The SHOP Marketplace

New Health Insurance Options for Small Businesses

August 2013

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What is the SHOP Marketplace?

SHOP = Small Business Health Options Program

- A new, streamlined way for small employers to offer health insurance to their employees beginning in 2014
  (Access to SHOP begins October 1, 2013)
- Part of the new Health Insurance Marketplace established by the Affordable Care Act (ACA)
- Offers access to health insurance plans that must include certain “essential health benefits”
- Works with new insurance reforms and tax credits to lower barriers to offering health insurance that employers face

- Starting October 1, small businesses will have access to an exciting, new and streamlined way to offer health insurance to their employees for 2014 and future years.
- It’s called the Small Business Health Options Program, or the SHOP and it’s open to employers with 50 or fewer employees in 2014. In 2016, the program will be open to businesses with 100 or fewer employees in all States, and a few States could choose to expand eligibility to such businesses before then.
- The SHOP is part of the new Health Insurance Marketplace—sometimes called Exchanges—that will be available in each State.
- The Marketplace will give small employers and their employees access to health insurance plans that must include a package of essential health benefits, like coverage for doctor visits, preventive care, hospitalization and prescriptions.
- The SHOP has NOT been delayed. Small employers—including non-profit and religious organizations—can participate in the SHOP starting October 1, 2013.
- Coverage will start January 1, 2014. Small businesses will also be able to enroll and offer coverage on a monthly basis any time after January 1, 2014.
- The SHOP offers small employers health insurance choices and tools for making informed decisions
- The SHOP Marketplace also works with new health insurance reforms and tax credits to help small employers overcome traditional obstacles to offering their employees health insurance
The Situation for Small Employers Today

Many obstacles to offering health insurance to employees
- Difficulty comparison shopping between plans
- Unpredictable rate increases
- Higher rates for groups with:
  - Women
  - Older workers
  - Workers who have chronic conditions or high-cost illnesses (in most states)
- Waiting periods for coverage of pre-existing conditions

- Although many small employers would like to offer their employees health benefits, today it’s often extremely hard for them to start, or maintain health benefits.
- Even when small employers get a choice of health plans, the way insurers have presented information often makes true comparison shopping difficult.
- High premiums can put health insurance out of reach for small businesses with predominantly low wage employees.
- Double digit rate increases can make it difficult for small businesses to know whether they’ll be able to continue to afford health benefits to employees, which makes some reluctant to even start offering coverage.
- Groups with women, older workers, or workers with chronic or high-cost illnesses face higher rates in most states. Changes in the age, health status or gender mix of employees can add to the unpredictability of increases in a small group’s premiums.
- Waiting periods for coverage of pre-existing conditions can mean paying premiums without receiving full benefits.
• Already, small employers are getting more value for their premium dollars. New insurance reforms are requiring that insurers spend most of these premium dollars on health benefits or to improve plan quality, instead of on administrative costs, executive bonuses, or other costs unrelated to health care benefits and quality improvement.

• Under this reform—sometimes called “the 80/20 rule,” if you have 50 or fewer employees, when you buy coverage through an insurance company, that insurance company isn’t allowed to spend more than 20 percent of your premiums on anything other than health care benefits and quality improvements. That means that 80 percent of your premiums must go directly for benefits and quality improvements.

• If your insurance company exceeds that limit, it must provide a rebate of the portion of premium dollars that exceeded this limit.

• The new reforms also require insurers to publicly disclose certain proposed rate hikes—generally those of 10 percent or more. Insurers must explain these to the State or Federal government before the rate hike takes effect, and give States or the US Department of Health and Human Services the opportunity to review. Consumers are told when reviewers find rate hikes “unreasonable.”

• One important new reform, which takes effect in 2014, prohibits insurers from denying coverage, limiting benefits or charging higher rates to individuals because of a preexisting health condition or the individual’s health status. For small employers this means insurers can’t raise premiums for the group because of an employee’s preexisting health condition, nor can the insurer impose a waiting period for that employee.

• Another important reform taking effect in 2014 tells insurers that they can no longer charge small groups higher rates for women, and that there are new limits on charging small groups higher premiums for older employees.

• A third reform that begins in 2014 means that the risk of an employee incurring high medical costs from an illness or injury will be shared across the small group market, which is expected to lead to more stable premiums over time.
### Removing the Obstacles: Tax Credits

**The Small Business Health Care Tax Credit**

**Is available to those employers:**
- With fewer than 25 “full-time equivalent” employees
- Whose employees’ wages average less than $50,000 per year
- Who contribute at least 50% of employees’ premium costs
- Who buy health insurance through the SHOP **only**, starting in 2014

**Is worth:**
- **Up to 35%** of employer’s premium contribution (up to 25% for tax-exempt employers) **now**
- **Up to 50%** of employer’s premium contribution (up to 35% for tax exempt employers) **starting in 2014**

