



Chairwoman Heather Bagnall
House Health Committee
240 Taylor House Office Building
Annapolis, Maryland 21401

Re: Public Testimony in SUPPORT of HB 1472, WITH AMENDMENT

Chairwoman Bagnall,

Thank you for the opportunity to submit testimony in support of HB 1472, with amendment, which would provide Maryland small businesses with access to a professional employer organization's (PEO) fully-insured health plan.

Who is Insperity?

Founded in 1986, Insperity (NYSE: NSP) is a PEO and industry leader providing full-service HR solutions for small and mid-sized businesses. Nationally, Insperity serves more than 304,000 worksite employees across 46,000 small and mid-sized clients. Insperity has been conducting business as a PEO in Maryland since 1996 and today offers our services to roughly 3,700+ worksite employees in the state.

Insperity is also proudly recognized by the IRS as a certified professional employer organization, or CPEO. The CPEO program is a voluntary IRS-established program that certifies PEOs meeting strict financial, tax compliance, and background requirements.

What is a PEO?

PEOs provide comprehensive HR solutions for small and mid-sized businesses across three major pillars: HR, payroll, and benefits. Our mission is to help businesses succeed so that communities prosper.

Clients come to a PEO seeking a "one stop" solution to many of the unique challenges small business owners face. PEOs like Insperity provide these services to our clients through a long term, contractual arrangement wherein various employer responsibilities are allocated between the PEO and the client.

PEOs take on real employer obligations. For example, Insperity is the W-2 employer to the 304,000+ worksite employees in Maryland and across the nation; and submits payroll related taxes to the IRS under Insperity's EIN. But PEOs offer a much broader solution than just payroll. Insperity offers a world-class IT platform that removes burdens for our clients and allows them to focus on their core

competency and grow faster and retain employees at higher rates than businesses that do not use a PEO¹. To this point, many PEOs offer solutions which address:

- HR services.
 - PEOs offer a robust HR solution to our clients. These services can include, employee time-tracking, records and reports compliance, employee onboarding, talent acquisition and retention, employee training, culture development, PTO policies and procedures, employee handbooks/policies, unemployment administration, job description development, compliance assistance in the areas of workplace discrimination and family and medical leave, and many more.
- Employee benefits.
 - PEOs provide access to Fortune 500-level benefits like medical, dental and vision, short and long-term disability, life insurance, workers' compensation, EPLI, and 401K. PEOs take on the daily burden of administrating these, and other benefits, to allow our clients to thrive.

Do PEOs work with Brokers?

Yes, many PEOs like Insperity value their relationship with our broker partners. In brief, Insperity's broker program provides many benefits for our clients as well as the referring broker. When a broker refers a client to Insperity, they become part of a partnership that's designed for broker success. Brokers will gain access to referral revenue opportunities and more freedom to close new business, while clients gain access to exceptional employee benefits and a trusted HR partner in Insperity.

When a client is referred to Insperity by a broker, and becomes a client of Insperity, the broker has the opportunity to earn compensation through Insperity's broker program. This relationship increases the broker's total scope of solutions beyond traditional brokered benefits, and can expand their network of business relationships. Brokers also remain in contact with clients even when they grow across state lines.

What Does HB 1472 Do?

Maryland is just one of three states that prohibits small businesses (those that meet the definition of "small employer" under state law, which in Maryland means those with fewer than 50 employees) from allowing their employees access to a PEO's fully-insured health plan. HB 1472 would change state law to allow this option for the state's small employers.

What HB 1472 would not do is materially impact the existing state exchange, or small group market. PEOs have been operating in a manner that HB 1472 would allow, in some cases, for 40 years or longer. Opponents use sensational terms like "death spiral" to raise concerns that changing state law would mean the death of the state's small group market. Given the sheer number of decades that PEOs have been operating across 47 states, that position is not well-founded, and is not an accurate portrayal of what has factually transpired in states that allow their small businesses to make their own decisions about what health benefit plan may work best for their employees' needs.

¹ *The ROI of Using a PEO*, Laurie Bassi and Dan McMurrer. McBassie & Company, September 2019.

Healthcare costs are rising for many across the country, and opportunities for access to more affordable options should be opened, not closed.

To this point, we have heard from small businesses that due to the rising costs of their current options in Maryland, they are foregoing **any** health plan. This is not an outcome anyone should desire. We feel strongly that HB 1472 would open up additional options for quality coverage to more Maryland small businesses and their employees. PEO-sponsored health plans offer coverage through high-quality group insurance policies that are comprehensive, ACA-compliant, and licensed and approved by the appropriate state insurance regulator. As a result, employees enrolled in PEO plans are well protected and not exposed to so-called “junk” health coverage.

Please Amend HB 1472 Before Passage

Insperity, in review of HB 1472, would request the revision below to section 15-1206 of the proposed legislation. Insperity’s concern is that, as drafted, it is unclear what the word ‘additional’ means. ‘Additional’ costs to what? ‘Additional’ to other plans that we would not likely have immediate access to? ‘Additional’ to other services that the PEO may be providing? Insperity currently provides our clients with access to health plan costs, and making this surgical change would make this requirement clearer. We would be happy to support passage of HB 1472 with this amendment.

(I) A PROFESSIONAL EMPLOYER ORGANIZATION THAT ENTERS INTO AN AGREEMENT WITH A SMALL EMPLOYER TO PROVIDE A HEALTH BENEFIT PLAN SHALL DISCLOSE TO THE SMALL BUSINESS, IN WRITING:

(1) DETAILED INFORMATION ABOUT THE BENEFITS OFFERED IN THE HEALTH BENEFIT PLAN TO THE EMPLOYEES OF THE SMALL EMPLOYER THAT ARE COEMPLOYED BY THE PROFESSIONAL EMPLOYER ORGANIZATION;

(2) ANY ~~ADDITIONAL~~ COST TO THE SMALL EMPLOYER RELATED TO THE HEALTH BENEFIT PLAN;
AND

(3) THAT THE SMALL EMPLOYER MAY TERMINATE THE AGREEMENT WITH THE PROFESSIONAL EMPLOYER ORGANIZATION WITHIN 60 DAYS AFTER WRITTEN NOTICE OF TERMINATION OR EARLIER IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT.

Thank you for your consideration, and please feel welcome to contact me if you have any questions.

Justin T. Worrell

Managing Director, Governmental & Regulatory Affairs
Insperity
justin.worrell@insperity.com