

# The Small Business Health Options Program (SHOP)

August 2018



# Overview of the Small Business Health Options Program (SHOP)

# What is the SHOP?

## The Small Business Health Options Program

- SHOP is offered through Maryland Health Connection.
- It offers businesses a way to get health insurance for their employees.
- SHOP is the only place a business can get a tax credit to lower the cost of offering coverage for their employees.

## SHOP Eligibility

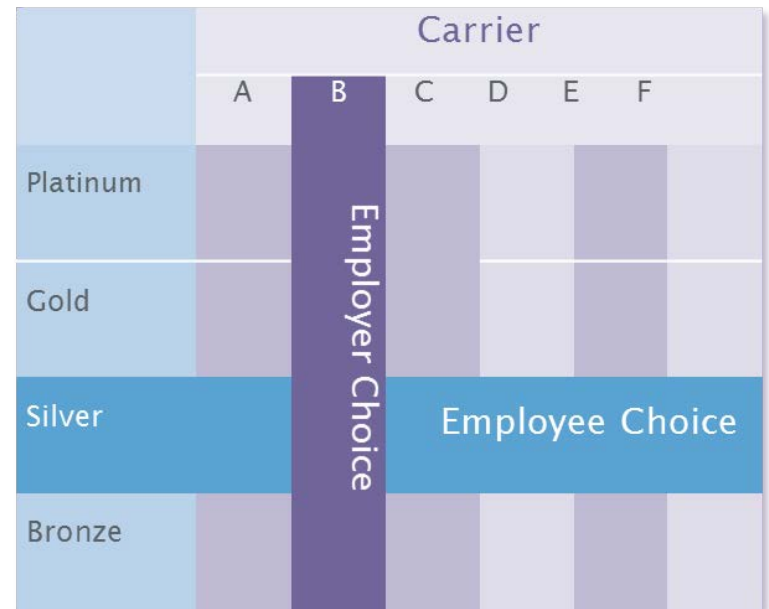
To be eligible to participate in SHOP, a business must:

- Have a principal business address within Maryland
- Have at least one employee on payroll (not including a business owner, owner's spouse or family members)
- Employ 50 or fewer full-time-equivalent employees (FTEs)
- Offer SHOP coverage to all FTEs
- Tax Credit Eligibility is not necessary for enrollment into a SHOP group

# Enrollment Options

## Employer Choice

- The employer selects one participating SHOP insurance carrier. All SHOP plans across the metal levels for that carrier are available.
- The employee would choose a plan from those offered by their employer.



## Employee Choice

- The employer can select a metal level(s) of coverage. Employers can choose two consecutive metal levels of coverage from all available carriers.
- The employees may then choose between any of the participating SHOP insurance carriers within the chosen metal level(s).

	Carrier					
	A	B	C	D	E	F
Platinum						
Gold						
Silver						
Bronze						

The diagram illustrates the enrollment process. A vertical purple bar labeled "Employer Choice" spans across the Silver and Gold rows, indicating that the employer selects the metal level. A horizontal blue bar labeled "Employee Choice" spans across the Silver and Bronze rows, indicating that employees choose the carrier within the selected metal level.

## Tax Credit Eligibility

- Businesses and tax-exempt organizations must purchase group health insurance coverage through Maryland's SHOP Marketplace to be eligible.
- Eligibility for the credit is determined by the IRS.
- A business may be eligible if it:
  - Has fewer than 25 full-time-equivalent employees.
  - Pays an average annual salary of less than \$53,000, based upon the year's inflation rate.
  - Contributes at least 50 percent toward employee-only health insurance

## The Small Business Health Care Tax Credit

- Covers up to 50 percent of health insurance premiums paid by eligible small businesses and up to 35 percent paid by eligible nonprofits or other tax-exempt organizations.
- Is available for two consecutive tax years.
- Is obtained by filing either Form 8941 or Form 990-T (tax-exempt) with the business taxes to claim the credit.

