

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 977 (Senator Hester, *et al.*)
 Finance and Budget and Taxation

Maryland Health Benefit Exchange - Funding for Small Business Insurance
 Subsidies and Outreach

This bill requires the Governor, beginning in fiscal 2022, to provide an annual general fund appropriation of \$17 million for the Maryland Health Benefit Exchange (MHBE), including \$15 million to fund subsidies in the Small Business Health Options Program (SHOP) and \$2 million to fund small business outreach activities for the SHOP Exchange. **The bill takes effect June 1, 2020, contingent on the passage of House Bill 1329 of 2020, which establishes a Small Business Health Insurance Subsidies Program.**

Fiscal Summary

State Effect: No effect in FY 2020 or 2021. General fund expenditures increase by \$17 million annually beginning in FY 2022 to provide the mandated appropriation. Special fund revenues and expenditures for MHBE increase correspondingly. **The bill establishes a mandated appropriation beginning in FY 2022.**

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	\$0	\$17.0	\$17.0	\$17.0	\$17.0
GF Expenditure	\$0	\$17.0	\$17.0	\$17.0	\$17.0
SF Expenditure	\$0	\$17.0	\$17.0	\$17.0	\$17.0
Net Effect	\$0.0	(\$17.0)	(\$17.0)	(\$17.0)	(\$17.0)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law:

Maryland Health Benefit Exchange

MHBE was created during the 2011 session to provide a marketplace for individuals and small businesses to purchase affordable health coverage. Through the Maryland Health Connection, Maryland residents can shop for health insurance plans, compare rates, and determine their eligibility for federal advanced premium tax credits (APTCs), cost-sharing reduction plans, and public assistance programs such as Medicaid.

MHBE also assists qualified employers in the State by facilitating the enrollment of their employees in qualified health plans (QHPs) in SHOP and their access to federal small business health care tax credits. MHBE has implemented a direct enrollment process whereby small employers and their brokers can enroll directly with insurance carriers. SHOP enrollment in Maryland has remained low, with 140 active groups and 748 covered lives as of December 2019. To qualify to purchase in SHOP, businesses must have between 1 and 50 full-time-equivalent employees, with all full-time employees offered coverage, and at least one enrolling in coverage who is neither an owner or business partner nor the spouse of the owner or business partner. Businesses must also have a physical business address in Maryland and either provide coverage through SHOP to all eligible employees who are principally employed in Maryland or provide coverage through SHOP to all eligible employees, wherever employed.

Small Business Health Care Tax Credit

The federal Patient Protection and Affordable Care Act includes a small business health care tax credit, which can benefit small employers who provide health coverage for their employees. The tax credit benefits employers who have fewer than 25 full-time-equivalent employees, pay an average wage of less than \$51,600 a year, and pay at least half of employee health insurance premiums. The credit percentage is 50% of employer-paid premiums; for tax-exempt employers, the percentage is 35%. Small employers may claim the credit for only two consecutive taxable years. The credit is phased out beginning when average wages equal \$25,800 and is fully phased out when average wages exceed \$51,600. The average wage phase out is adjusted annually for inflation. Generally, small employers are required to purchase a QHP from a SHOP to be eligible to claim the credit.

In contrast to APTCs, which can be received by an individual on a monthly basis or at the end of the tax year when the individual files his/her income tax return, the small business health care tax credit may only be received at the end of the year when an employer files taxes and is determined by the federal Internal Revenue Service.

Chapter 401 of 2019 authorized MHBE, in consultation with the Insurance Commissioner and as approved by the MHBE Board, to submit a State Innovation Waiver application for a federal Section 1332 waiver to allow the State to administer the federal small business health care tax credit to small businesses for monthly premium payments. The waiver application is expected to be filed in fall 2020.

State Fiscal Effect: General fund expenditures increase by \$17 million annually beginning in fiscal 2022 to provide the mandated appropriation. As the bill is contingent upon passage of House Bill 1329 of 2020, which establishes a Small Business Health Insurance Subsidies Program, this analysis assumes that MHBE special fund revenues and expenditures increase correspondingly to provide subsidies to small businesses and to conduct related outreach activities.

Small Business Effect: The bill provides funding for subsidies in SHOP, which assists small businesses that purchase health benefit plans through the SHOP Exchange afford coverage.

Additional Comments: House Bill 1329 of 2020, among other things, requires MHBE to establish and implement a Small Business Health Insurance Subsidies Program to provide subsidies to qualified employers for the purchase of health insurance plans offered on the SHOP Exchange. That bill contains additional funding provisions.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 930 (Delegates R. Lewis and Lierman) - Health and Government Operations.

Information Source(s): Department of Budget and Management; Maryland Health Benefit Exchange; Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2020
rh/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510