



7 Key Facts Small Businesses Need to Know About the SHOP Marketplace

The Small Business Health Options Program (SHOP) Marketplace is a key provision of the Affordability Care Act (ACA). Our experts have compiled a list of common questions and answers to help small business leaders understand some basics of the SHOP Marketplace and how they will impact benefits available to employees beginning in 2014.

Question 1: What is the SHOP Marketplace?

Answer: The SHOP Marketplace is a web portal facilitated by state or federal governments where small businesses can shop for and buy private health insurance for their employees. Employers with up to 100 employees are eligible to purchase coverage through the SHOP Marketplace; however states may choose to keep the limit to up to 50 employees for the first two years (2014-2015). The federal SHOP and almost all states are currently using 50 as the limit for small employers in the SHOP.

Question 2: What types of benefits are offered through the SHOP?

The SHOP Marketplace will offer major medical insurance and supplemental dental insurance options, with four levels of coverage. The levels vary depending on the proportion of medical expenses the insurance plan is expected to cover (actuarial value). This includes:¹

- » Bronze: 60 percent actuarial value
- » Silver: 70 percent actuarial value
- » Gold: 80 percent actuarial value
- » Platinum: 90 percent actuarial value

The SHOP also provides an online experience for employees for plan selection and enrollment, with additional telephone and in-person consumer assistance if needed.

Question 3: How will the SHOP Marketplace work in my state?

Answer: The structure of each SHOP Marketplace will depend on your state's governance decisions. The law requires each state to establish a Health Insurance Marketplace (also called an exchange) that provides a market for individuals and small employers to buy major medical insurance by January 1, 2014. For states that do not establish a marketplace, the U.S. Department of Health and Human Services (HHS) will operate a Federally-Facilitated Marketplace (FFM).²

The SHOP Marketplace will offer two coverage models: (1) Employer Choice and (2) Employee Choice. Employer Choice (available in 2014) allows employers to choose a health plan to offer employees. Employee Choice (delayed in most states until 2015) offers the employer the option to choose a coverage value, so employees can shop for the best plan and carrier for them.

For information by state visit: statereforum.org/where-states-stand-on-exchanges

Question 4: How will small businesses be impacted by the Marketplace?

Answer: One very important responsibility of small businesses will be employee communication. Not only will employees be looking to you to understand important health care reform changes, the law requires all employers who are subject to the [Fair Labor Standards Act](#) to notify employees of the Health Insurance Marketplace and potential eligibility for premium credits by October 1, 2013.² As well as to notify new employees upon hire.

Aflac has created the “Health Care Reform Communications Toolkit” to help businesses to comply with this communications requirement. Available at aflac.com/HCR_Toolkit, these tools can be customized with a company’s logo and used with workers.

40 percent of employees say they do not truly understand their employer’s contribution to their insurance benefits.³

Question 5: How will the SHOP Marketplace affect health care costs for my business?

Answer: The SHOP Marketplace is expected to offer competitive benefits options to small businesses. Additionally, small businesses participating in a SHOP may be eligible for a tax credit of up to 50 percent of their premium payments if they have 25 or fewer full-time equivalent employees* whose average annual wages are less than \$50,000. Tax-exempt organizations are eligible for a tax credit up to 35%.

The SHOP may also provide an administrative platform for small businesses to provide health care coverage, enabling open enrollment online and allowing employees to select and enroll in health care coverage. This takes away some of the administrative burden from the small businesses and makes it easier for employees. Administrative options, along with tax credits in the SHOP Marketplace may help your business to provide cost-effective workplace benefits.⁴

*A qualifying employer must have 25 or fewer full-time equivalent (FTE) workers. Employers with more than 24 workers may be eligible if they still have fewer than 24 FTEs. For example, if a firm has 40 employees who work part-time, the firm may count 20 as FTEs and, therefore, the firm would qualify in this group. Note: The PPACA says that employers with 25 or fewer FTEs may qualify for the credit; the credit amount is phased down to zero for an employer with 25 FTEs. The IRS website, as of Sept. 20, 2013, says that employers with fewer than 25 FTEs are eligible for the credit. For more information, see www.irs.gov.

Question 6: How will the SHOP Marketplace affect my employees?

Answer: Most business owners recognize that health insurance plays an important role in retention and recruitment, but at the present time, less than half of small businesses are able to offer these benefits at competitive rates. The SHOP Marketplace will give your business the opportunity to offer competitive benefits options to your workforce. Overall benefits can play a significant role in keeping employees satisfied with their job and increase their likelihood to believe their company is a great place to work. Like no other benefits or perk, health benefits help workers to feel secure about their financial future and their ability to handle unexpected illness or injury. The SHOP Marketplace may help your business to offer robust benefits in order to stay competitive and keep top talent.

59 percent of workers believe they’d be at least somewhat likely to accept a job with a more robust benefits package, but lower compensation.³

Question 7: How do Aflac supplemental insurance policies fit into SHOP Marketplace options?

Answer: Supplemental insurance policies, like the ones offered by Aflac, are a way to offer a broader benefits package to your workforce without adding to your benefits costs. Unlike major medical insurance, these policies pay cash benefits directly to the policyholder, unless otherwise assigned, if they get sick or injured. This helps provide an extra layer of financial protection for your employees without adding to your overall cost of benefits.

Aflac policies help provide protection to families in any health care system. We have seen this value in Japan, a country that has had a national health care system for many years. In Japan, Aflac is the No. 1 life insurance company in terms of individual policies in force.⁵

Employees who are offered voluntary benefits by their employer are 12% more likely to say their current benefits package meets their family's needs extremely or very well.³

For more information ...

New guidance is expected from the U.S. Department of Health and Human Services (HHS) that may impact your business, your benefits offerings and your workforce. Aflac Insights will continue to provide helpful information at: aflac.com/insights.

To learn more about health care reform and coverage available in your state, visit healthcare.gov, <http://cciio.cms.gov> and irs.gov.

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This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.

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Sources

¹ Kaiser Family Foundation (2010). Explaining Health Care Reform: Questions About Health Insurance Exchanges, accessed on October 3, 2012, from www.kff.org.

² Kaiser Family Foundation (2012), Implementation Timeline, accessed on August 23, 2012, from healthreform.kff.org/timeline.aspx.

³ 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 – 24, 2013.

⁴ The Internal Revenue Service (2012) Small Business Health Care Tax Credit for Small Employers, accessed October 3, 2012, from <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>

⁵ Aflac 2011 Year in Review.