50 school districts and 225 other local governments have joined.	● Some prefer less comprehensive plans that cost less; ● State education association also offers plan that competes well for school districts; and ● Not much has been done to market the state plan.
West Virginia Public Employees Insurance Agency	Do not track participation level	Not sure
Wisconsin Group Insurance Board	350 out of 1,200 local governments have joined; represents about 30,000 of the 230,000 lives the state plan insures	Some have similar options elsewhere in the market.
* Indicates programs where the state and local government employees are pooled together for insurance rating purposes.		

JM:dw

SB547_SponsorTestimony
Uploaded by: Senator James
Position: FAV

MARY-DULANY JAMES
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Judicial Proceedings Committee
Executive Nominations Committee

Senate Chair
Joint Committee on
Children, Youth, and Families

THE SENATE OF MARYLAND
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Testimony of Senator Mary-Dulany James
In Support of SB 547 – Commission to Study Health Insurance Pooling – Establishment
Before the Senate Finance Committee
February 12th, 2024

Dear Chair Beidle, Vice Chair Hayes, and Members of the Committee,

Senate Bill 547 is a straightforward piece of legislation that establishes a commission to study the pooling of public employee health insurance purchasing between the State, counties, municipal corporations, and county boards of education in Maryland. The goal of this legislation is simple: we are trying to help find efficiencies in government to help save taxpayers money and alleviate our budget shortfall.

Maryland has a long, proud history of innovation and good stewardship of fiscal matters. Indeed, Maryland was the first state in the country to come up with and create a pooling mechanism to assist local governments. Back in the mid-1980s, Maryland enacted the Local Government Investment Pool (Maryland Annotated Code, Local Government § 17-301, et. seq.) which authorized any county or municipality to participate in the state's retirement and pensions system. Over the many decades, this has lifted the burden of administrating retirement accounts for employees and enhanced the benefits and returns for employees. Senate Bill 547 is another way in which allowing local governments to pool with the state could bring about cost savings and increase the quality of benefits.

Being part of a larger health insurance pool is generally regarded as an effective way to manage risk and keep costs down. Several states have demonstrated the potential benefits of health insurance pooling, but Maryland has not yet explored this avenue for more efficient governing.

Much of the discussion surrounding Maryland's current fiscal outlook centers around either raising revenue or cutting spending. Senate Bill 547 will give us the tools to take a third option to alleviate our fiscal concerns: increasing efficiency in the arena of providing health care

coverage to government employees. Given the cost of health insurance and the number of government employees at all levels, even a small cost savings on a per-person basis could lead to significant savings for the state.

For reference, at least eleven other states have already allowed for pooling of state and local employee health insurance. (See exhibit A: report from State of Connecticut Office of Legislative Research, dated August 29, 2008, *Impact of Pooling State and Local Employee Health Insurance in Other States*).

I appreciate the Committee's consideration of Senate Bill 547 and ask for a Favorable Report.

Respectfully,

Senator Mary-Dulany James

SB547 testimony.pdf
Uploaded by: Dan Morhaim
Position: FWA

SB547 - Commission to Study Health Insurance Pooling – Establishment
Request FAVORABLE with friendly amendment

In 2018, the General Assembly unanimously enacted - and Gov. Hogan signed - HB1400 which would allow pooling for the purpose of purchasing health insurance between the state, the counties, and the school systems. Please see the Op-Ed from March 2024, also submitted, which describes this.

Identifying and implementing efficiencies in government operations is almost always a good idea. In this case, the likelihood is money would be saved while improving coverage options for government employees. As state legislators yourselves, if you get your health insurance through the state, you know how good it is. Why not make that available for all Maryland's government employees at levels? When the bill was introduced in 2018, about 10 states were doing this. When I last checked with NCSL (and you can ask now), over 20 states had this arrangement.

Common sense dictates that the larger the pool, the more the risk and cost in spread. That's the whole concept of insurance.

You might ask, "If this is such a reasonable idea, why hasn't it happened?" I wish I had a good answer, but there are several reasons that have been identified. These include comfort in continuing to do business the way it's always been done and discomfort with change; fear of loss of control and local input; and vested interests with a stake in the status quo.

