



# Health Insurance Partnership

## *Enrollment Update*

Prepared by the  
Maryland Health Care Commission

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## **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, (effective 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 sixth 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 group 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. Owners and partners working at least 30 hours per week count as eligible employees, as do independent contractors who work at least 30 hours per week if the employer chooses to insure them.

**Enrollment:** Enrollment in this innovative program began on October 1, 2008. As of late December 2013, the Partnership has enrolled 423 businesses. More than 1,200 of their employees are participating, covering almost 2,000 individuals overall. These enrollment figures have increased incrementally over the past five years. Of the 1,700 full-time eligible employees, about 1,200 (70%) actually enrolled in the Program (a similar statistic over the past 2 years). Other eligible employees not insured through the Partnership might be covered by spousal insurance, individual market insurance, or public programs. 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.

**Table 1: Partnership Enrollment and Cost as of December 2013**

Small Business Subsidy Program	Dec 2012
Number of Participating Employers	423
Number of Participating Employees	1,205
Number of Covered Individuals	1,951
Average Annual Premium Subsidy per covered individual	\$1,484
Total Annual Subsidy for existing participants	\$2,894,322

**Firm size:** The average group size of the firms enrolled in the Partnership is 4.1 full-time employees. One-third of these businesses have only two employees, and about 47% have between 3 and 5 employees. These statistics have remained relatively constant between 2011 and 2013.

**Age of participants:** The average age of the employees enrolled in the Partnership is 41. The average age has remained relatively constant throughout the duration of the Program. About 11% of employees are 25 or younger (up from 9% in 2012); 39% are between the ages of 26 and 39 (nominal change from 2012); 21% are age 40 to 49 (down from 23% in 2012); and 29% are age 50 or older (nominal change from 2012).

**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 existence of this Program, between \$27,500 and \$28,500. Approximately 55% of the businesses have a group average wage of \$30,000 or less (nominal change from 2012); about 31% have average wages between \$30,000 - \$40,000 (down from 32% from 2012); and about 14% have wages averaging between \$40,000 - \$50,000 (up from 11% in 2012).

With regard to annual wages of enrolled employees, (including incomes of owners, partners, or spouses), approximately 42% earn \$30,000 per year or less (down from 45% in 2012); about 26% earn between \$30,000 - \$40,000 (nominal change in 2012); almost 21% earn between \$40,000 - \$50,000 (up from 18% in 2012); and 11% have wages or income of \$50,000 or more per year (no change from 2012).

**Coverage of dependents:** Employees who obtain health insurance through an eligible small employer's health benefit plan may receive a subsidy toward the cost of employee-only coverage. However, employees who enroll and seek an additional subsidy for dependent

coverage (spouse and/or children) must have a family adjusted gross income of less than \$75,000. About 850 of the employees enrolled in the Partnership have employee-only coverage. Of the remaining 355 enrolled employees taking dependent coverage, only 25 received a subsidy for dependent coverage, while 330 (or about 94%) receive the employee-only subsidy amount, indicating that their family adjusted gross income is more than \$75,000. This data have remained relatively the same throughout the Program.

**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. The Commission publishes a subsidy table on the Partnership website showing the maximum annual 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>

When an employer purchases a group policy that combines a high deductible health plan with a tax-advantaged Health Savings Account (HSA), any promised employer contribution to an employee’s HSA is treated as additional employer contribution to the premium when calculating the subsidy. In 2013, about 47% of the policies issued under the Partnership are high deductible HSA compatible plans, and employers are promising HSA contributions in 40% of those plans. These data have decreased significantly since the onset of the Program. The main reasons for the decline are: 1) the slow economic recovery which impacts a small business significantly; and 2) the offering by carriers and the selection by employers of health benefit plans offered with a Health Reimbursement Arrangement (HRA) option. An HRA can be more appealing to a small

business owner since the employer rather than then employee is the custodian of the HRA, even though there are tax advantages for both the employer and the employees under an H.S.A.

