SAF’s ACA Guide: The Small Business Health (SHOP) Exchanges

The premise behind the SHOP Exchange was simple. Small businesses would be able to purchase coverage in a public marketplace in the same way that large employers shop for large group plans:

1. Employer selects from choices offered by providers: a. Bronze – basic, minimum coverage that covers approximately 60 percent of medical costs and provides “essential health benefits” package b. Silver – better coverage that covers approximately 70 percent of medical cost c. Gold – enhanced coverage that covers 80 percent of medical costs d. Platinum – top-tier coverage that covers 90 percent of actuarial value
2. Employee is given choice among plans and enrolls.
3. Employer cuts one check to Exchange as defined contribution for benefits coverage.
4. Smaller employers may qualify for Small Business Health Tax Credit for making available coverage purchased through SHOP.

Because all coverage purchased in the SHOP exchange is ACA-compliant, each employee who participates in a plan meets his or her requirements under the ACA’s individual mandate. Additionally, the purchase of coverage in the SHOP Exchange is tax deductible as a business expense.

SHOP Delays

Under the ACA, individual states were given the option of running their own Exchange for individuals and small businesses, partnering with the Federal government on operating an Exchange or having the Feds run the state Exchange entirely. Twenty-seven states chose to have the Federal government operate their state Exchange entirely. In those states, there are two operational components of SHOP that have been delayed:
• **Employee Choice.** In states where the Federal government operates the SHOP Exchange, the “employee choice” element of SHOP participation has been delayed until at least 2015. In short, instead of a small employer electing a level of coverage as described above and then having employees go in and choose a specific plan, employers can only choose one plan to offer to employees in 2014.

• **Online SHOP Enrollment.** Late last month, the Obama administration delayed the ability for small businesses to apply for SHOP-based coverage online until November 2013. Small businesses are still able to apply for SHOP coverage via paper application, but online enrollment in SHOP will not be available until next month at the earliest.

**The Limitations of SHOP**

Only businesses that meet certain requirements can use the SHOP Exchange for purchasing employer-sponsored health benefits. For example, if you have no employees, you are not permitted to use the SHOP exchange to purchase coverage. You will be directed to the individual Exchange to review your options. Other limitations include:

• **Offer of Coverage.** If you decide to use the SHOP Exchange to purchase coverage, you are required to offer coverage to each employee who meet the ACA’s definition of full-time (30 hours per week/per month). And while you cannot be fined for failing to offer coverage that doesn’t meet the ACA’s affordability standard (9.5 percent of annual income), your employees would be eligible to participate in the individual Exchange and could be eligible for individual tax credits if the their share of premium costs exceeds 9.5 percent of their W-2 wages.

• **Employee Participation Minimums.** In many states, at least 70 percent of your employees are required to enroll in your SHOP-purchased plan in order to participate. You
will want to discuss your employees’ plans for obtaining or continuing their existing health coverage before making plans to use SHOP.

- **Small Business Tax Credit.** Beginning in 2014, small employers may be eligible for the Small Business Tax Credit contained in the ACA. This tax credit is available for no more than two consecutive taxable years and the insurance must be obtained through a SHOP Exchange. From 2010-2013, the small business tax credit was available for ACA-compliant coverage obtained in the private marketplace.

To be eligible for the credits, small employers have to contribute at least 50 percent of the cost of premiums towards a qualified health plan. Small businesses with 10 or fewer full-time employees and with average taxable wages of $25,000 or less could claim the full credit. It is phased out as average employee compensation increases from $25,000 to $50,000 and as the number of full-time employees increases from 10 to 25. The credit is only available to offset actual tax liability and is claimed on the employer’s tax return, meaning the employer must pay the employees’ premiums during the year and claim the credit at the end of the year on its income tax return.

**How to Access SHOP Exchanges Online**

Of the 50 states and the District of Columbia, 27 states chose to allow the Federal government to operate their Exchange. Seven elected to enter into a partnership with the Federal government, while 17 states chose to run their own Exchanges.

Below are quick links to the websites for each state’s official SHOP Exchange:

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<th>Federally-Facilitated SHOP Exchanges</th>
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<tr>
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Employers can choose to shop for coverage themselves, or they may elect to purchase SHOP coverage through a broker like SAF-partner Hortica Insurance & Employee Benefits. To learn more about SAF’s partnership with Hortica on the SAF Health Care Plan, click here. Hortica can help industry businesses examine SHOP plans, and assist you with purchasing coverage while still qualifying (if eligible) for the Small Business Tax Credit.

**The Bottom Line: SHOP Premiums in Selected States**

If you would rather not go through the process of signing up and applying for SHOP coverage, yet remain interested in a short cut to examine selected premium costs for SHOP coverage in your state, we’ve got you covered. Hidden deep in the recesses of the federal government’s site is data to examine premium costs quickly. Premium estimates are presented in the four tiers (bronze, silver, gold and platinum), and for five rating scenarios: adult individual (age 27), adult individual (age 50), family, single parent family and couple with no children.

Here are the instructions for the short cut to determine
premium costs in states with a federally-run or partnership SHOP Exchange (Note: at press time, the site was experiencing technical difficulties with the search function).

2. Scroll to bottom of page to the Socrata Social Data Player table
3. On the left side of the gray box near the top, click the magnifying glass
4. When the search term box appears, enter the name of the county in which your business operates (you may also scroll through to your state/county)
5. When the appropriate county comes up, click the number of the plan (in blue) from the far left column. Below the table will appear premium data for that particular plan for each of the rating scenarios identified above
6. Repeat for each plan you’re interested in learning about in your area

For example, at SAF Headquarters in Alexandria, VA, this table (rows 582-603) shows model premium rates for 22 different plans from 3 different providers. There are 5 bronze-level plans, 6 silver-level plans, 6 gold-level plans and 5 platinum-level plans. By selecting a silver-level plan (row 590) with a $1,500 deductible, $30 co-pay, dental and a Health Savings Account, SAF can determine base premium rates for:

- Adult individual (27 y/o) = $221.75/mo
- Adult individual (50 y/o) = $377.09/mo
- Family (2 adults age 30, 2 children) = $747.44/mo
- Family Single Parent (1 adult age 30, 2 children) = $507.38/mo
- Couple (2 adults age 40, no children) = $540.32/mo

Conclusion
Whether or not you choose to participate in a SHOP Exchange, SAF staff is here to assist you with understanding all of your individual and employer ACA compliance options. If you have questions, contact Corey Connors, senior director of government relations, at (703) 836-8700, or by email at cconnors@safnow.org.