At the very least, each jurisdiction ought to do the analysis of cost and coverage in an open and transparent manner including all stakeholders. And yes, there will be details to sort out, but it's not that hard. The results will show whether this makes sense or not. That this has not been done already is regrettable.

It shouldn't take a budgetary crisis for this to happen. The current fiscal options appear to be to raise taxes/fees/surcharges and/or cut needed programs. HB1400 (2018) and SB547 (2025) offer another approach. Because this has not been fully or properly evaluated, SB547 should be enacted so that its Commission members can fully and clearly identify the benefits, concerns, and options to assess this common-sense pooling purchase system. Given the cost of health insurance, even a small percentage reduction could lead to significant savings.

Funds flow from the state to the counties and schools, and money flows into the state and counties from taxpayers. Fundamentally, we are all in this together. We are One Maryland.

Let me offer a friendly amendment. It would call for an interim report by December 1, 2025. As it stands, the legislation calls for it to take effect July 1, 2025, but the first report isn't due until "On or before December 1, 2026." Given the fiscal pressures, there is enough time for the Commission to meet, investigate the issues, and generate an interim report by December 1, 2025 which could be of benefit for the 2026 legislative session.

Submitted by Dan Morhaim, M.D.
Maryland State Delegate 1995-2019
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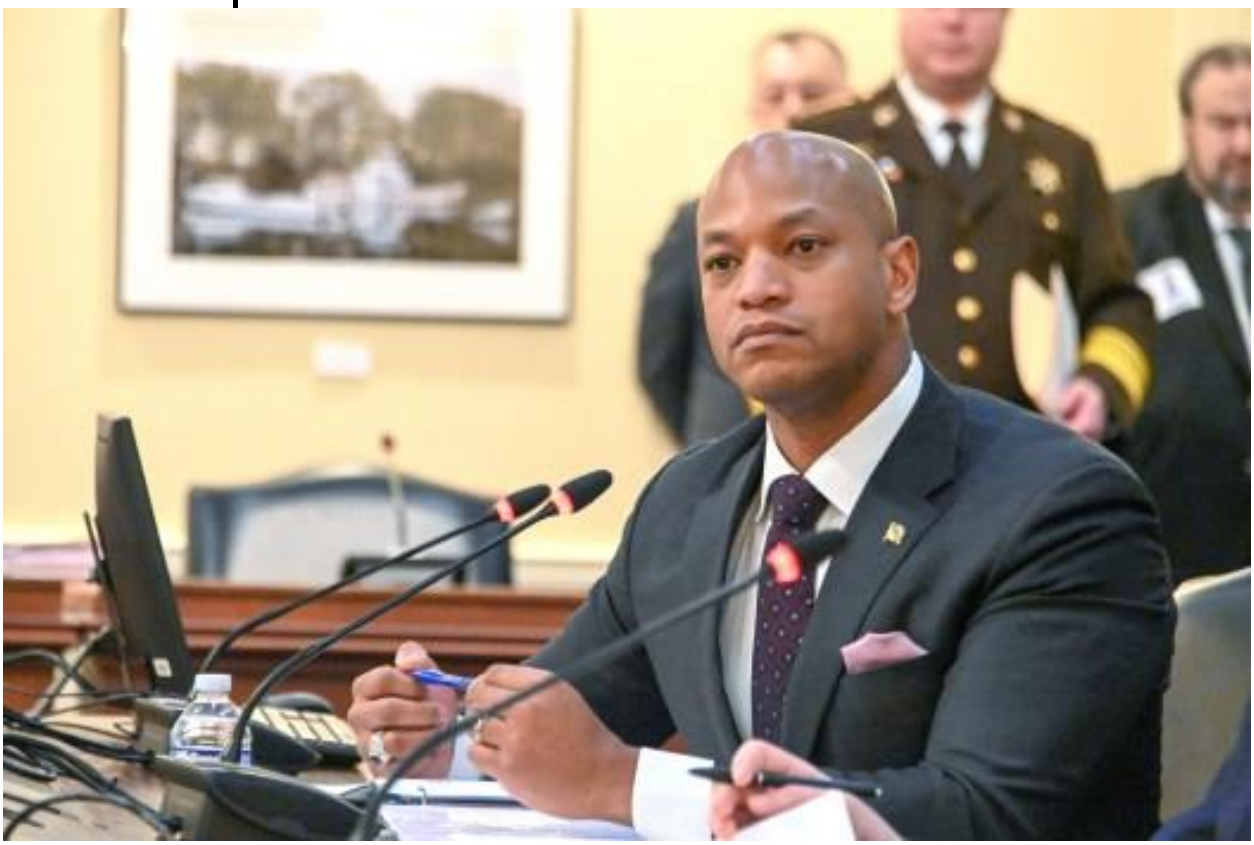
Sun Pooling 3.15.2024.pdf
Uploaded by: Dan Morhaim
Position: FWA

