

The Small Business Health Options Program (SHOP)

August 2018





Benefits of the SHOP

Why Sell 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 there is an incorrect Advanced Premium Tax Credit received.
5. Additional insurance carriers and benefit designs available in comparison to the individual market.

What am I missing out on?

MHBE, in partnership with The Hilltop Institute, has been studying Maryland’s Small Businesses. Of the 186,772 Small Businesses with 25 or less employees, there are 99,096 businesses that are SHOP eligible. That is a lot of Maryland businesses leaving federal tax dollars on the table each year!

Table 1. Lower Bound Estimates of Minimum Potential SHOP Pass-Through

Income Range	Number of Firms	Firm Size	Base Premium	Reduction Factor	Premium Credit	Number of Employees
\$0 - \$26,000	8,403	1	\$16,285,014	\$0	\$16,285,014	8,403
\$26,000 - \$53,000	2,815	1	\$5,455,470	*exceeds base premium	\$0	2,815
\$26,000 - \$53,000	74,360	1	\$144,109,680	\$82,058,602	\$62,051,078	74,360
\$0 - \$26,000	2,737	11	\$58,347,366	\$3,889,824	\$54,457,542	30,107
\$26,000 - \$53,000	1,253	11	26,711,454	*	\$0	13,783
\$26,000 - \$53,000	9,528	11	203,117,904	119,189,259.29	\$83,928,645	104,808
Total	99,096		\$454,026,888	\$221,422,700	\$216,722,278	234,276

[1] *Depending on the average wage and number of employees, the reduction factor may exceed the premium, and the tax credit is thus set to zero.

Overview of the Small Business Health Options Program (SHOP)

SHOP Eligibility

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

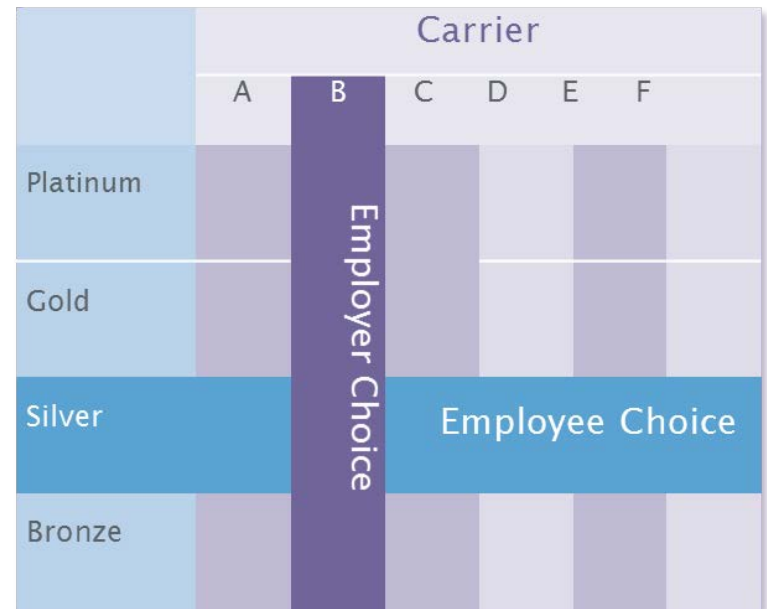
- Have a principal business address within Maryland
- Have at least one employee on payroll (not including a business owner, owner's spouse or family members)
- Employ 50 or fewer full-time-equivalent employees (FTEs)
- Offer SHOP coverage to all FTEs

Please note: Tax Credit Eligibility is not a requirement for enrollment into a SHOP-eligible plan.

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 between the plans offered by their employer.



Enrollment Options

Employee Choice

- Employers can choose up to two consecutive metal levels of coverage from all participating carriers.
- The employees may then choose from the plans offered from all of the participating carriers.

	Carrier					
	A	B	C	D	E	F
Platinum						
Gold						
Silver						
Bronze						

The diagram illustrates the enrollment options for employees. It features a grid with metal levels (Platinum, Gold, Silver, Bronze) on the vertical axis and carriers (A, B, C, D, E, F) on the horizontal axis. A vertical purple bar labeled "Employer Choice" spans across carriers A and B for all metal levels. A horizontal blue bar labeled "Employee Choice" spans across carriers C, D, E, and F for the Silver and Bronze metal levels.

