



Health Insurance Partnership

Enrollment Update

January 1, 2011

Introduction

During the 2007 Special Session, Governor O'Malley proposed and the General Assembly enacted legislation to extend medical coverage to more than 100,000 uninsured Marylanders – including low income adults and children. The Working Families and Small Business Health Coverage Act, which became effective on July 1, 2008, created the Health Insurance Partnership, which assists small businesses in purchasing health insurance for their employees. The Partnership is specifically targeted at reducing the number of uninsured individuals in Maryland by providing subsidies to small, low to moderate wage firms with fewer than ten employees that have not been providing group insurance to their employees. The Maryland Health Care Commission is responsible for administering the Partnership in conjunction with four of the largest carriers in Maryland: Aetna, CareFirst BlueCross BlueShield, Coventry Health Care, and UnitedHealthcare.

This report, the third annual enrollment update since the inception of the program, provides detailed information about the Partnership.

Characteristics of the Participants in the Health Insurance Partnership

To qualify for a premium subsidy under the Partnership, the business must not have offered health insurance to its employees in the prior twelve months and must employ at least 2 and no more than 9 eligible employees at the time of initial application. Eligible employee means an individual who is not a temporary, seasonal, or substitute employee and works 30 hours or more per week. Independent contractors who work at least 30 hours per week and whom the employer chooses to insure also are counted as eligible employees. Moreover, owners and partners working at least 30 hours per week at the business count as eligible employees.

Enrollment: Enrollment in this innovative program began on October 1, 2008. As of mid-December 2010, the Partnership has enrolled 315 businesses, with 892 participating employees and 1,468 covered lives. This enrollment increased about 40 percent since December 2009. Table 1 summarizes the current enrollment in the Partnership. Tables 3 and 4 at the end of the report provide an overview of the Partnership enrollment by county and region in Maryland. Of the 1,265 full-time eligible employees, 892 actually enrolled in the program. Other eligible employees not insured through the Partnership might be covered by spousal insurance, individual market insurance, or public programs.

Firm size: The average group size of the firms enrolled in the Partnership is 4.0 full-time employees (a similar statistic from 2009). One-third of these businesses have only two employees.

Age of participants: The average age of the employees enrolled in the Partnership is 39 (up from 38 in 2009).

Wages: The subsidy allotted to each business is determined in part by the average wage of the group. The average wage of the businesses enrolled in the Partnership has remained stable throughout the three years of this program, at approximately \$28,000.

Table 1: Partnership Enrollment for December 2010

Small Business Subsidy Program	Dec 2010
Number of Participating Employers	315
Number of Participating Employees	892
Number of Covered Individuals	1,468
Average Annual Premium Subsidy per covered individual	\$1,452
Total Annual Subsidy for existing participants	\$2,138,086

Coverage of dependents: Any full-time employee who obtains health insurance through an eligible small employer's benefit plan may receive a subsidy toward the cost of employee-only coverage. A full-time employee seeking an additional subsidy for dependent coverage (spouse and/or children) must have a family income of less than \$75,000. About two-thirds of the employees enrolled in the Partnership have employee-only coverage. Of the remaining enrolled employees taking dependent coverage, 212 receive the employee-only subsidy amount, indicating that their family adjusted gross income is more than \$75,000.

Amount of the Premium Subsidy

The subsidy per employee depends on the health insurance coverage chosen and the average annual wage of the business. The premium subsidy can be up to 50% of the premium for each participating employee, not to exceed a maximum amount set by the Commission. Each year, the Commission publishes a subsidy table on the Commission's website showing the maximum subsidy amount for different types of coverage (employee-only, employee plus child, employee plus spouse, and family) and different average annual wage amounts. Table 2 illustrates the maximum subsidies allowed under the Partnership based on the average wage of a business.

Table 2
Abbreviated Maximum Subsidy Amounts

Average wage	Employee only	Employee + child(ren)	Employee + spouse	Family
≤ \$30,000	\$2,500	\$3,750	\$5,000	\$6,250
\$35,001	\$1,786	\$2,678	\$3,571	\$4,464
\$40,001	\$1,190	\$1,785	\$2,381	\$2,976
\$45,001	\$595	\$892	\$1,190	\$1,488
\$50,001	\$0	\$0	\$0	\$0

The full Maximum Subsidy Table is available at <http://mhcc.maryland.gov/partnership>

Effective October 1, 2009, the Commission increased the maximum allowable subsidies by approximately 25% to bring the subsidy in line with premium increases. The Commission also raised the maximum average group wage eligible for a full subsidy from \$25,000 to \$30,000. These changes were designed to increase the appeal of the Partnership program to small businesses not currently offering a health benefit and to assist in retaining current participants. As a result of these changes, the average annual subsidy per covered employee is almost \$2,400, an increase of nearly 20% from 2009. Due to the state budget deficit, there were no adjustments to the subsidy amounts or the eligibility requirements in 2010.