Pooling health insurance could save Maryland millions | GUEST COMMENTARY



Gov. Wes Moore, shown here testifying before the House of Delegates in February, should appoint a task force to look at combining the health insurance purchasing process across state and local organizations. FILE (Kevin Richardson/Staff)

By **DAN MORHAIM**
March 15, 2024.

Gov. Wes Moore and the Maryland General Assembly face a perpetual funding challenge: balancing the budget and managing revenues while meeting numerous needs and providing services. There are only three possible ways to address this.

First, cut spending. However, each individual program and project has value, and its advocates would argue that it is worth keeping and/or should be expanded. Further, state money flows to the

counties, especially for education, and so state spending reductions hurt local entities as well.

Second, the state can raise revenue by increasing taxes, fees and surcharges. But these are typically unpopular for the obvious reason that no one wants to pay more.

Last, the state can find efficiencies: better ways of doing business operations that reduce expenses without sacrificing needed services.

What if the state, counties and school systems joined together to pool their health insurance purchases for their employees? This is a big-ticket item, costing billions overall. Over 22 states do this successfully now in some form. Even small savings here would translate to large dollar amounts.

Currently, the state of Maryland buys health insurance for about 99,000 employees. The 24 jurisdictions (23 counties and Baltimore City) separately buy health insurance for another 80,000, and the 24 school systems separately buy health insurance for about 130,000. In effect, there are 49 governmental entities each buying health insurance — one of the most complicated and expensive purchases governments or anyone can make — collectively, statewide for about 310,000 employees and their families.

The central concept of insurance is to spread risk, so common sense dictates that volume purchasing saves money. If health insurance purchases were pooled here, the savings in Maryland could be substantial, about $1,000-2,000 per year per employee without reducing coverage plans — and possibly improving them. Further, administrative costs would go down, from about 4-7% to 2-3% because the burden of purchasing insurance gets spread across a larger base.

For example, Baltimore County has about 8,500 employees and the Baltimore County School System has about 8,000. By “piggybacking” on the state’s health insurance plan, savings could be $13 million for the county and $12 million for the school system. For Baltimore City,

with about 13,500 employees and 7,000 school employees, the savings could reach $30 million annually. These savings would accrue year after year.

Thus, the question: Why isn't this being done now? The fact is that it could be. In 2018 House Bill 1400 was enacted, with unanimous votes in the House and Senate. This legislation enables these various entities to buy health insurance together.
It's challenging to change the status quo and take a fresh look at old systems, but it wouldn't be hard to get this project going. Governor Moore should appoint a task force now so that this work can be completed promptly. The State Department of Budget and Management could start the process by working with counties and school systems, analyzing and comparing benefit packages and costs, and reviewing this with employee groups. Focusing on details can be tedious and boring, but that's what it takes, and the rewards would likely be substantial.

In the end, we are one state. Funds flow from citizens to the state and local governments, and back again. Sometimes taxes need to be raised (or lowered), and all programs should be reevaluated to see which should be reduced, eliminated or enhanced. Simultaneously, the government has an obligation to operate as efficiently as possible. Pooling health insurance purchasing is a straightforward common-sense way to save money for taxpayers while providing better coverage for government employees at all levels throughout the state. Other states are doing this, so why can't we?

Dr. Dan Morhaim (danmorhaim@gmail.com) served in the Maryland House of Delegates from 1995 to 2019; he is the author of "Preparing for a Better End" (Johns Hopkins Press).

