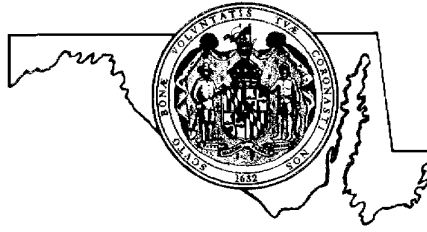


STATE OF MARYLAND

Craig P. Tanio, M.D.
CHAIR



Ben Steffen
EXECUTIVE DIRECTOR

MARYLAND HEALTH CARE COMMISSION

4160 PATTERSON AVENUE – BALTIMORE, MARYLAND 21215
TELEPHONE: 410-764-3460 FAX: 410-358-1236

January 13, 2015

The Honorable Martin O'Malley
Governor
State of Maryland
Annapolis MD 21401-1991

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
H-107 State House
Annapolis MD 21401-1991

The Honorable Michael E. Busch
Speaker of the House
H-101 State House
Annapolis MD 21401-1991

**Re: Uncompensated Care Savings from the Health Insurance Partnership
As required under Insurance Article § 15-12A-05, Annotated Code of Maryland**

Dear Governor O'Malley, President Miller and Speaker Busch:

In accordance with § 2-1246 of the State Government Article, the Maryland Health Care Commission is issuing this letter to report on the uncompensated care savings derived from the Health Insurance Partnership premium subsidy program and the methodology used by the Commission to track the uncompensated care savings.

The Commission estimates the savings in averted hospital uncompensated care resulting from the Health Insurance Partnership at \$20,020 for FY 2014. Total premiums paid were approximately \$1,379,115. Total subsidies paid were approximately \$466,551.

MHCC derived the estimated savings from total premiums by applying the following assumptions:

- the small group market medical loss ratio is 78%;
- the share of total personal health expenditures for hospital care is 37%;
- the proportion of covered lives in the Partnership who were previously uninsured is approximately 5% (based on responses on the Partnership employee enrollment applications).

Please do not hesitate to contact me at 410.764.3565, if you have any questions about this letter.

Sincerely,

A handwritten signature in black ink that reads "Ben Steffen".

Ben Steffen
Executive Director

cc: Carolyn Quattrocki
Ms. Sarah Albert (5 copies)



Health Insurance Partnership

Enrollment Update

Prepared by the
Maryland Health Care Commission

January 1, 2015

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. Senate Bill 6 (SB 6), 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 the major carriers in Maryland: Aetna/Coventry, CareFirst BlueCross BlueShield, and UnitedHealthcare.

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

Impact of the Affordable Care Act (ACA) on Maryland's Small Employers and 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, and applies to group plans purchased through the Small Business Health Options Programs (SHOP). Maryland chose not to build a SHOP exchange but did receive federal authorization to offer a federal tax credit to qualifying small employers that purchased group coverage outside the Exchange thus eliminating the need for a state subsidy through the Health Insurance Partnership. As a result, Maryland established a process referred to as “direct enrollment” whereby small employers utilize the services of a SHOP-authorized broker for assistance in purchasing a SHOP-certified plan through the direct enrollment process. SHOP Employer Paper Applications are submitted to Maryland Health Connection to determine eligibility for group coverage and qualification for a federal tax credit.

To minimize disruption in the small group market, the Maryland Health Care Commission developed a transition plan whereby the Partnership was closed to new entrants effective January 1, 2014. However, employers enrolled in the Partnership prior to January 1, 2014 remained eligible for a state premium subsidy until their policies expired on or before December 31, 2014. Since the SHOP Direct Enrollment Program was deferred until April 1, 2014 (and coverage deferred until June 1, 2014), small businesses enrolled in the Health Insurance Partnership with renewal dates between January 1, 2014 through May 31, 2014 did not have access to federal tax

credits since there was no operational SHOP Exchange in Maryland. The O'Malley Administration requested that the Maryland Health Care Commission keep the Partnership program open to qualifying subsidy renewal groups until coverage began through Maryland Health Connection on June 1, 2014. MHCC expects to continue to pay state premium subsidies to employers that participate in the program through May 2015 with the last employer expected to transition to the SHOP Exchange for coverage effective June 1, 2015.

Throughout 2014, participating carriers were allowed to offer ACA-compliant plans to employer groups currently enrolled through the Health Insurance Partnership as long as those ACA-compliant plans included cost-sharing arrangements (deductibles, copayments, and coinsurance) that were equivalent to or better than the cost sharing required in a CSHBP base plan sold without riders. This requirement was imposed to ensure that these product offerings remained in conformance with the CSHBP regulations (COMAR 31.11.06) governing the current small group market, which now only applies to grandfathered health benefit plans.

Beginning with the first year of implementation (2008) through 2013, the Health Insurance Partnership experienced incremental growth in enrollment. However, the availability of SHOP-certified plans through the direct enrollment process with federal tax credits for qualifying small employers resulted in the phase-out of the Partnership, causing a significant decline in enrollment in this state subsidy program by the end of 2014, as indicated in the following sections of this report.

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 year-end 2014, enrollment in the Partnership was as follows: 70 businesses; 184 enrolled employees; 318 covered lives. Of the 301 full-time eligible employees, 184 (more than 60%) actually enrolled in the Program. The 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 and costs in the Partnership, compared to prior years. Tables 3 and 4 at the end of the report provide a 2014 overview of the Partnership enrollment by county and region in

Maryland. As stated earlier in the report, declines in coverage by year-end 2014 compared to prior years can be attributed to the phase-out of this state subsidy program, which began on June 1, 2014. Another cause could be higher small employer premiums for ACA-compliant plans required beginning in 2014. In addition, several small employers chose not to renew their group policies and sent their employees to the individual exchange where they might qualify for a premium tax credit or other cost sharing subsidies.

