

## MEMORANDUM

**To: SHOP Administrator and Participating Issuers**

**From: MHBE SHOP**

**Date: December 7, 2017**

**Re: 2018 SHOP New Business Process – final memorandum & form templates**

---

## PURPOSE

Overview of the eligibility determination and new business process between the SHOP Administrator and the issuers. Distribution of the final Universal Employer Eligibility and Election Form templates for use with all groups beginning January 1, 2018. These forms were review and approved by the Maryland Insurance Administration for use with SHOP groups.

## SUMMARY

Maryland Health Benefit Exchange has determined that the process and policies of the implementation of new SHOP business. This memorandum is to clarify the overall process of implementation of SHOP new business and the required paperwork including the use of the Universal Employer / Carrier Application and Universal Employee Eligibility and Election Form.

## OVERVIEW OF NEW BUSINESS PROCESS

Maryland Health Benefit Exchange has contracted with Benefit Mall to serve as the SHOP Administrator, to perform the following duties, including but not limited to:

1. Provide employer and employee SHOP eligibility determinations, including notifications of eligibility to both parties;
2. Implement SHOP groups with chosen enrollment modules and carrier(s); and
3. Facilitate and implement a SHOP group's annual renewal.

### **Eligibility Determination and Notification Requirements**

Through its partnership with Maryland Health Benefit Exchange, the SHOP Administrator will determine the SHOP group's eligibility at the time of the initial application. According to C.F.R. 45 §155.715, the SHOP must determine that an employer or individual who requests coverage is eligible based upon the requirements in C.F.R. 45 §155.710. Please review the attached Guide to SHOP Eligibility for Employers and Employees for further details.

The SHOP Administrator is the responsible party for making SHOP employer eligibility decisions. Carriers with eligibility concerns at the time of the employer group's implementation and/or at renewal may contact Maryland SHOP at [mhbe.shop@maryland.gov](mailto:mhbe.shop@maryland.gov) for a review of the employer's current eligibility. Maryland SHOP will work with the SHOP Administrator to review the situation and mediate any concerns.

Maryland Health Benefit Exchange's Plan Services Team is the party responsible for determining if a plan is a qualified SHOP plan. Certifications are done for each plan with the issuers each year. The SHOP Administrator nor Maryland Health Benefit Exchange are responsible for making a determination of eligibility for the IRS Small Business Health Care Tax Credit as this is the responsibility of the Federal Government.

### **Notification Requirements of the SHOP Administrator**

Pursuant to C.F.R. 45 §155.715 (e) and (f), the SHOP Administrator will issue a letter of eligibility approval or denial to the employer and employee. Templates are provided.

This initial eligibility determination will serve as the official notification of eligibility to carriers. Notification of eligibility determination status will be provided to the carriers as part of the new business paperwork. Upon renewal, this initial eligibility determination notification will not be sent with the renewal paperwork unless a new carrier is chosen and it becomes new business to that carrier.

### **Implementation of New Business Process for SHOP Groups**

#### **Summary of New Business Process and SHOP Administrator Requirements**

The SHOP Administrator will coordinate the new group implementation with the designated broker, the SHOP employer and the carrier(s) by:

1. The Employer Eligibility Approval Notice should be sent at a group's initial determination for SHOP-eligibility to the employer.
2. Employer new business paperwork must be received by the 12<sup>th</sup> of the month prior to the requested effective date by the SHOP Administrator and must be submitted to the carrier by the 15<sup>th</sup> of the month. Carriers can choose to offer any flexibility they wish on the new business deadlines.
3. The SHOP Administrator will coordinate and send the required new business paperwork or to submit the new business requirements via approved electronic means to the participating carriers, which may include the following paperwork:
  - a. SHOP Employer Eligibility Application and Employer Eligibility Determination Notice sent to Employer
  - b. MHBE Unified SHOP Employer / Carrier Application – *this application should be used in place of any carrier employer application for SHOP groups.*
  - c. MHBE Unified SHOP Employee Eligibility and Election Form – *this enrollment form should be used in place of any carrier or administrator application form for SHOP groups.*
  - d. Binder Check for 1<sup>st</sup> Month's Premium made payable to BenefitMall. *Receipt of this check and sending of said copy along with new group paperwork constitutes binder payment to the carrier and should be accepted as such. Additional wire transfer of funds outside of already scheduled wire transfer between BenefitMall and the carriers is not expected for SHOP groups.*
  - e. ACH Authorization Form to be completed, if ACH is requested by employer group
  - f. Copy of signed SHOP sold proposal
  - g. Signed copy of most recent Quarterly Wage and Tax Statement or Payroll Summary (indicating FT and PT employees). *Please confirm specific carrier requirements with the SHOP Administrator on circumstances affecting what documents are required and how they are presented to the chosen carrier(s).*
  - h. Proof of Ownership (as applicable) would need to be provided per carrier guidelines – examples below:
    - "C" Corporation – Form 1120