SB 547 - STO Testimony for FIN.pdf
Uploaded by: Dereck Davis
Position: FWA

MARYLAND STATE TREASURER
Dereck E. Davis

Testimony of the Maryland State Treasurer's Office

Senate Bill 547: Commission to Study Health Insurance Pooling - Establishment

Position: Favorable with Amendments

Senate Finance Committee

February 12, 2025

Senate Bill 547 requires the State Treasurer or a designee to serve on the two-year Commission to Study Health Insurance Pooling, chaired by the Secretary of Budget and Management. While the State Treasurer's Office (STO) supports exploring the concept of pooling public employee health insurance purchasing, the bill exacerbates a reality that STO has faced in recent years – constrained resources. In addition to fulfilling various Constitutional and statutory responsibilities related to banking, debt management, and insurance, the Treasurer serves on 21 State boards and commissions. This session, the General Assembly is considering legislation to add the Treasurer to a few additional entities.

For the reasons discussed below, STO respectfully requests an amendment to remove the State Treasurer or the State Treasurer's designee from the Commission.

Expanded Portfolio

Chapter 113 of the Acts of 2023 abolished the Maryland 529 Board, transferring the Maryland 529 Program under STO. That transfer, coupled with the staff resources that STO is dedicating to integrating the agency and addressing the Program's issues, significantly added to STO's workload. While STO has resolved many of the initial operational challenges, the Treasurer remains the sole Trustee under the plans, requiring much more time than STO had previously dedicated to supporting the Treasurer as a member of the Maryland 529 Board.

Limited Staff Resources

Only a handful of STO employees have the experience and capacity to serve as designees for the Treasurer. Meeting obligations vary from bimonthly to periodically every few years (see "State

Treasurer's Board Responsibilities" chart on page 3 of this testimony). Aside from official meetings, several of the boards require STO to expend a substantial amount of staff resources in between meetings to coordinate briefings with other agencies and public officials, collect background information, and prepare for votes and discussion. The Treasurer's two most time-consuming board responsibilities are the Board of Trustees of the Maryland State Retirement and Pension System, for which the Treasurer serves as Chair, and the Board of Public Works.

Removal of the Treasurer and his designee from the Commission will allow staff to dedicate working time to other responsibilities.

Nexus to STO's Core Responsibilities

STO recently undertook a review of the Treasurer's board commitments to identify those that reflected the weakest nexus to the Office's core responsibilities. After much consideration, STO determined that the work of the Commission would not pose as strong of a connection to the Office's other work.

2024 Legislation

During the 2024 session, the General Assembly passed departmental legislation (Senate Bill 777/House Bill 918) that alleviated some of the Treasurer's membership responsibilities. As introduced, the bills would have removed the Treasurer from an additional board, the Board of Directors for the Maryland Environmental Service (MES Board). During the 2025 session, Senate Bill 315/House Bill 344 proposes to remove the Treasurer from the MES Board to alleviate STO's workload.

For the foregoing reasons, STO requests that the Committee give Senate Bill 547 a favorable with amendments report with the amendment referenced below. Please contact Laura Atas, Deputy Treasurer for Public Policy (latas@treasurer.state.md.us), with any questions.

PROPOSED AMENDMENT

BY: Chair, Senate Finance Committee
(To be offered in the Senate Finance Committee)

AMENDMENT TO SENATE BILL 547
(First Reading File Bill)

On page 2, in line 17, strike "(7) State Treasurer or the State Treasurer's designee;"; and in lines 18, 20, 22, 24, 26, and 28, respectively, strike "(8)", "(9)", "(10)", "(11)", "(12)", and "(13)", respectively, and substitute "(7)", "(8)", "(9)", "(10)", "(11)", and "(12)", respectively.

On page 3, in lines 1, 4, 7, 10, and 12, respectively, strike "(14)", "(15)", "(16)", "(17)", and "(18)", respectively, and substitute "(13)", "(14)", "(15)", "(16)", and "(17)", respectively.

