

**Department of Legislative Services**  
 Maryland General Assembly  
 2022 Session

**FISCAL AND POLICY NOTE**  
**First Reader - Revised**

Senate Bill 632  
 Finance

(Senator Hester, *et al.*)

**Maryland Health Benefit Exchange – Small Business and Nonprofit Health Insurance Subsidies Program**

This bill requires the Maryland Health Benefit Exchange (MHBE), in consultation with the Insurance Commissioner and as approved by the MHBE Board, to establish and implement a Small Business and Nonprofit Health Insurance Subsidies Program to provide subsidies to qualified employers and their employees for the purchase of qualified health benefit plans (QHPs) on the exchange. Subject to available funds, in fiscal 2023 through 2029, MHBE may designate funds from the MHBE Fund to be used for the program. No more than \$45.0 million in annual subsidies may be provided in calendar 2024 through 2028, and \$3.0 million may be spent annually in small business outreach activities. By January 1, 2023, MHBE must adopt regulations implementing the program. MHBE must track specified information about the program, which must be posted on the MHBE website, included in the MHBE annual report, and reported to specified committees of the General Assembly by December 1, 2028. **The bill terminates September 30, 2029.**

**Fiscal Summary**

**State Effect:** If federal funds are available, MHBE special fund revenues and expenditures increase by \$25.5 million in FY 2024, \$48.0 million in FY 2025 through 2028, and \$22.5 million in FY 2029 for subsidies and outreach. Special fund expenditures further increase by \$350,000 in FY 2023, and \$125,000 in FY 2024 through 2029, for information technology changes that can likely be absorbed within existing budgeted resources (thus, these amounts are not shown below). General fund revenues are affected to the extent reversions are lower than they otherwise would be.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
SF Revenue	\$0	\$25,500,000	\$48,000,000	\$48,000,000	\$48,000,000
SF Expenditure	-	\$25,500,000	\$48,000,000	\$48,000,000	\$48,000,000
Net Effect	\$(-)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** Meaningful.

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## **Analysis**

**Bill Summary:** “Qualified employer” means an employer with fewer than 25 full-time equivalent (FTE) employees and includes a nonprofit organization employer with fewer than 25 FTE employees.

The program must be designed to reduce the amount that qualified employers and their employees pay for qualified health benefit plans on the exchange. MHBE, in consultation with the Insurance Commissioner and as approved by the MHBE Board, must establish eligibility and payment parameters for the program.

The purpose and allowed uses of the MHBE Fund are expanded to include providing funding for the establishment and operation of the program. The MHBE Fund includes any federal funds available to provide health insurance subsidies to qualified small businesses and nonprofit employers and their employees in the State, including funds from the federal American Rescue Plan Act of 2021 (ARPA). The MHBE Board must maintain a separate account within the fund for the program. Administration and operation of the program may include functions delegated by MHBE to a third party.

**Current Law:** 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, cost-sharing reduction plans, and public assistance programs such as Medicaid. MHBE is funded in part from a mandated \$35.0 million diversion of premium tax revenues that would otherwise go to the general fund. However, any of these special funds that remain unspent at fiscal year closeout revert to the general fund.

Chapters 37 and 38 of 2018 established a health insurance provider fee assessment on specified entities for calendar 2019 only. In addition to other amounts due, an insurer, a nonprofit health service plan, a health maintenance organization, a dental plan organization, a fraternal benefit organization, a Medicaid managed care organization, and any other person subject to State regulation that provides a product that is subject to a specified federal fee was subject to an assessment of 2.75% on all amounts used to calculate the entity’s premium tax liability or the amount of the entity’s premium tax exemption value for calendar 2018. The purpose of the assessment was to recoup the aggregate amount of the health insurance provider fee that otherwise would have been assessed under the

federal Patient Protection and Affordable Care Act that was attributable to State health risk for calendar 2019 as a bridge to stability in the individual market.

Chapters 597 and 598 of 2019 extended the health insurance provider fee assessment through calendar 2023. In calendar 2020 through 2023, the amount of the assessment must be 1% on all amounts used to calculate the entity's premium tax liability for the immediately preceding calendar year. Assessment revenue is distributed to the MHBE Fund, which may be used only for the operation and administration of MHBE and for the establishment and operation of the State Reinsurance Program.

Chapters 777 and 778 of 2021 require MHBE, in consultation with the Commissioner and as approved by the MHBE Board, to establish and implement a State-Based Young Adult Health Insurance Subsidies Pilot Program. Subject to available funds, in fiscal 2022 through 2024, MHBE may designate funds from the MHBE Fund to be used for the pilot program so that no more than \$20.0 million in annual subsidies may be provided in calendar 2022 and 2023. MHBE must track specified information about the pilot program, which must be posted on the MHBE website and included in the MHBE annual report. The pilot program terminates June 30, 2024.

### **State Expenditures:**

#### *Administrative Expenses*

MHBE special fund expenditures increase by an estimated \$350,000 in fiscal 2023, which accounts for the bill's October 1, 2022 effective date. This estimate reflects the cost of developing a file/data intake process, subsidy calculator, reconciliation, data extraction, reporting, and plan management team functions and integrating such changes with the Maryland Health Connection for Small Business platform. Ongoing maintenance of these changes is estimated at \$125,000 annually in fiscal 2024 through 2029. These administrative costs can likely be absorbed within the existing \$32.0 million annual appropriation for MHBE as the mandated appropriation has not been fully spent in recent years.

#### *Designated Funds*

Subject to the availability and receipt of federal funds, MHBE may designate federal funds received from the MHBE Fund so that up to \$45.0 million in annual subsidies may be provided in calendar 2024 through 2028, and \$3.0 million may be spent annually in small business outreach activities. This analysis assumes that *receipt* of federal funds is not affected by the bill; however, the bill may affect the *use* of any such funds. Should federal funds be identified for use under the bill, this analysis assumes that subsidies would be provided at an amount of up to \$45.0 million annually, with outreach funding of

\$3.0 million provided annually. Thus, special fund expenditures increase by the following amounts:

- in fiscal 2024, up to \$22.5 million for subsidies for the first half of calendar 2024 and \$3.0 million for outreach;
- in fiscal 2025, up to \$45.0 million for subsidies (for the second half of calendar 2024 and the first half of calendar 2025) and \$3.0 million for outreach;
- in fiscal 2026, up to \$45.0 million for subsidies (for the second half of calendar 2025 and the first half of calendar 2026) and \$3.0 million for outreach;
- in fiscal 2027, up to \$45.0 million for subsidies (for the second half of calendar 2026 and the first half of calendar 2027) and \$3.0 million for outreach;
- in fiscal 2028, up to \$45.0 million for subsidies (for the second half of calendar 2027 and the first half of calendar 2028) and \$3.0 million for outreach; and
- in fiscal 2029, up to \$22.5 million for subsidies for the second half of calendar 2028.

No additional subsidies are provided in calendar 2029, and the bill terminates in the first quarter of fiscal 2030.

**Small Business Effect:** Employers with fewer than 25 FTE employees may receive subsidies to purchase QHPs on the exchange.

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### Additional Information

**Prior Introductions:** None.

**Designated Cross File:** HB 709 (Delegate R. Lewis, *et al.*) - 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 16, 2022  
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