- *“S” Corporation – K1/Schedule 1120S (if owner is applying, and depending on group size)*
  - *Partnership- Partnership Agreement or K1 (Schedule 1065)*
  - *Limited Liability Company – Signed LLC Agreement*
  - *Churches and Non Profit Organization – Form 941*
  - *Farms – Schedule F*
  - *Common Ownership- Complete Common Ownership Form*
  - *Individual Contractor – Complete 1099 form according to guidelines*
  - *Common Law Employee Certification (if required by carrier)*
4. The SHOP Administrator will generate the following required notice as described in 45 C.F.R. §155.715, 45 C.F.R. §155.720 and 45 C.F.R. §155.725.
- a. **Employer Eligibility Determination Notice<sup>1</sup>:** Employers and their brokers will receive a SHOP Employer Eligibility approval or denial notice after they have completed the Maryland SHOP Employer Eligibility Application.
  - b. **Employee Eligibility Determination Notice<sup>2</sup>:** Employees will receive a SHOP Employee Eligibility approval or denial notice after their employer has extended an offer of coverage and the employee has filled out the SHOP Employee Eligibility Application.
  - c. **Employee Termination Notice<sup>3</sup>:** Employers will receive the SHOP Employee Termination notice when an employee chooses to voluntarily terminate their SHOP coverage.
  - d. **Employer Withdrawal Notice<sup>4</sup>:** Employees will receive the SHOP Employer Withdrawal notice when an employer withdraws their offer of SHOP coverage during the group enrollment period and any time within the coverage year.
  - e. **Annual Employer Election Period Notice<sup>5</sup>:** Beginning in 2016, employers will receive the SHOP Annual Employer Election Period notice when it is time to renew their SHOP coverage.
  - f. **Annual Employee Open Enrollment Period Notice<sup>6</sup>:** Beginning in 2016, employees will receive the SHOP Annual Employee Open Enrollment Period notice when it is time to renew their SHOP coverage.
5. Employer Choice and Employee Choice groups require the same paperwork as listed above as the forms are universal to all carriers. Each employer group would have to comply with each carrier’s respective requirements for the required business documents for Proof of Ownership as applicable.
6. Groups changing from Employer Choice to Employee Choice or vice versa (at renewal) would be considered a new group and applicable implementation of new business procedures would need to be followed by the employer and the SHOP Administrator. The group application and employee applications would be submitted to the carrier with an indication that the group is an Employee Choice or Employer Choice group. The SHOP Administrator should notify the carriers of any plans that need termination or adjustment due to this change of enrollment module.
7. Carriers with no enrollment at the time of the new business implementation do not need to set up a new group shell until such time as an enrollment is received. However, the effective date of the employee should be what would have been available to the employee (based upon waiting periods, application receipt and/or special enrollment periods) if the carrier had installed the group.
8. Binder payments are due to the third-party administrator by the 25<sup>th</sup> of the month prior to the coverage effective date. The third-party administrator would transfer these funds to the applicable issue by in-force schedule of

---

<sup>1</sup> See 45 C.F.R. §155.715(e).

<sup>2</sup> See 45 C.F.R. §155.715(f).