### **Impact of Federal Health Reform on the Health Insurance Partnership**

The Affordable Care Act (ACA) enacted in 2010 provides qualifying small businesses with a small business health insurance tax credit for tax years 2010 – 2013 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, while the federal tax credit is available only to employers who pay at least 50% of the premium, and counts employees and wages somewhat differently. 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 the cost of their insurance reduced by up to 80% through the combination of a state subsidy and a federal tax credit. Despite the availability of the federal tax credit to make the continued offering of insurance more affordable, there has been very low take up nationally.

The Small Business Health Options Programs (SHOP) through Maryland Health Connection, will offer a federal tax credit for qualifying employers, thus eliminating the need for the current Health Insurance Partnership. To minimize disruption in the small group market, the Maryland Health Care Commission developed a transition plan whereby the Partnership will close to new entrants effective January 1, 2014. However, employers enrolled in the Partnership prior to January 1, 2014 will continue to be eligible for a state premium subsidy until their policies expire on or before December 31, 2014.

Since open enrollment in Maryland's SHOP Exchange is deferred until April 1, 2014 (and coverage deferred until June 1, 2014), small businesses currently enrolled in the Health Insurance Partnership with renewal dates between January 1, 2014 through May 31, 2014 may not have access to federal tax credits if they purchase group coverage outside the SHOP Exchange. Therefore, the Partnership program will remain open to qualifying subsidy renewal groups until coverage begins under Maryland's SHOP Exchange.

Participating carriers will be allowed to offer ACA-compliant plans to employer groups currently enrolled through the Health Insurance Partnership, as long as long as those ACA-compliant plans include cost-sharing arrangements (deductibles, copayments, and coinsurance) that are equivalent to or better than the cost sharing required in a CSHBP base plan sold without riders. This requirement will help ensure that these product offerings remain in conformance with the CSHBP regulations (COMAR 31.11. 06) governing the current small group market.

**Table 3: Health Insurance Partnership  
Enrollment by County**  
*As of 12/30/2013*

<b>County</b>	<b>Number Employers</b>	<b>Number Employees Enrolled</b>	<b>Covered Lives</b>	<b>Annual Subsidy</b>
ALLEGANY	9	30	39	\$67,687
ANNE ARUNDEL	34	98	175	\$264,421
BALTIMORE CITY	35	90	126	\$198,936
BALTIMORE COUNTY	52	143	243	\$310,340
CALVERT	3	5	10	\$18,810
CAROLINE	6	27	42	\$66,723
CARROLL	10	28	41	\$70,878
CECIL	5	16	34	\$35,485
CHARLES	5	12	17	\$32,522
DORCHESTER	5	12	18	\$23,848
FREDERICK	26	64	117	\$163,718
GARRETT	3	11	12	\$24,048
HARFORD	33	90	151	\$248,795
HOWARD	15	44	58	\$96,528
KENT	4	10	13	\$19,541
MONTGOMERY	50	160	245	\$331,307
PRINCE GEORGE'S	27	86	160	\$178,891
QUEEN ANNE'S	13	22	42	\$71,493
ST. MARY'S	4	23	30	\$57,976
SOMERSET	4	7	15	\$24,596
TALBOT	8	25	32	\$54,250
WASHINGTON	11	33	67	\$100,204
WICOMICO	34	102	170	\$250,418
WORCESTER	27	67	94	\$182,907
<b>Total</b>	<b>423</b>	<b>1,205</b>	<b>1,951</b>	<b>\$2,894,322</b>

**Table 4: Health Insurance Partnership  
Enrollment by Region in Maryland**  
*As of 12/30/2013*

<b>REGIONS</b>	<b>Number of Employers</b>	<b>Number Employees Enrolled</b>	<b>Covered Lives</b>	<b>Annual Subsidy</b>
<b>BALTIMORE METROPOLITAN</b>	169	465	753	\$1,119,020
<b>EASTERN SHORE</b>	106	288	460	\$729,262
<b>SOUTHERN MARYLAND</b>	12	40	57	\$109,307
<b>WASHINGTON METROPOLITAN</b>	77	246	405	\$510,198
<b>WESTERN MARYLAND</b>	59	166	276	\$426,535
<b>Total</b>	<b>423</b>	<b>1,205</b>	<b>1,951</b>	<b>\$2,894,322</b>