State Treasurer's Board Responsibilities

Board of Public Works	Bi-monthly
Capital Debt Affordability Committee	October (3 meetings)
Commission on State Debt	April
Board of Trustees of the Maryland State Retirement and Pension Systems	Monthly
Board of Revenue Estimates	March, September, December
Maryland Environmental Services Board	Monthly
Maryland Supplemental Retirement Board	Monthly
Maryland Small Business Retirement Savings Board	Quarterly
Maryland Health and Higher Education Facilities Authority	Monthly
Maryland Green Purchasing Committee	Quarterly
Maryland Efficient Grant Application Council	Quarterly
Financial Education and Capability Commission	Required to meet at least twice yearly
Procurement Improvement Council	Quarterly
IWIF Board	Quarterly
eMaryland Marketplace Advantage Steering Committee	As needed
Revenue Bond Advisory Board (DHCD)	Monthly
Revenue Monitoring Committee	Monthly
Hall of Records Commission	Semi-annually
Board of State Canvassers	Periodically during election years (After a presidential primary election, a State general election, or a general or special general election that includes a candidate for Congress)
Governor's Salary Commission	Periodically every four years
21st Century Financial Systems Enterprise (21CFSE)	As needed

SB 547 Letter of Information DBM .docx.pdf
Uploaded by: Dana Phillips
Position: INFO

WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

HELENE GRADY
Secretary

MARC L. NICOLE
Deputy Secretary

SENATE BILL 547 Commission to Study Health Insurance Pooling - Establishment

STATEMENT OF INFORMATION

DATE: February 12th, 2025

COMMITTEE: Finance

SUMMARY OF BILL: Senate Bill 547 seeks to establish a Commission to study health insurance pooling of public employee health insurance purchasing. The State along with counties, municipal corporations, and county boards of education would be eligible to participate.

The Commission will include a minimum of twenty-seven (27) individuals from various State Agencies and the private sector. The proposed bill states that the Secretary of Budget and Management shall serve as the chair of the Commission. The Department of Budget and Management (DBM) will also provide staff to support the Commission. Upon review, DBM expects that the requirements of this legislation could be absorbed with current resources, requiring no additional staff to be hired.

EXPLANATION:

State of Maryland Counties, Municipal Corporations and County Boards of Education are currently eligible to participate in this type of arrangement with the Program administered by DBM. Generally, these municipalities prefer to manage their own programs.

A similar study was conducted in 2019 as a result of House Bill 1400 of 2018. The Task Force to Study Cooperative Purchasing for Health Insurance was established with similar requirements. A final report was delivered on December 23, 2019 with the recommendation to include outreach to local governmental entities that are allowed to join the State's plan. Additional recommendations included the following:

1. Determine how participating local governmental entities would fall within the structure of the State's plan, how retirees can be included, and how sub-accounts would need to be configured with insurance carriers;
2. Analyze the potential costs to the State and cost savings to local government entities by the State assuming or sharing the administrative burden for any local governmental entities that join the State's plan;

3. Share claims experience information with local governmental entities that join the State's plan and evaluate imposing a penalty for exiting the State plan to lessen the risk of adverse selection;
4. If participation by local governmental entities in the State's plan is not increased after outreach efforts are performed, consider establishment of a governing body or joint healthcare committee that would allow local governmental entities to have representation and substantive input into the plan design and procurement evaluation processes for the State's health plan;
5. Increase awareness of other options available to local government entities besides the State's plan, including the Local Government Insurance Trust, the Eastern Shore of Maryland Educational Consortium Health Insurance Alliance, and any other county, school board, or regional cooperative purchasing arrangements; and
6. Encourage local entities to combine resources and perform their own intergovernmental cooperative procurements.

Over the last three (3) years, two (2) governmental entities have joined the Program and five (5) others have inquired following regular annual outreach, but have not joined due to the cost.

Some smaller municipalities participate in the State Employee and Retiree Health and Welfare Program (the Program) as Satellite organizations. Often the municipalities are faced with significant cost increases as a result of claim experience and explore the alternative of participating in the Program.

As of January 1, 2025, there are twenty-eight (28) municipal corporations and educational organizations participating. The Department receives approximately 3-5 inquiries per year.

For additional information, contact Dana Phillips at
(410) 260-6068 or dana.phillips@maryland.gov