- The Small Business Health Care Tax Credit was created to help small employers of lower wage workers afford a significant contribution to those workers’ premiums.
- This credit is already available to employers with fewer than 25 low-to-moderate wage employees, when the employer contributes at least 50% of workers’ premium costs.
- Low-to-moderate wage employees means that their average wages are less than $50,000 a year.
- The limit on employer size applies to **“full-time-equivalent” employees**. That means that small employers with more than 25 lower-to-moderate wage **part-time employees** may still be eligible for the credit. For example, two half-time employees equal one full-time-equivalent employee. Employers can visit the IRS website or consult their tax preparers for more details.
- Starting in 2014, the credit will be available **only** to employers who purchase insurance through the SHOP.
- Right now, the credit is worth up to 35% of employer’s premium contribution (up to 25% for tax-exempt employers)
- Starting in 2014, the value of the credit increases to as much as **50%** of employer’s premium contribution (up to 35% for tax exempt employers)
- The number of small businesses already benefiting from the small business tax credit **has doubled** to 360,000 in tax year 2011.
The SHOP Marketplace is designed to make it easier for small employers to provide their employees insurance by:

- Offering small employers a choice of qualified health plans
- Assembling these health plan offerings in a single place, and
- Making it easier for employers to make apples-to-apples comparisons between these plans, based on price and benefits.
- The SHOP will also provide a streamlined application for employers and employees to enroll in a qualified health plan.
- Many employers may still find it easier to work with an agent or broker to make health plan choices and enroll through the SHOP.
- The SHOP welcomes participation from agents and brokers.
- In some States, the SHOP will have an online directory of registered agents and brokers to make it easy for employers to find in-person assistance.
- Help is now also available through a toll free SHOP call center. More details about that in just a moment.
- Under a rule issued on May 31, 2013, the SHOP Marketplace in all States employers will have the option to offer their employees a choice among certain qualified health plans from a variety of issuers, starting in 2015. Some states may offer this and other employee choice options in 2014. More about this option later in the presentation.
Enrolling in SHOP: Who, When & How?

Who’s eligible?
- Small businesses with fewer than 50 full-time equivalent employees in 2014
- Most states will keep upper limit of 50 FTEs in 2015

When can businesses enroll?
- Starting October 1, 2013, for coverage beginning January 1, 2014
- Thereafter, throughout the year

How can businesses enroll?
- Directly through the SHOP-Online or toll-free call center
- Through a broker registered with the SHOP

- As mentioned earlier: In 2014, the SHOP will be open to small employers—including non-profits and religious organizations—with 50 or fewer full-time equivalent employees. In 2016, the SHOP in all states must be open to employers with 100 or fewer employees, and a few States could choose to expand eligibility to such businesses in 2015.
- To make it easier for the new SHOP Marketplace to get up and running in States, insurers can continue to use the State’s established method of counting “full-time” employees to determine which employers are eligible for SHOP, for plan years beginning in 2014 and 2015.
- Sole proprietors, shareholders of more than 2% of an S corporation, and their immediate family members are considered individuals and may buy insurance through the Marketplace, but not through the SHOP.
- Employers can participate in the SHOP and enroll in a Qualified Health Plan directly, online.
- There is also a special toll-free phone number for small employers who are interested in buying insurance through the SHOP, and for the agents and brokers or Navigators who are assisting them.
- An agent or broker who is registered with the SHOP can help sort through the options AND enroll employers and employees in Qualified Health Plans, and it doesn’t cost more to use an agent or broker.
- Employees of these small businesses, and those assisting them, can get information and help from the toll-free Health Insurance Marketplace Call Center, which serves individuals.
- We have posted both of these Call Center numbers at the end of this presentation, along with some online information resources.
- Again, enrollment in health plans through the SHOP begins October 1, 2013, for coverage beginning January 1, 2014, but small employers can also enroll on a monthly basis any time thereafter.
All qualified health plans in the SHOP must offer “essential health benefits”
- Items and services within 10 categories such as doctor visits, preventive care, hospitalization and Rx
- Plan choices are grouped by ‘metal level’: Bronze, Silver, Gold, Platinum
- ‘Metal levels’ generally reflect the plan’s generosity in covering cost of benefits for an average enrollee

<table>
<thead>
<tr>
<th>Level</th>
<th>Plan Pays (on average)</th>
<th>Employee Pays (on average)</th>
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<tbody>
<tr>
<td>Bronze</td>
<td>60 %</td>
<td>40 %</td>
</tr>
<tr>
<td>Silver</td>
<td>70 %</td>
<td>30 %</td>
</tr>
<tr>
<td>Gold</td>
<td>80 %</td>
<td>20 %</td>
</tr>
<tr>
<td>Platinum</td>
<td>90 %</td>
<td>10 %</td>
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All qualified health plans in the SHOP must offer benefits from each of 10 essential health benefit categories defined in the law, such as coverage for doctor visits, preventive care, hospitalization and prescriptions. We’ll talk about essential health benefits more, later.

