



# The SHOP Marketplace



*New Health Insurance  
Options for  
Small Businesses*

*June 2013*

# 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

# 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

# Removing the Obstacles: Insurance Reforms

## **Now, insurance companies:**

- Face limits on how much premium revenue they can spend on administrative costs and take in profits.
- Must disclose and justify proposed certain rate hikes, generally of 10% or more, which the state or the U.S. Department of Health and Human Services review

## **Starting in 2014, insurance companies:**

- Can't charge higher rates:
  - For those with pre-existing health conditions
  - For women
  - Based on individual's health status
- Face limits on charging additional premiums for older employees
- Will pool risks across the small group market – inside and outside the SHOP Marketplace

# 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**

# Removing the Obstacles: Choice and Transparency

## **The SHOP Marketplace will offer small employers:**

- A choice of health plans
- Meaningful comparisons between plans
- Choice to work with a broker or independently
- Coming soon: Option to offer employees a choice among qualified health plans across multiple health insurance companies starting in 2015

(The SHOP in some states may offer this option in 2014)

# Enrolling in SHOP: Who, When & How?

## **Who's eligible?**

- Small businesses with fewer than 100 full-time equivalent employees
- Most states will keep upper limit of 50 FTEs in 2014 and 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
- Through a broker registered with the SHOP

# How SHOP Works: Different Plan Options for Different Budgets

## SHOPs will offer choice of insurers, Qualified Health plans, and financial protection levels

- All 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

Level	Plan Pays (on average)	Employee Pays (on average)
Bronze	60 %	40 %
Silver	70 %	30 %
Gold	80 %	20 %
Platinum	90 %	10 %

# How SHOP Works: Moving Toward Employee Choice

## **A key goal of the SHOP:**

### **Options for small employers and their employees**

- Such as offering employees a single plan or a choice of plans
- The SHOP in each State has some discretion over which options offered

### **In 2014 only:**

- **In 2014 only:**
- Under a rule issued on May 31, 2013, the SHOP isn't required to offer an employee choice option

### **2015 and after:**

- The SHOP must offer small employers the option to offer employee choice of all plans in single metal level
- The SHOP can choose to make additional options available to employers

# How SHOP Works: Employer Control and Simplicity

## **Single Plan Option**

(a majority of states will offer only this option in 2014 under new rule)

- Employer:
  - chooses which qualified health plan to offer
  - decides percentage of premium to contribute toward employee premium cost

## **Single Metal Level Employee Choice Option**

(available in all States starting 2015)

- Employer:
  - chooses a metal level
  - sets a single premium contribution amount -- for all employees
  - gets a single bill – makes single payment to SHOP
- Employee:
  - chooses any plan in the designated metal level
  - pays the difference between employer contribution and plan premium

# SHOP: Basic Guarantees

## All qualified health plans offered through the SHOP:

- Will provide “essential health benefits”

Ambulatory patient services

Emergency services

Hospitalization

Maternity and newborn care

Mental health

Prescription drugs

Rehabilitative services

Laboratory services

Pediatric services

Preventive/Wellness/ Chronic disease management

- Must be licensed and in good standing
- Offer adequate selection of doctors & hospitals
- Protect employees against catastrophic costs

# 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 Bottom Line

## **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

**For More Information**

**[www.HealthCare.gov](http://www.HealthCare.gov)**

**[www.cciio.cms.gov](http://www.cciio.cms.gov)**