Further information can be found at: <https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace>



## Tax Credit Scenarios

### Scenario 1: Auto repair shop

- Employees: 10
- Wages: \$250,000 total, or \$25,000 per worker
- Employee Health Care Costs: \$70,000
- 2017 Tax Credit: \$35,000 (50% credit)

### Scenario 2: A restaurant

- Employees: 12 (above the 10 FTE limit for full credit)
- Wages: \$30,000 Average Wage (above the \$25,900 maximum for full credit)
- Employee Health Care Costs: \$96,000
- 2017 Tax Credit: \$34,030 (phased out percentage around 35%)

Small Business Health Care Tax Credit Calculator:

<https://www.healthcare.gov/shop-calculators-taxcredit/>

## Employer Contributions are only required to qualify for the tax credit

SHOP plans have flexible methods for employers to contribute to employee premiums



### Fixed Percent contribution:

- The employer pays a set percentage of an employee's health insurance premiums, which can be different for employees and dependents.



### Fixed Dollar contribution:

- An employer will set a fixed dollar amount for how much the employer and employee will contribute towards an employee's health insurance premiums.

# SHOP Enrollment Period

## Enroll in the SHOP any time

- Small businesses can enter the SHOP any time of year for a 1<sup>st</sup> of the month effective date based upon when implementation is completed.
- New employees added later in the year can enroll after the group's designated waiting period.
- Special Enrollments for SHOP include:
  - Loss of qualifying health coverage
  - Gain or loss of a dependent
  - Misconduct
  - Material Violation of Contract Provisions
  - Permanent Move
  - Exceptional Circumstances
  - Victim (or victim's dependent) of domestic abuse or spousal abandonment
  - Determined ineligible for Medicaid or MCHP

# Why choose the SHOP?

## Top 5 Benefits of the SHOP

1. Less rate fluctuation in the SHOP than the Individual market
2. Premium stability guaranteed for an entire plan year
3. Availability of the Small Business Health Care Tax credit
4. Tax liability for employees is lessened when the correct Advanced Premium Tax Credit is received.
5. Additional insurance carriers and benefit designs available in comparison to the individual market.

# SHOP Direct Enrollment

# New SHOP Enrollment Process

## SHOP Direct Enrollment

- Employers apply for SHOP directly with Maryland Health Connection.
- Makes SHOP enrollment easier than ever.
- SHOP eligibility application is now online at [MarylandHealthConnection.gov/small-business](http://MarylandHealthConnection.gov/small-business)
- MHBE refers all groups to the list of Authorized SHOP Producers and encourages them to work with a producer.
- Groups who select the Employee Choice enrollment model require a producer's assistance.

## Steps to Enroll in SHOP

### Step 1

- The Employer should submit an Employer Eligibility Application.
- The application can be found at this link:  
<https://www.marylandhealthconnection.gov/small-business/shop-eligibility/>

### Step 2

- The Employer chooses to work directly with insurance issuers or to choose an Authorized SHOP Producer
  - MHBE refers all groups to the list of Authorized SHOP Producers and encourages them to work with a producer.
  - An Employee Choice group would require working with a producer.

## Steps to Enroll in SHOP

### Step 3

- MHBE will review and provide an eligibility determination to employer and any listed broker within 5-8 business days after receiving the application.
- MHBE will provide next steps for the group, including contact information to begin choosing a plan for the SHOP business.
  - If not eligible, notification will be provided with instructions on how to appeal the determination.

### Steps 4-10

- An Employer and/or their Producer work together to select plans, communicate with insurance carriers, and complete plan enrollment directly with the insurance carrier.



## Duration of SHOP Eligibility Determination

The initial Eligibility Determination by MHBE will remain valid until the employer makes a change that would end its eligibility or withdraws from participation in the SHOP.

- **MD SHOP requires an employer to submit a new eligibility application for changes such as:**
  - Terminating offers of coverage to employees maintaining full-time status
  - Growing to be a large employer without having maintained continuous SHOP coverage
  - Moving its principal business address or eligible employee worksites out of the SHOP service area.
- **MD SHOP requires an employer to notify MHBE SHOP of a change as described above within 30 days from the date of the change and/or the employer's renewal deadline date.**

Questions?