<sup>3</sup> See 45 C.F.R. §155.720(h).

<sup>4</sup> See 45 C.F.R. §155.715(g).

<sup>5</sup> See 45 C.F.R. §155.725(d).

<sup>6</sup> See 45 C.F.R. §155.725(f).

wire transfers. Special wire transfers for SHOP groups - outside of the regular scheduled wire transfers should not be expected by the carriers.

9. Per 45 CFR §156.285(c)(7)(iii), issuers participating in SHOP Marketplaces are required to effectuate SHOP coverage unless the issuer receives a cancellation prior to the coverage effective date.
10. SHOP Administrators will pay carriers, for employer groups who remitted premium payment based upon the current SHOP Administrator/Carrier agreements in place. Typical payment cycles are 2-4 times per month.
11. Under the Employee Choice methodology, receipt of payment prior to coverage effective date to initiate coverage is only required for the binder payment. If a group has made binder payment and subsequently adds an employee with a separate carrier, binder payment for that employee is not required. SHOP Administrators will need to notify the carriers for new enrollments into an Employee Choice group. Carriers will need to make manual or system adjustments to their premium collection so that a binder check would not be required in this instance.
12. Carriers and the SHOP Administrators can communicate with new groups as needed to administer SHOP business.

## GUIDE TO SHOP ELIGIBILITY REQUIREMENTS

### Employer Eligibility Requirements {C.F.R. 45 §155.710 (b)}

- 1) Is a small employer;
- 2) Elects to offer, at a minimum, all full-time employees coverage in a QHP through a SHOP; and
- 3) Either -
  - a. Has its principal business address in the Exchange service area and offers coverage to all its full-time employees through that SHOP; or
  - b. Offers coverage to each eligible employee through the SHOP serving that employee's primary worksite.

### Employee Eligibility Requirements {C.F.R. 45 §155.710 (e)}

An employee is a qualified employee eligible to enroll in coverage through a SHOP if such employee receives an offer of coverage from a qualified employer. A qualified employee is eligible to enroll his or her dependents in coverage through a SHOP if the offer from the qualified employer includes an offer of dependent coverage.

### Verification of Eligibility {C.F.R. 45 §155.710 (c)}

For the purpose of verifying employer and employee eligibility, the SHOP -

- (1) Must verify that an individual applicant is identified by the employer as an employee to whom the qualified employer has offered coverage and must otherwise accept the information attested to within the application unless the information is inconsistent with the employer-provided information;
- (2) May establish, in addition to or in lieu of reliance on the application, additional methods to verify the information provided by the applicant on the applicable application;
- (3) Must collect only the minimum information necessary for verification of eligibility in accordance with the eligibility standards described in § 155.710.



## Employer Eligibility Approval Notice

Notice date: <Date>

Application date: <Date>

Mr. /Ms. <First Name Last Name>

<Employer Name>

<Employer Address>

<Employer City, State and ZIP>

Good news for <Employer Name>!

You qualify to purchase coverage through Maryland Health Connection's SHOP Exchange. Your broker will also receive notice of your eligibility.

What's next?

If you have not done so already, you will need to select the type of coverage you wish to offer your employees and complete the carrier specific enrollment process. If you are currently working with a SHOP authorized insurance broker, he or she will be able to assist you in the election of SHOP certified qualified health and /or dental plans. If you need additional assistance, resources may be found at [www.marylandhealthconnection.gov/small-business-health-insurance/](http://www.marylandhealthconnection.gov/small-business-health-insurance/).

You may be eligible for a small business tax credit if you contribute at least 50% toward premium costs of employee only coverage, employ fewer than 25 full-time equivalent (FTE) employees, and pay an average annual salary of less than \$50,000 per FTE. You may find more information about the tax credit by visiting [www.marylandhealthconnection.gov](http://www.marylandhealthconnection.gov) and <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>.

