



August 7, 2024

PEO Work Study Bill: study on Professional Employer Organizations (“PEOs”) as required by HB827/SB821 of the 2024 legislative session of the Maryland General Assembly.

To The MD General Assembly,

My name is Glenn Arrington, principal agent and owner of Group Benefit Strategies, LLC in the heart of Bel Air, MD. In Harford County. I started my Health and Life insurance career with MAMSI Optimum Choice in July of 1994 when MD went through a Health Care Reform bill providing guarantee issued policies to small groups in MD 2-50 employees in July of 1994. I have been an independent Agency owner for 20 years representing 250 small employers, 15 large employers, and 350 individuals and 200 Medicare individual clients in MD.

I sit on the board of NAIFA MD, NABIP, HCCC legislative committee, Cecil County Government Relations Committee, and on the small group MHC advisory committee. And was on the small group work study bill the previous year researching potential subsidies for small group companies. So, I have a good grip on the industry of MD small group and its citizens in Maryland to have competitive health insurance options in MD.

Additionally, my agency is a channel partner with several PEO’s for large employer group 51+ full time equivalent employees currently with some major payroll vendors. We can offer this total bundled Human Resource Information System (HRIS) for these larger organizations. Large employers can go through underwriting individually or use these types of products with HRIS systems and PEO’s.

However, I do not feel it is a good solution for small employers for the reasons below:

My major concerns for this regulation change to offer PEO’s in small group (2-50) employees are as follows:

- 1) Competitive premiums in Small Group Guarantee Issue being able to sustain itself - fully insured carriers have a challenging time keeping premiums competitive now with the current membership of only 250,000 lives insured. When at one time it was 500,000 lives. I’m concerned that they will not be able to sustain competitive premiums with PEO’s that will be pulling out the healthy groups from the pool. PEO’s underwrite the small employees then place them in some cases in a fully insured large co-employer comprehensive plan so that is why they have control of healthy small groups.

- 2) Transparency – The PEO's bundle many services into one total universal comprehensive plan which includes – (payroll, health, dental, vision, disability, HR, WC, Risk management, Safety, and compliance) all at one administrative price. So, we as the broker do not have access to the cost of all these services separately. We receive an administrative fee.
- 3) Quality Service – Once an agent refers a small group client to the PEO the agent is not the broker of record with the insurance products. One broker controls the service of the account with the support of the major PEO vendor. The agent that referred the client must rely on the PEO partner that they referred them to service the client correctly with the enrollment process, claims issues and just overall direct relationship with the carrier.
- 4) Unbundling the total package – In order to unbundle it is exceedingly difficult to pull out pieces of the benefits and even know how much the premiums are compared to if you pull them out of a product individually. It is a complicated process to do once they are in the bundle of products.

So, my opinion as the owner and principle of Group Benefit Strategies, LLC is to be against allowing PEO's in small group for Maryland small business.

My main goal is to protect the guaranteed issued small group market (2-50) employees, so that they have a competitive premium to offer employees small group policies in MD. And I think this would jeopardize that market.

Sincerely,

E. Glenn Arrington

President and Principal agent of Agency

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