



Highlights of the SHOP Exchange

Updated July 2016

The Patient Protection and Affordable Care Act (ACA) requires that a Small Business Health Options Program (SHOP) exchange / marketplace be established in each state for small employers.

The SHOP Marketplace is generally open to employers with 1 to 50 full-time equivalent (FTE) employees. (However, in Virginia, it is open to employers with 1 to 100 FTE employees.) The federally facilitated SHOP Marketplace (FF-SHOP) uses the same method of counting full-time and full-time equivalent employees as is used to determine “large” employer status under the employer shared responsibility/play or pay rules. For help in calculating the number of FTE employees, use the [FTE Employee Calculator](#).

Visit HealthCare.gov to access the SHOP Marketplace.

The SHOP Marketplace operates similarly to the individual marketplace, as it provides a place for small employers to compare and enroll in available health insurance options.

To participate in the SHOP Marketplace, the employer must offer coverage to all full-time (30 or more hours per week) employees. The employer will determine the amount of its contribution toward coverage. (The regulations do not require that the employer make a contribution, but carriers may impose contribution requirements.)

An employer will select a specific level or “tier” of coverage – bronze, silver, gold, or platinum – and each employee will select a qualified health plan (QHP) within that tier. The SHOP will provide an aggregate bill to the employer.

The employer may either offer coverage to all eligible employees through the SHOP Marketplace serving the area in which the employer has its principal business address or offer coverage through a SHOP Marketplace in each place the employer has a location. Retirees and COBRA participants may be covered through the SHOP Marketplace if the employer makes its standard contribution. Sole proprietors are considered individuals and will purchase through the individual exchange, not through the SHOP Marketplace.

Coverage through a SHOP is considered employer-sponsored coverage, so premiums may be paid on a pre-tax basis if the employer adopts a Section 125 plan.

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Both the employer and employee will complete applications to purchase coverage in the SHOP Marketplace. For the FF-SHOP, an employer can apply at <https://www.healthcare.gov/small-businesses/employers/> or use the [employer application](#). For the FF-SHOP, an employee can apply at <https://www.healthcare.gov/small-businesses/employees/> or use the [employee application](#). State-run SHOPS may use these applications, or they may use their own.

Small employers may enroll in the SHOP Marketplace at any time during the year, for a 12-month coverage year. The default minimum participation rate in FF-SHOPs is 70 percent. If a state has set a different minimum participation rate by law, or if there is evidence that issuers commonly use a different minimum participation rate, the FF-SHOPs may use the state-specific rate rather than the 70 percent rate.

Below is a list of states where the FF-SHOP uses a different minimum participation rate.

| State | FF-SHOP Minimum State Participation Rate |
|---------------|------------------------------------------|
| Arkansas | 75% |
| Iowa | 75% |
| Louisiana | 75% |
| New Hampshire | 75% |
| New Jersey | 75% |
| South Dakota | 75% |
| Tennessee | 50% |
| Texas | 75% |

If an employer cannot meet the participation requirements, it can be required to wait until the annual small employer open enrollment, which is November 15 to December 15 in all states. Coverage will be effective January 1. Carriers may impose participation requirements at renewal.

For plan years beginning prior to January 1, 2016, the minimum participation rate is calculated as the number of currently employed qualified employees accepting coverage under the employer's group health plan, divided by the number of currently employed qualified employees offered coverage, excluding from the calculation any employees enrolled in coverage through another employer's group health plan or through a governmental plan, such as Medicare, Medicaid, or TRICARE. For this timeframe, employees purchasing insurance in the non-group private market (including through the FFMs, SBMs, or SPMs) are included in the FF-SHOP's calculation of a group's minimum participation rate, but do not count toward the employer's ability to meet the rate.

For plan years beginning on or after January 1, 2016, the FF-SHOP minimum participation rate will be calculated in a manner that counts more employees enrolled in coverage outside the FF-SHOPs, thus generally making it easier for employers to meet the requirement. For this timeframe, the FF-SHOP minimum participation rate will be based on the rate of full-time employee participation in the SHOP and in certain other types of coverage, including full-time employees enrolled in coverage through another group health plan, in governmental coverage (such as Medicare, Medicaid, or TRICARE), in coverage sold through the individual market, or in other minimum essential coverage.

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For help with calculating the SHOP Marketplace minimum participation rate, use the [MPR Calculator](#).

Plans in the SHOP exchange will be required to provide the 10 essential health benefits. Out-of-pocket maximums (\$6,850 per individual and \$13,700 per family for 2016) apply.

Small employers that have fewer than the equivalent of 25 full-time workers, an average annual employee wage below \$50,000, and cover at least 50 percent of the cost of health insurance coverage for employees may be eligible for a small business premium tax credit when they offer health coverage.

For tax years beginning in 2014 or later, the maximum credit is 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers.

To be eligible for the credit, a small employer must pay premiums on behalf of employees enrolled in a QHP offered through the SHOP Marketplace or qualify for an exception to this requirement. The credit is available to eligible employers for two consecutive taxable years.

Additional information on the small business tax credit is available in our [Highlights of the Small Employer Tax Credit](#).

Resources

Federally-facilitated Marketplace and Federally-facilitated Small Business Health Options Program Enrollment Manual, CMS (effective date Oct. 1, 2015), available at https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Updated_Enrollment_Operations_Policy-and_Guidance_Final_9-30-2015_mb.pdf.

Small Business Health Care Tax Credit and the SHOP Marketplace, IRS (Jan. 6, 2016), available at https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace?_ga=1.38171872.2110950945.1395678452.

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