



Health Insurance Partnership

Final Report

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. Senate Bill 6 (SB 6), the Working Families and Small Business Health Coverage Act, (effective July 1, 2008), created the Health Insurance Partnership (“Partnership”) to assist small businesses in purchasing health insurance for their employees. The Partnership’s main objective was to reduce the number of uninsured individuals in Maryland by providing subsidies to small, low-to-moderate wage firms with fewer than ten employees that had not been providing group insurance to their employees. The Maryland Health Care Commission (MHCC) was charged with administering the Partnership in conjunction with the major carriers in Maryland: Aetna/Coventry, CareFirst BlueCross BlueShield, and UnitedHealthcare.

This eighth and final report on program, provides detailed information on enrollment in the Partnership since its inception in 2008 through May 2015 when it closed.

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.

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 Commission keep the Partnership program open to qualifying

subsidy renewal groups until coverage began through Maryland Health Connection on June 1, 2014. MHCC continued paying state premium subsidies to employers enrolled in the Partnership through May 2015, when the last employer groups phased out of this program with the option to transition to the SHOP Exchange for coverage. HB 759 (2015) repeals the Health Insurance Partnership effective June 1, 2016.

Beginning with the first year of implementation (2008) through 2013, the Health Insurance Partnership experienced incremental growth in enrollment. However, with the availability of SHOP-certified plans with federal tax credits for qualifying small employers, a phase-out of the Partnership began in 2014 and continued through May, 2015 when coverage for the final renewing groups expired. Yearly enrollment and premium statistics are outlined 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. From January 2014 through May 2015, as the Partnership was phasing-out, enrollment steadily declined on a monthly basis so that by May, 2015, enrollment in the Partnership was as follows: 18 businesses; 42 enrolled employees; 74 covered lives. Of the 60 full-time eligible employees, 42 (70%) 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 enrollment and costs in the Partnership from its first full year of implementation (2008) through its last full month of enrollment in May 2015. Tables 3 and 4 at the end of the report provide a final overview of the Partnership enrollment by county and region in Maryland. As stated earlier in the report, declines in coverage in 2014 and 2015 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 - 2015

	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015
Number of Participating Employers	79	221	315	370	425	423	70	18
Number of Participating Employees	246	646	892	1,066	1,171	1,205	184	42
Number of Covered Individuals	404	1,050	1,468	1,805	1,932	1,951	318	74
Average Annual Premium Subsidy per Covered Individual	\$1,135	\$1,232	\$1,452	\$1,397	\$1,482	\$1,484	\$1,467	\$1,723
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	\$127,498

Firm size: The average group size of the firms enrolled in the Partnership during the final month of enrollment was 3.3 full-time employees. More than 38% of these businesses had only two employees, almost 45% had between 3 and 5 employees; and fewer than 17% had 6 or more employees. Average firm size remained relatively constant throughout the lifetime of the Partnership.

Age of participants: In 2015, the average age of the employees enrolled in the Partnership was 40, down from an average of 41 - 42 percent in prior years. More than 7% of employees were 25 or younger (down slightly from 2014); 42.5% were between the ages of 26 and 39 (up from 38% in 2014); 30% were age 40 to 49 (up from 22% in 2014); and 25% were age 50 or older (down from 30% in 2014).

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); in 2014, wages increased (between \$28,500 and \$29,500), but dropped to \$23,775 by mid-2015 when the program ended. With regard to annual wages of enrolled employees, (including incomes of owners, partners, or spouses), in 2015 approximately 52% earned \$30,000 per year or less; almost 29% earned between \$30,000 -

\$40,000; about 17% earned between \$40,000 - \$50,000; and only 2.4% had wages or income of \$50,000 or more per year.

Coverage of dependents: Employees who obtained health insurance through an eligible small employer’s health benefit plan may have received a state subsidy toward the cost of employee-only coverage. However, enrollees who sought an additional subsidy for dependent coverage (spouse and/or children) needed 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 included premiums calculated on a member level (i.e., individual) rating method, rather than the composite rating method (i.e., based on the average age, geographic location, and family composition of the group). Therefore, beginning in 2014 and through 2015, only two tiers of coverage (individual and family) were available instead of four tiers (employee; employee plus spouse; employee plus child; family). As a result, almost two-thirds of the employees enrolled in the Partnership had employee-only coverage in 2014 and 2015. Of the remaining one-third enrolled employees with family coverage, none of the enrolled employees qualified for the full family 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>

**Table 3: Health Insurance Partnership
Enrollment by County
As of Year-End 2015**

County	Number Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
ALLEGANY	0	0	0	\$0
ANNE ARUNDEL	2	4	7	\$8,538
BALTIMORE CITY	3	9	12	\$20,879
BALTIMORE COUNTY	3	9	14	\$23,886
CALVERT	0	0	0	\$0
CAROLINE	1	3	8	\$9,913
CARROLL	1	1	1	\$2,166
CECIL	0	0	0	\$0
CHARLES	0	0	0	\$0
DORCHESTER	1	1	4	\$6,250
FREDERICK	0	0	0	\$0
GARRETT	0	0	0	\$0
HARFORD	0	0	0	\$0
HOWARD	1	1	1	\$2,500
KENT	0	0	0	\$0
MONTGOMERY	2	8	16	\$31,283
PRINCE GEORGE'S	0	0	0	\$0
QUEEN ANNE'S	0	0	0	\$0
ST. MARY'S	0	0	0	\$0
SOMERSET	0	0	0	\$0
TALBOT	1	1	1	\$2,500
WASHINGTON	0	0	0	\$0
WICOMICO	2	3	8	\$15,004
WORCESTER	1	2	2	\$4,578
Total	18	42	74	\$127,498

**Table 4: Health Insurance Partnership
Enrollment by Region in Maryland
As of Year-End 2015**

REGIONS	Number of Employers	Number Employees Enrolled	Covered Lives	Annual Subsidy
BALTIMORE METROPOLITAN	9	23	34	\$55 ,803
EASTERN SHORE	6	10	23	\$38,245
SOUTHERN MARYLAND	0	0	0	\$0
WASHINGTON METROPOLITAN	2	8	16	\$31,283
WESTERN MARYLAND	1	1	1	\$2,166
Total	18	42	74	\$127,498