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 that 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 (example of phased out credit)

- 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 1st 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**

SHOP Direct Enrollment

New SHOP Enrollment Process

SHOP Direct Enrollment Key Points

- Employers apply for SHOP Eligibility Determination with Maryland Health Connection but for SHOP-eligible insurance plans with the insurance carriers directly.
- Makes SHOP enrollment easier than ever by having one universal employer and one universal employee enrollment form.
- 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. Employer Choice groups have the option to work with a producer or direct with a carrier.
- Aetna's plans will still be administered through BenefitMall through at least 12/1/2018 effective dates. All other SHOP carriers will be administered at the carriers directly.

10 Steps to Enroll in SHOP

Step 1

- An 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

- An Employer may choose to work direct with carriers or to choose an Authorized SHOP Producer
- MHBE refers all groups to MHBE's Authorized SHOP Producers and encourages them to work with a producer.
- An Employee Choice group would require a producer's assistance (see Step 6).

Steps to Enroll in SHOP

Step 3

- Upon receipt of the eligibility application, MHBE will review and provide an eligibility determination to employer and any listed broker within 5-8 business days.
- 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 1-3 above can be completed concurrently or after with 4-10. Eligibility Determination by MHBE is not needed to proceed with quoting and/or plan implementation. Eligibility Determination needs to be done in the same tax year for which the tax credit is being claimed.

Step 4

- An Employer and/or their Producer can use the MHBE Quoting Tool to get preliminary quotes for available SHOP plans.
- Carrier Contact Information can be found in the Notice of Eligibility sent to the groups and producers. This contact information was also sent to authorized producers.

Steps to Enroll in SHOP

Step 5

- The employer would need to decide to offer plan options through one carrier or through multiple carriers (Employer or Employee Choice).
- After narrowing down plan options, the employer or their producer may contact the insurance carrier(s) of their choice to begin plan implementation.
- Plan information, premium rate sheets and enrollment information can be obtained from the insurance carriers to finalize coverage.

Step 6

- Following final plan choice decision, an Employer and/or their Producer would submit the universal Employer / Carrier Application to the chosen carrier(s).
- Additional required submissions would include the universal Employee Eligibility Application, signed premium quote, business tax documentation (such as Wage and Tax) and binder payment(s).
- Employers and producers must follow the guidelines provided by the chosen insurance carriers for group implementation. Other required documentation may vary by insurance carrier chosen.

Steps to Enroll in SHOP

Step 7

- If the group wants to enroll in more than one insurance carrier through the Employee Choice option, the Employer would be required to choose an Authorized Producer to assist with quoting and plan implementation.
- All Employee Choice group plan paperwork / submissions should be sent to the insurance carriers and a copy to MHBE SHOP via secure email at mhbe.shop@Maryland.gov. **Note:** Employer Choice groups and brokers do not need to copy MHBE SHOP on paperwork submitted to carriers.
- MHBE SHOP will send issuers the participation determination information (as applicable).

Step 8

- The insurance carrier(s) chosen will process the business implementation materials.
- The insurance carrier(s) will reach out to provided contacts for missing information and outstanding questions.
- The insurance carriers will determine participation levels for Employer Choice groups. MHBE will determine participation levels for Employee Choice groups.

Steps to Enroll in SHOP

Step 9

- Insurance carriers will determine if the group has met the small group requirements to enroll in coverage (including participation levels on Employer Choice groups) as well as the effective date available for the new group.
- Upon effectuation of the new group, the insurance carrier(s) will provide notice to employers and/or their associated brokers of group plan enrollment.
- Insurance carriers will provide the enrolled employees member id information as confirmation of enrollment.

Step 10

- The Employer will pay the monthly premium invoices each month to the chosen insurance carriers.
- Renewal notifications and rates will be sent to the employer at renewal time. An action may be required by the insurance carrier(s) chosen to renew the current coverage.
- Employers and/or their producers should outreach to their insurance company(s) at renewal time to maintain their coverage.

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.**

SHOP Quoting Tool

Please see the attached SHOP Quoting Tool Instructions and Excel Quoting Tool