When an employer purchases a group policy that combines a high deductible health plan with a tax-advantaged Health Savings Account (HSA), any planned employer contribution to an employee's HSA is treated as an additional employer contribution to the premium when calculating the subsidy. About 82% of the policies issued under the Partnership are HSA compatible plans, down from 94% in 2009.

Challenges

A key challenge with any new program is facilitating awareness among the target population. The Commission aggressively publicized the program during its first year through meetings with small businesses, through media appearances, and through partnerships with key stakeholder groups such as the National Federation of Independent Businesses (NFIB) and the Maryland Chamber of Commerce, along with publications of Partnership Updates and Press Releases. One of the most successful and effective continuing efforts is the Partnership's website (<http://mhcc.maryland.gov/partnership>), which includes useful educational materials for

employers, brokers, carriers, and third party administrators. The Commission also participates in Minority Business Enterprise (MBE) Workshops by presenting an overview of the Partnership to qualifying small businesses.

In spite of these outreach efforts, take-up continues to be slow, mainly due to the current state of the economy, which poses particular challenges for small businesses, and the continued uncertainty about the Partnership's future. However, most participating businesses continue to renew their policies, and some new businesses enroll each month.

The federal Affordable Care Act (ACA) enacted in 2010 provides qualifying small businesses with a small business health insurance tax credit of up to 35 % of the premium paid by the employer, increasing to 50% in 2014. Eligibility rules for the federal tax credit program are very similar to those of the Maryland subsidy, except that the Maryland subsidy is available only to employers who have not offered coverage in the past 12 months, the federal tax credit is available only to employers who pay at least 50% of the premium, and employees and wages are counted somewhat differently in the two programs. For purposes of calculating the federal tax credit, the state subsidy is counted as an employer contribution, so some small, low-wage firms could see their cost of insurance reduced by up to 80% by the combination of state subsidy and federal tax credit. Despite the enactment of the federal tax credit, there has not yet been an increase in the rate of new enrollment in the Partnership program. Since the federal tax credit is available to these small, low wage employers currently offering insurance, the credit does make it more affordable for these businesses to continue offering insurance coverage.

In conclusion, businesses are also unlikely to begin offering insurance unless economic conditions improve and thus the Partnership expects only continuing modest growth in 2012.

**Table 3: Health Insurance Partnership
Enrollment by County**
As of 12/16/2010

County	Number Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
ALLEGANY	7	16	26	\$43,233
ANNE ARUNDEL	22	58	105	\$143,713
BALTIMORE CITY	22	65	102	\$138,288
BALTIMORE COUNTY	39	99	181	\$264,195
CALVERT	5	8	14	\$22,890
CAROLINE	2	13	19	\$31,015
CARROLL	10	29	41	\$61,486
CECIL	4	15	19	\$31,774
CHARLES	6	21	30	\$47,776
DORCHESTER	6	22	30	\$48,525
FREDERICK	20	52	86	\$126,391
GARRETT	3	10	11	\$22,668
HARFORD	16	46	95	\$126,576
HOWARD	8	27	34	\$63,757
KENT	4	10	16	\$21,613
MONTGOMERY	40	128	188	\$268,573
PRINCE GEORGE'S	22	64	106	\$122,124
QUEEN ANNE'S	7	12	27	\$41,024
ST. MARY'S	3	14	23	\$40,902
SOMERSET	2	3	5	\$9,686
TALBOT	6	22	31	\$43,596
WASHINGTON	20	54	97	\$144,734
WICOMICO	24	57	102	\$150,904
WORCESTER	17	47	80	\$122,645
Total	315	892	1,468	\$2,138,086

**Table 4: Health Insurance Partnership
Enrollment by Region in Maryland
As of 12/16/2010**

REGIONS	Number of Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
BALTIMORE METROPOLITAN	107	295	517	\$736,528
EASTERN SHORE	72	201	329	\$500,781
SOUTHERN MARYLAND	14	43	67	\$111,568
WASHINGTON METROPOLITAN	62	192	294	\$390,697
WESTERN MARYLAND	60	161	261	\$398,512
Total	315	892	1,468	\$2,138,086