Qualified health plans will provide coverage into 4 different metal levels: Bronze, Silver, Gold, and Platinum

Generally speaking, Qualified Health Plans in more “precious” metal levels charge higher premiums, but also pay a larger share of the of an employee’s medical expenses, and have lower out-of-pocket costs, on average, than do plans in less precious metal levels.

For example, the average employee in a plan at the Bronze metal level is expected to pay approximately 40% of covered medical expenses, and the plan is expected to pay approximately 60%. Please note, these percentages are for the average individual and may vary somewhat from individual to individual.

“Metal levels” will allow consumers to compare plans with similar levels of coverage, which along with consideration of premiums, provider networks, and other factors, help the consumer make an informed decision.
One of the goals of the SHOP is to give small employers more options for their employees— including the option to offer employees a choice of health plans.

The SHOP in each state has some flexibility to decide which options it will make available to employers.

Under a rule issued May 31, 2013, during the first year of the program, 2014, the SHOP isn’t required to offer employers an employee choice option.

Under the new rule, small employers in states choosing not to run their own SHOP Marketplace will be able to select only one of the offered plans to their employees.

The Marketplace and SHOP in such states are often referred to as the Federally Facilitated Marketplace and Federally Facilitated SHOP Marketplace.

States running their own SHOP Marketplace are still free to offer employers the option to offer their employees a choice of plans. It is expected that many of these states will offer an employee choice option.

Starting in 2015, the SHOP in all states must give employers the option to offer their employees a choice of all plans in a single metal level, chosen by the employer.

From 2015 on, the SHOP can offer employers additional options, such as offering employees a single plan, or offering employees a choice among plans in multiple metal levels.
The SHOP lets the employer retains control of the key decisions and keeps administration simple, whether the employer is offering employees a single plan or a choice of plans.

- Let’s look at how this works under the Single Metal Level Employee Choice option—which will be available in all States in 2015. (A single plan option will likely also be available.)
- Under the Single Metal Level Employee Choice option, the employer selects a single metal level and employees are free to choose among all the qualified health plans at that metal level.
- The SHOP provides online tools and information to help them choose among plans.
- The employer also sets a single premium contribution amount for all employees, regardless of which plan an employee chooses. This contribution amount is based on a percentage of the premium cost for a plan that the employer picks.
- This means that employers can decide up front how much they can afford to contribute toward insurance costs.
- No matter how many plans employees choose, the employer gets a single bill for employees’ premium costs and only makes a single payment to SHOP, which directs the payments to insurers.
- Employers can collect employees’ share of the premium through payroll deductions.
• Employers can be confident about the qualified health plans they offer employees through the SHOP.

• That’s because any qualified health plan sold through an Exchange must provide “Essential Health Benefits” from each of the categories listed here (on the slide.)

• They’ll also know that any health plans they decide to offer employees through a SHOP Marketplace will protect employees against catastrophic costs if they become sick or injured.

• By 2014, insurers will no longer be able to impose annual limits on the dollar value of services that their customers can receive. Insurers are already prohibited from imposing lifetime dollar caps on the value of such services, and there is no cost-sharing for recommended preventive services.
SHOP: a Market-based Approach

Uniquely American:

- Relies on private health insurers
- Spurs competition for customers based on price and quality, rather than by avoiding risk
- Uses models pioneered by states
The SHOP helps small businesses by:
- Giving employers a choice of health insurance plans
- Providing apples-to-apples comparisons between health plans
- Providing exclusive access to tax credits for many small employers
- Soon: Providing the option to offer employees a choice of health plans

- The SHOP gives small employers more options for covering employees, and makes it easier to get it done.
- Starting in 2014 the SHOP will offer small employers a choice of plans.
- The SHOP will help them cut through the clutter, understand their health insurance options, and make apples-to-apples comparisons between health plans
- Participating in a SHOP also helps make premiums more affordable for many small employers, by giving them access to a premium tax credit. Starting in 2014, these tax credits are only available for insurance purchased through the SHOP.
- And remember, starting in 2015, under the proposed rule, the SHOP in all States will offer employers the option to offer employees a choice of health plans., much as large employers already do.
• Be sure to check out HealthCare.gov and sign up to receive e-mails with updates on the SHOP and related information.

• The CCIIO.cms.gov is the website for the federal Center on Consumer Information and Insurance Oversight, and has detailed technical information on the program, as well as a resource page for Agents and Brokers.

• The SHOP Call Center phone number is 1-800-706-7893. 1-800-706-7915 – TTY. Before Oct 1, the SHOP Call Center will be operating Monday-Friday, 9am-5pm EST.

• Starting October 1st, the contact center will be fully operational Monday - Friday 9am-7pm EST.

• SHOP-enrolled Employees and the Agents, Brokers, Navigators or other Marketplace Assisters who are helping them should contact the Health Insurance Marketplace Call Center at 1-800-318-2596 and 1-877-871-6594–TTY for assistance.

• The Marketplace Call Center is open 24/7.