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Healthcare Reform Update – 2013-24



What Employers Need to Know Right Now About Health Care Reform

Highlights of the SHOP Exchange

PPACA requires that a Small Business Health Options Program (SHOP) exchange/marketplace be established in each state for small employers. For 2014, all states will use 50 employees as the cut-off for small employer status.* Beginning in 2016, all states must use 100 employees as the cut-off. The SHOP exchanges/marketplaces will operate similarly to the individual exchange/marketplace, as they will provide a place for small employers to compare and enroll in available health insurance options.

To participate in the SHOP, 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 towards coverage. (The regulations do not require that the employer make a contribution, but carriers may impose contribution requirements.) For 2014 in all federally facilitated SHOP exchanges (FF-SHOPS) and a few state-run exchanges, the employer will choose the health plan (QHP) it will offer its employees. Beginning in 2015 in all exchanges the "employee choice" option will be effective. With employee choice the employer will select a specific level or "tier" of coverage--bronze, silver, gold, or platinum--and each employee will select a QHP within that tier. Some state-run exchanges will offer employee choice

Our access to PPACA Advisor resources can help you clear up PPACA questions and better craft your company's benefit strategy for the future.



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for 2014. The SHOP will provide an aggregate bill to the employer.

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

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.

Both the employer and employee will complete applications to purchase coverage in the SHOP exchange. The FF-SHOP employer application may be found at <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employer-application-6-12-2013.pdf>. The FF-SHOP employee application may be found at <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/shop-employee-application-6-12-2013.pdf>. State-run SHOPs may use these applications, or they may design their own.

Small employers may enroll in the SHOP at any time during the year, for a 12-month coverage year. If an employer cannot meet the carrier's participation requirements, which in many states will be 70 percent, it can be required to wait until the annual small employer open enrollment, which will be November 15 to December 15 in all states. Coverage will be effective January 1. Carriers may impose participation requirements at renewal. In many states, employees with coverage through another employer plan, Medicare, Medicaid, the military, or veterans' programs will not be included in the participation calculation, and employees who have purchased individual coverage will be included in that calculation.

Plans in the SHOP exchange will be required to provide the 10 essential health benefits. Deductible limits (generally \$2,000 per individual and \$4,000 per family) and out-of-pocket maximums (\$6,350 per individual and \$12,700 per family) will 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. Starting in 2014, the maximum tax credit increases to 50 percent, but is available only to small employers who purchase coverage through the SHOP.

Nonprofit employers meeting the eligibility criteria can receive credits for 25 percent of the employer's share of premium costs through 2013 and, beginning in 2014, 35 percent of these premium costs for coverage purchased through a SHOP. Additional information on the small business tax credit is available in our Highlights of the Small Employer Tax Credit.

* The FF-SHOPs will use 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. State-run exchanges may use the state's current definition of employee until 2016.

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