Table 1: Partnership Enrollment and Costs: 2008 - 2014

	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
Number of Participating Employers	79	221	315	370	425	423	70
Number of Participating Employees	246	646	892	1,066	1,171	1,205	184
Number of Covered Individuals	404	1,050	1,468	1,805	1,932	1,951	318
Average Annual Premium Subsidy per Covered Individual	\$1,135	\$1,232	\$1,452	\$1,397	\$1,482	\$1,484	\$1,467
Total Annual Subsidy for existing participants	\$458,534	\$1,293,484	\$2,138,086	\$2,521,270	\$2,863,097	\$2,894,322	\$466,551

Firm size: The average group size of the firms enrolled in the Partnership is 4.3 full-time employees. Almost 36 percent of these businesses have only two employees, almost 39% have between 3 and 5 employees; and about 25% have 6 or more employees.

Age of participants: The average age of the employees enrolled in the Partnership is 42. The average age has remained relatively constant throughout the duration of the Program. About 8% of employees are 25 or younger (down from 11% in 2013); 38% are between the ages of 26 and 39 (nominal decline from 2013); 22% are age 40 to 49 (up from 21% in 2013); and 33% are age 50 or older (up from 29% 2013).

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 remained stable from 2008 through 2013, (between \$27,500 and \$28,500); however, in 2014, the average wage was between \$28,500 and \$29,500. Approximately 54% of the businesses have a group average wage of \$30,000 or less (nominal change from 2013); about 31% have average wages between \$30,000 - \$40,000 (no change from 2013); and about 14% have wages averaging between \$40,000 - \$50,000 (no change from 2013).

With regard to annual wages of enrolled employees, (including incomes of owners, partners, or spouses), approximately 38% earn \$30,000 per year or less (down from 42% in 2013); almost 30% earn between \$30,000 - \$40,000 (up from 26% in 2013); about 22% earn between \$40,000 - \$50,000 (nominal change from 2013); and almost 10% have wages or income of \$50,000 or more per year (slight decline from 2013).

Coverage of dependents: Employees who obtain health insurance through an eligible small employer's health benefit plan may receive a state 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. It is important to note all ACA-compliant plans offered as of January 1, 2014 must include premiums calculated on a member level (i.e., individual) rating method, rather than the current composite rating method (i.e., based on the average age, geographic location, and family composition of the group). Therefore, beginning in 2014, only two tiers of coverage (individual and family) are available instead of four tiers (employee; employee plus spouse; employee plus child; family). As a result, about two thirds of the employees enrolled in the Partnership had employee-only coverage in 2014. Of the remaining one third enrolled employees with family coverage, only one enrolled employee qualified for the full family subsidy amount, indicating that all other enrolled employees purchasing family coverage only qualified for the employee-only subsidy amount because they had a family adjusted gross income of 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. Table 2 illustrates the maximum subsidies allowed under the Partnership in 2014, based on the average wage of a business.

Table 2
Abbreviated Maximum Subsidy Amounts: 2014

Average Wage	Employee only	Family
≤ \$30,000	\$2,500	\$6,250
\$35,001	\$1,786	\$4,464
\$40,001	\$1,190	\$2,976
\$45,001	\$595	\$1,488
\$50,001	\$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. As of year-end 2014, about 94% of the enrolled employees (173 out of 184) purchased high deductible HSA compatible plans, and employers are promising HSA contributions in 9% of those plans. The employer commitment to an employee's HSA has 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 the employee is the custodian of the HRA, even though there are tax advantages for both the employer and the employees under an HSA.

**Table 3: Health Insurance Partnership
Enrollment by County
As of Year-End 2014**

County	Number Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
ALLEGANY	1	4	5	\$5,889
ANNE ARUNDEL	8	27	51	\$62,007
BALTIMORE CITY	8	18	26	\$43,187
BALTIMORE COUNTY	8	22	36	\$57,354
CALVERT	1	1	3	\$4,167
CAROLINE	1	3	8	\$9,913
CARROLL	3	6	12	\$21,750
CECIL	0	0	0	\$0
CHARLES	1	1	1	\$2,500
DORCHESTER	1	1	4	\$6,250
FREDERICK	5	10	14	\$28,786
GARRETT	1	3	3	\$3,658
HARFORD	3	8	18	\$15,106
HOWARD	3	7	12	\$21,654
KENT	0	0	0	\$0
MONTGOMERY	10	28	53	\$86,690
PRINCE GEORGE'S	3	8	16	\$8,411
QUEEN ANNE'S	1	4	7	\$7,858
ST. MARY'S	1	1	1	\$2,500
SOMERSET	0	0	0	\$0
TALBOT	1	1	1	\$2,500
WASHINGTON	1	4	5	\$5,237
WICOMICO	5	16	24	\$36,760
WORCESTER	4	11	18	\$34,374
Total	70	184	318	\$466,551

**Table 4: Health Insurance Partnership
Enrollment by Region in Maryland**
As of Year-End 2014

REGIONS	Number of Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
BALTIMORE METROPOLITAN	30	82	143	\$199,308
EASTERN SHORE	14	37	63	\$100,155
SOUTHERN MARYLAND	2	2	4	\$6,667
WASHINGTON METROPOLITAN	13	36	69	\$95,101
WESTERN MARYLAND	11	27	39	\$65,320
Total	70	184	318	\$466,551