

REFORM *Update*

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Health care reform requires each state to run a Marketplace or Exchange to allow individuals and small groups to purchase health coverage. The federal government has set up Exchanges for states that have not done so. The early troubles with the federally-run Exchanges have been well publicized. Although the federally-facilitated Marketplaces or Exchanges are improving, they still face challenges. The federal government is working diligently with vendors to improve its healthcare.gov website.

It will take time to resolve all the issues needed to optimize Marketplace functioning. Consequently, the government is working on the most urgent issues first. Its first priority is to ensure the Marketplace for individual coverage runs efficiently. All its efforts in October and November focused on the individual market.

As a result, the Small Business Health Options Program (SHOP) has been delayed. Initially, the SHOP was supposed to allow small employers to select a metal coverage tier (platinum, gold, silver or bronze) and employees could select plan options within that metal tier. States can define the size of small employers in 2014 and 2015. States can opt to define it as fewer than 50 or fewer than 100 employees. In 2016, however, all states will have to define small employer as fewer than 100 employees.

Early on, the government determined that the premium aggregation function would not be available until 2015. Employers could still enroll for coverage in the SHOP, but they had to pick one carrier and one plan to offer employees.

At this point, federally-facilitated Marketplaces cannot enroll any small groups in the SHOP electronically. The government anticipates that federally-run Marketplaces will have the following functions available in the indicated timeframe:

- December 2013 – employers today can access information about plans, coverage and carriers who offer plans in the SHOP.
- December 2013 – employers will be able to enter employee ages online to get more precise premium estimates and compare available plans. This function is not available yet, but should be available later in December.
- November 2014 – employers and employees will be able to enroll in SHOP coverage online. The SHOP should have the premium aggregation function completed. Employers may then purchase a metal tier and offer all plans in that metal tier as options to employees.
- January 1, 2015 – new employer plans purchased in the SHOP online by December 23, 2014 will be effective.

This delay and timeline affects only federally-facilitated Marketplaces. It does not apply to state-run Marketplaces. For example, California operates its own Exchange. Small businesses are already enrolling in the California SHOP. On the other hand, the federal government runs Michigan's Exchange. Michigan small groups will not be able to enroll in SHOP coverage online for 2014.

The government recommends that small groups approach insurance carriers directly or use brokers for small group quotes. Small groups will have to secure coverage directly through insurance carriers. The government is calling this process direct enrollment.

The delayed launch of the SHOP will also affect the process to secure the small business tax credit. The small business tax credit has been available to qualifying employers (employers with fewer than 25 full-time equivalent employees that meet certain requirements) since 2010. In 2014, to be eligible for the small business tax credit, the employer must purchase a group Qualified Health Plan (QHP) through the SHOP. This option will not be available in federally-run Exchanges until 2015.

For 2014, small employers will need to take the following two additional steps to qualify for the small business tax credit:

1. Apply for SHOP eligibility. The application is available on the SHOP website (www.healthcare.gov). Send the completed application to the federally-facilitated SHOP Marketplace. The SHOP will respond to your organization to let you know if you are approved for the small business tax credit.
2. Purchase a QHP directly from an insurance carrier allowed to do business in the SHOP or use a broker to place coverage with a QHP offered in the SHOP.

Employers that do not apply or purchase a SHOP QHP for their employees will not be eligible for the small business tax credit in 2014.

Employers can get help though healthcare.gov or contact the SHOP Employer Call Center at 800-706-7893 if they have questions.

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