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The Honorable Heather Bagnall
Chair, House Health Committee
240 Taylor House Office Building
Annapolis, Maryland 21401

RE: Senate Bill 1472 - *Better Small Business Employee Benefit Act of 2026* - **UNFAVORABLE**

Dear Chair Bagnall and Members of the Committee,

On behalf of the National Association of Benefits and Insurance Professionals of Maryland (NABIP MD) we respectfully oppose House Bill 1472.

NABIP MD (formerly Maryland Association of Health Underwriters - MAHU) is a trade association comprised of several hundred licensed health insurance producers in Maryland who represent both businesses and individuals in analyzing their need for health insurance and advising clients on health insurance coverage and benefits. NABIP MD members have traditionally served as the representatives for small and medium-sized businesses in the negotiation of health benefit plans for the employees of those businesses.

An important part of the services provided by NABIP MD members is assisting employer clients in evaluating the cost of benefits and coverages. In fact, NABIP MD members are often viewed as the external “human relations department” for their small business clients. They provide not only health insurance coverage for employees, but a range of related products and services as well.

Last year, we testified in the House Health and Government Operations Committee on a virtually identical bill, and we took a position of favorable with amendments. Our amendments to that bill would have placed strict scrutiny by the Maryland Insurance Commissioner on the practices of PEOs, with particular emphasis on any damaging effect that might result by permitting PEOs to pierce the protections afforded small employers in Maryland in our Maryland small group insurance products.

We have now had another year to examine the practices of PEOs, and we believe the risk of such damage is unavoidable. Without blaming PEOs as a class of business, we believe that some of them have developed the ability to collect and use data on the health characteristics of small employers in the Maryland small group market. Those PEOs then choose to solicit only small employers who have positive health characteristics in their employee groups. This creates an unavoidable adverse selection problem – sometimes known as “cherry-picking” of health groups. **The inevitable result, over time, is that the overall health of the pool of covered individuals in Maryland small group declines. Rates will go up. And the public policy established when Maryland small group was created in 1993 will be irreparably damaged.**

NABIP MD members believe in promoting policies that give all of their clients more choices. Small employers in Maryland may, if they so desire, purchase either traditional small group coverage or health plans that incorporate different levels of self-funding. **Permitting PEOs to come into Maryland and place groups in health plans domiciled elsewhere and not subject to the protections of Maryland health insurance laws would be a mistake.** We are proud of the protections that the Maryland General Assembly put in place for small employers in 1993. We believe those protections should remain, and that our laws should not be changed to intentionally erode the value of our Maryland small group pool.

An additional concern for Maryland legislators is this: if persons insured through an out of state health plan offered by a PEO have a question or complaint that they wish to take to the Maryland Insurance Commissioner, **the Commissioner will be unable to effectively resolve the complaint.** The primary role of the Insurance Commissioner in our State is consumer protection; however, that responsibility cannot be fulfilled if our insurance regulator has no authority to do so.

In sum, NABIP MD members are firm in the desire to protect the Maryland small group health insurance market as an essential option for small employers who have offered this necessary protection for their employees for over 30 years. At last count, there were 227,000 individuals covered in the small group market. **We should not allow entities that are unregulated by our Maryland Insurance Commissioner to enter this market and select only healthy groups to insure. Such legislative policy would inevitably lead to adverse selection, spiraling costs and the ultimate demise of the traditional small group market in Maryland.**

For these reasons, we respectfully request an unfavorable report on House Bill 1472.

Very truly yours,

A handwritten signature in black ink that reads "Bryson Popham". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Bryson F. Popham

cc: NABIP Maryland Legislative Committee