

California's Small Business Health Options Program (SHOP)

Introduction

A major component of health care reform that has rolled out in each state is the health insurance marketplace. Each marketplace is operated by that state's government, the federal government, or a partnership between the state and federal governments. California's marketplace, known as Covered California, is a state-run marketplace. It serves both individuals looking for health plan coverage for themselves and their families, as well as qualifying small businesses looking to offer coverage to their employees through the Small Business Health Options Program (SHOP).

With the implementation of SHOP there is now the opportunity to offer choice when it comes to plan selection for employees, along with a more simplified administrative process (single bill for coverage) for employers. Open enrollment for both small businesses and individuals through Covered California began October 1, 2013. Though open enrollment for the individual marketplace recently closed on March 31, 2014, we feel this is an appropriate time to refocus education and enrollment efforts for small businesses, the marketplace for which (SHOP) has no open enrollment deadline.

The California Small Business Health Options Program (SHOP)

The SHOP marketplace functions as a central hub where small business owners interested in purchasing health plan coverage for their workforce can easily compare benefits and prices and choose the coverage level that's best for their business. It allows employers to explore a variety of plans and health insurance options within the marketplace, using easy online tools and live assistance via telephone or in person.

The SHOP makes it easy for employers by allowing them to choose their contribution level toward their employees' coverage and make a single monthly payment through the marketplace rather than to multiple plans. Employees can then choose any plan from any health plan issuer offering coverage at the metal plan level selected by the employer. The plans offered by Covered California will fall into four metal plan levels— Bronze, Silver, Gold, and Platinum. Each metal plan level corresponds to an actuarial value, which is a measure of how much of the cost for covered services would be paid by the plan. For example, a gold plan with an actuarial value of 80 percent would be expected to pay an average of 80 percent of a standard population's expected medical expenses, with individuals covered by the plan expected to pay the remaining 20 percent through deductibles, copayments, and other cost-sharing.

The four metal plans and their actuarial values are:

- Platinum — 90% actuarial value
- Gold — 80% actuarial value

- Silver — 70% actuarial value
- Bronze — 60% actuarial value

Covered California has established standardized plans for each metal level that will be available for purchase through the new health insurance marketplace or directly from health insurance plans. The health plans available through Covered California must meet certain benefit and cost sharing standards, and because health plan issuers are competing for customers within the marketplace, they're incentivized to keep prices low and quality high.

Who can purchase coverage through the SHOP?

California's SHOP marketplace is now open to small businesses with 50 or fewer employees, and will expand to businesses with up to 100 employees beginning in 2016. Business owners can choose to purchase coverage for their employees on their own or with the help of a broker. Starting in 2014, small businesses comprised of the owner or the owner and his or her spouse will no longer be eligible for small group coverage. Although this means such employers won't be able to buy coverage through the SHOP, these individuals will be able to purchase insurance through Covered California's individual marketplace once open enrollment begins again. They may even be eligible for federal financial assistance depending on their level of income.

What are the benefits of coverage through California's SHOP?

Small businesses benefit from California's SHOP because they can compare a wide variety of plans side-by-side with regard to options and prices, and because four different levels of coverage based upon the percentage of medical expenses covered by the health plan are now available.

Employers will be able to control their own costs while still providing a choice of plans to their employees through a defined contribution approach. The employer will select a metal plan level and a "benchmark plan" to which their contribution will be set. The employee will then have the option of selecting any plan offered in the selected metal plan level and can buy up or down from the benchmark plan.

Reducing Costs with the Small Business Tax Credit

A small business tax credit is currently available to small businesses with 24 or fewer full-time-equivalent employees. To qualify, a business must have average annual wages below \$50,000 and contribute at least 50 percent of the employees' premium for the lowest health plan offered by the employer. The tax credit — which covers up to 50 percent of an employer's contribution (35 percent for tax-exempt groups) — is available on a sliding scale, and is based on a company's average annual wages and the number

of employees. The tax credit is only available if a business purchases coverage through the SHOP.

Today, employers are looking for the ability to provide choice in health plan options for their employees, while keeping administrative work to a minimum. 2014 marks the beginning of an exciting time in U.S. health care, and the “no wrong door” approach to coverage that Covered California has taken means that finding an affordable option is easier than ever. You can explore the SHOP website [here](#) or use [this helpful tool](#) to determine your coverage options and tax credit eligibility. If you wish to purchase coverage for your employees through the SHOP, you may submit a paper application or contact a broker or agent to assist. More information [here](#).

We encourage you to explore your options to help you make the best business decision for your growing enterprise.