Cc: Broker

## Employer Eligibility Denial Notice

Notice Date: <Notice\_date>

Application Date: <application\_date>

<Applicant\_name>

<Applicant\_address>

Important Information for <employer\_name>

Based on the information provided, you are not qualified to provide coverage to your employees through Maryland Health Connection's Small Business Health Options Program (SHOP) for the following reason(s):

- You are not a qualified employer eligible to purchase coverage through SHOP because you do not meet the definition of a small employer. *Owners of the small business and spouses or certain other family members of owners of the small business are not included as an employee for purposes of the full-time equivalent employee count.* We made our decision based on 45 C.F.R. §155.20; 45 C.F.R. §155.710(b); and Md. Insurance Code Ann. §31-101(z).
- You are not a qualified employer eligible to purchase coverage through SHOP because you do not offer coverage to all of your full-time employees. We made our decision based on 45 C.F.R. §155.710(b).
- You are not a qualified employer eligible to purchase coverage through SHOP because you do not have your principal business address in the Maryland Health Connection SHOP service area. We made our decision based on 45 C.F.R. §155.710(b).
- You are not a qualified employer eligible to purchase coverage through SHOP because you do not offer coverage to eligible employees at your primary worksite. We made our decision based on 45 C.F.R. §155.710(b).

### How to Appeal

You can request a desk review of your denial of eligibility as a qualified employer in the Maryland Health Connection SHOP by mail, email or phone as discussed in the appeals information provided below. The Reviewing Officer will consider your request, along with the information the Maryland Health Connection SHOP used to determine your eligibility. You can submit any other relevant information to the Maryland Health Connection SHOP to be considered as part of your appeal.

You may submit additional information to the Reviewing Officer:

- By mail to: P.O. Box 857, Lanham, MD 20703-0857
- By fax at: 1-855-642-8574
- By email to: mhbe.shopappeals@maryland.gov

Cc: Broker



## Employee Eligibility Approval Notice

Notice Date: <Notice\_date>

Application Date: <application\_date>

<Applicant\_name>

<Applicant\_address

<Applicant City, State and Zip>

Good news for <applicant name>!

As a qualified employee of <Employer Name>, you qualify to purchase coverage through the Maryland Health Connection Small Business Health Options Health Program (SHOP). Your health coverage started on X/X/2014 with <carrier>.

### Health services and costs

You have a monthly premium for your health coverage which must be covered by you. Your employer may also contribute to the cost. You can obtain many services through your health plan for which copayments and deductibles may apply. Your health plan issuer will send you more information about health services and costs, if you have not already received this information.

### Report Changes in Circumstances

If you experience changes in circumstances (such as a move, marriage, or change in household size), you should let your employer know so that we can ensure your coverage meets your needs.

Sincerely,

Maryland Health Connection

## Employee Eligibility Denial Notice

Notice Date: <Notice\_date>

Application Date: <application\_date>

<Applicant\_name>

<Applicant\_address>

Important Information for <employee\_name>

Based on the information provided, you are not qualified to enroll in the Maryland Small Business Health Options Program (SHOP) for the following reason(s):

- You do not meet the definition of a qualified employee. A qualified employee is defined as an individual employed by a qualified employer who has been offered health insurance coverage by such qualified employer through the SHOP. Based on our records, you did not receive an offer of coverage from your employer. We made our decision based on 45 C.F.R. §155.20 and 45 C.F.R. §155.710(e).
- You are not a qualified employee eligible to purchase coverage through SHOP because you did not receive an offer of coverage from a qualified employer. We made our decision based on 45 C.F.R. §155.20 and 45 C.F.R. §155.710(b) and (e).

### How to Appeal

You can request a desk review of your denial of eligibility as a qualified employee in the Maryland Health Connection SHOP by mail, email or phone as discussed in the appeals information provided below. The Reviewing Officer will consider your request, along with the information the Maryland Health Connection SHOP used to determine your eligibility. You can submit any other relevant information to the Maryland Health Connection SHOP to be considered as part of your appeal.

You may submit additional information to the Reviewing Officer by:

- By mail to: P.O. Box 857, Lanham, MD 20703-0857
- By fax at: 1-855-642-8574
- By email to: mhbe.shopappeals@maryland.gov

Sincerely,

Maryland Health Connection SHOP