



## **Small Business Health Options Program (SHOP) Act**

### **Frequently Asked Questions**

#### **[S. 979/H.R. 2360](#)**

#### **What does the SHOP Program look like?**

The SHOP program will be a nationwide healthcare pool open to individuals, the self-employed and small businesses up to 100 employees. It will be regulated by the Department of Health and Human Services (HHS). An Administrator will administer the program. Enrollment into the program will be simplified and a Small Business Health Board will monitor the implementation of the program as well as make recommendations. Health coverage purchased through the SHOP program will require insurance companies participating in the pool to cover everyone. The plan will prohibit health status rating as well as ratings based on gender and claims experience. The SHOP program will adhere to a minimum benefits package recommended by the Small Business Health Board and determined by the Administrator.

#### **How would a nationwide pool work within a state exchange?**

The SHOP program would function within the proposed statewide exchanges. Health insurance issuers will be able to sell at both state level and within the National SHOP program. While States will continue to regulate health insurance requirements, health plans offered within the SHOP pool must adhere to the rating rules and minimum benefit packages set by the program. The SHOP program would be ideal for small businesses in states that currently have limited insurance carriers and plans.

#### **What is defined as a small business?**

The SHOP program includes businesses of up to 100 employees.

#### **Will the small business employer receive a tax credit for providing healthcare?**

The SHOP program provides a targeted tax credit for small business owners to better afford healthcare coverage. For an employer to be eligible for the tax credit, they must pay or incur at least 60% of the qualified employee health insurance expenses. The small business health insurance tax credits are:

- \$1,000 for each employee who receives self-only health insurance coverage through the employer,
- \$2,000 for each employee who receives family health insurance coverage through the employer, and

- \$1,500 for each employee who receives health insurance coverage for 2 adults or 1 adult and 1 or more children through the employer.
- Bonus tax credits are provided for employers that pay for a greater percentage of the premiums. For each additional 10 percent of the qualified employee health insurance expenses exceeding 60 percent which are paid by small business employer, the tax credits will be increased by:
  - \$200 for each employees who receives self-only health insurance coverage,
  - \$400 for each employee who receives family health insurance coverage through the employer, and
  - \$300 each employee who receives health insurance coverage for 2 adults or 1 adult and 1 or more children through the employer.

All tax credits in the SHOP program are subject to the following size factor:

<u>If the employer size is:</u>	<u>The percentage is:</u>
10 or fewer full-time employees	100%
More than 10 but not more than 20 full-time employees	80%
More than 20 but not more than 30 full-time employees	60%
More than 30 but not more than 40 full-time employees	40%
More than 40 but not more than 50 full-time employees	20%
More than 50 full-time employees	0%

SHOP program tax credits are also subject to the percentage of year factor, determined by the number of months during the taxable year which the employer paid or incurred qualified employee health insurance expenses. Senators currently working on this bill are trying to create a provision to spread the tax credit out throughout the year. It is important to note that the employer does not have to pay 60% of their employee’s healthcare costs to utilize SHOP; that is just for the small business tax credit.

**What about self employed individuals?**

The self-employed are eligible to participate in the SHOP program. A self-employed individual would be considered an employer that is making a 100 percent contribution toward the premium amount. For self employed individuals to qualify for the tax credit in the SHOP program, in addition to all the criteria above, their net earnings from the preceding taxable year cannot be less than \$5,000 or their gross earning be no less than \$15,000.

**What about pre-existing conditions and other rating reform?**

Under the SHOP program, premium rates will not be permitted to vary based on health-status, gender, or claims experience. Under the SHOP program the exclusion period for preexisting conditions is dramatically reduced. Rates and premiums under the program may be adjusted annually, however, with the elimination of health status as a rating factor.

**How does the SHOP program address the rising cost of healthcare?**

SHOP does not attempt to address all healthcare reform issues such as medical practice improvements, efficiency in the Medicare system, etc. It addresses access and affordability for small businesses.

**Will employee benefits be taxed?**

The issue of taxing employee benefits is currently up for discussion as a revenue raiser, in the larger health reform discussion.

**Is there an employer mandate to provide healthcare included?**

No, there is no employer mandate specifically in the SHOP program. But the “pay to play” provision contained in larger healthcare reform discussion, specifically in the House Bill, where some small businesses would be exempt from a tax penalty for not offering health coverage.

**Does the employer choose the plan for the employees?**

If the employer opts to purchase coverage through SHOP, the employees will choose their health care plan. With increased choice of plans to choose from, the employer will decide what he/she will cover with respect to premiums but will no longer offer the sole insurance coverage plan for its employees. .

**What would happen to HSA's?**

HSAs will be still be an option

**What kinds of enforcement would be written into the bill?**

The SHOP program will be subject to state and federal regulations to ensure that the plans offered through the program will meet solvency rules, required coverage and other issues now regulated by the state. .

**Would the nationwide SHOP pool offer the same amount/type of options as in the state exchange?** It is hoped that both the statewide exchange and national SHOP pools will have a robust range of plan options for individuals, the self-employed and small businesses. However, the range of options within the state-wide exchange would vary by State. The national SHOP program could very likely offer more plans due to the nationwide pool of participants.

**What if my employee(s) do not choose a health insurance option? Am I responsible as the employer?**

SHOP is a voluntary program. An employee of an employer that purchases coverage through SHOP may enroll in any plan available in SHOP or choose not to enroll. If the employee chooses not to enroll in a health plan, the employer would not suffer.

**What does it cost employers to join SHOP?**

There will be no cost to employers to participate in the nationwide SHOP program.



Women Impacting Public Policy (WIPP) continues to stand behind the healthcare principles contained in the ***Economic Blueprint – The Women Business Owners' Platform for Growth***. Visit [www.WIPP.org](http://www.WIPP.org) for more information; or click [here](#) to read the healthcare principles and click [here](#) to read the complete Economic Blueprint. Click [here](#) to view the complete WIPP Statement on Health Care Reform.

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