

# Health Insurance Options for Small Business

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# Small Business Health Options Program Overview

- The Small Business Health Options Program, or SHOP, was created under the Patient Protection and Affordable Care Act, to help small businesses (50 or fewer employees) provide health insurance to their employees
- Key tenants of the SHOP include:
  - Eligibility requirements
  - Availability of tax credits
  - More coverage choices for employees

# Eligibility Requirements

Business must have 1 to 50 full-time equivalent (FTE) employees

All full-time employees of the business must be offered coverage

Business must have at least one employee enrolling in coverage who isn't an owner or business partner, or the spouse of the owner or business partner

Have a physical business address in Maryland and either:

- Provide coverage through the SHOP to all eligible employees who are principally employed in Maryland; or
- Provide coverage through the SHOP to all eligible employees, wherever employed

# Tax Credits

Only employers participating in the SHOP are eligible for the tax credit (i.e. it is not available to employers who directly enroll with a carrier)

Currently, the credit is available for employers who:

- Contribute at least 50% towards employee-only premiums
- Have fewer than 25 full-time employees
- Pay an average annual salary of less than \$50,000

At this time, the tax credit is only available for a 2 year period, and employers can receive an amount equal to up to 25% of their contribution

# Coverage Models

With SHOP, employers are able to give their employees more coverage options to choose from.

- Employer choice: Employer chooses one carrier, and allows employees to choose plans offered by that carrier
- Employee choice: Employer selects up to two consecutive metal levels, and allows employees to access plans at those levels, across all carriers
  - This option is only available through the SHOP
- Single plan: Employer chooses a single health plan

# Maryland Health Benefit Exchange Small Business Initiatives

The Maryland Health Benefit Exchange has identified significant needs in the small group market that can be addressed.

MHBE has been working on the following initiatives:

- 1332 Waiver to alter how the SHOP tax credit subsidy is administered
- A Small Business Advisory Committee
- Extensive outreach and a comprehensive survey
- The development of a Small Business Platform (MCH for SmallBiz), similar to the platform used for the individual exchange



## HB1098 passed in 2019 session

- Authorizes MHBE to submit a State Innovation Waiver application for a federal Section 1332 waiver to allow the State to administer the federal small business healthcare tax credit subsidy to small businesses for monthly premium payments
- Requires the Exchange to submit a waiver to distribute certain tax credit subsidy assistance on a monthly basis to certain eligible employers
- Would apply for plan year 2021
- Expected to be filed by Fall 2020

# Small Business Health Advisory Committee (SHAC)

- The SHAC consists of 17 members, with representatives from small businesses, Chambers of Commerce, carriers, and other stakeholders
- Two workgroups
  - A platform workgroup focuses on overall integration of a small business platform into Maryland Health Connection, by informing operational aspects of implementation.
  - A policy workgroup will focus primarily on examining and informing MHBE activity pertaining to the requirements of HB1098, and the subsequent 1332 waiver application, as well as exploring other policy initiatives within the small group space.
- The committee met 4 times over the summer and will reconvene after the first of the year.

# Small Business Insights Survey

- MHBE hired EurekaFacts to administer a 10-minute online survey of Maryland-based businesses with 25 or fewer employees, including a minimum of 33% businesses with 2-10 employees. Potential respondents were screened based on employment status, business size, primary role and decision-making authority. (188 respondents)
- Objective was to investigate knowledge, attitudes, receptivity and motivations around health insurance for employees overall and specifically about Maryland Health Connection's Small Business Health Options Program(SHOP). The research scope for an online survey of business owners and operators includes these five primary objectives:
  - Investigate and clarify needs and the appetite for acquiring health insurance for employees.
  - Identify obstacles that small businesses face in making insurance options available, including policy solutions that might address them.
  - Gather feedback on overall and specific awareness of SHOP, including –how the program works and what it offers businesses who sponsor group health plans.

# Small Business Insights Survey Findings

- The majority (62%) of Maryland-based small businesses (with 2-25 employees) offer some form of financial support for health insurance to their employees, while 39% do not.
- Primary reasons to sponsor a group health insurance plan center on employee needs – satisfying demand from employees, attracting talented staff, and investing in employees as an investment in their business overall: 63% each say that these are major reasons to sponsor a group health plan.
- Driving decision-making on whether to sponsor a group health plan are cost, complexity of plans, regulations and employee considerations; such as, the ability to recruit talent without providing insurance and considering whether to subsidize employee coverage in the individual market in lieu of providing a group health plan.

# Small Business Insights Survey Findings (cont.)

- Solid majorities offer favorable ratings of big picture characteristics of SHOP: 68% have a favorable view of the choice of health plan options, while 63% have a favorable view of the cost of employee premiums.
- Maryland businesses have favorable views of the small employer health insurance tax credit. Changing the policy that would allow for tax savings to take effect right away (rather than at tax time) could motivate businesses to sponsor SHOP. More than eight-in-ten (84%) say that this change would influence their decision to enroll in SHOP a “great deal” (46%) or “fair amount” (38%).
- Knowledge of the tax savings a business could receive has a positive impact on interest and motivation to sponsor a SHOP plan. After reviewing scenarios tailored to their situation, 64% of businesses are more likely to consider SHOP.

# Small Business Insights Survey Findings (cont.)

**How much does each statement influence your decision-making process on whether to provide employee health insurance?**

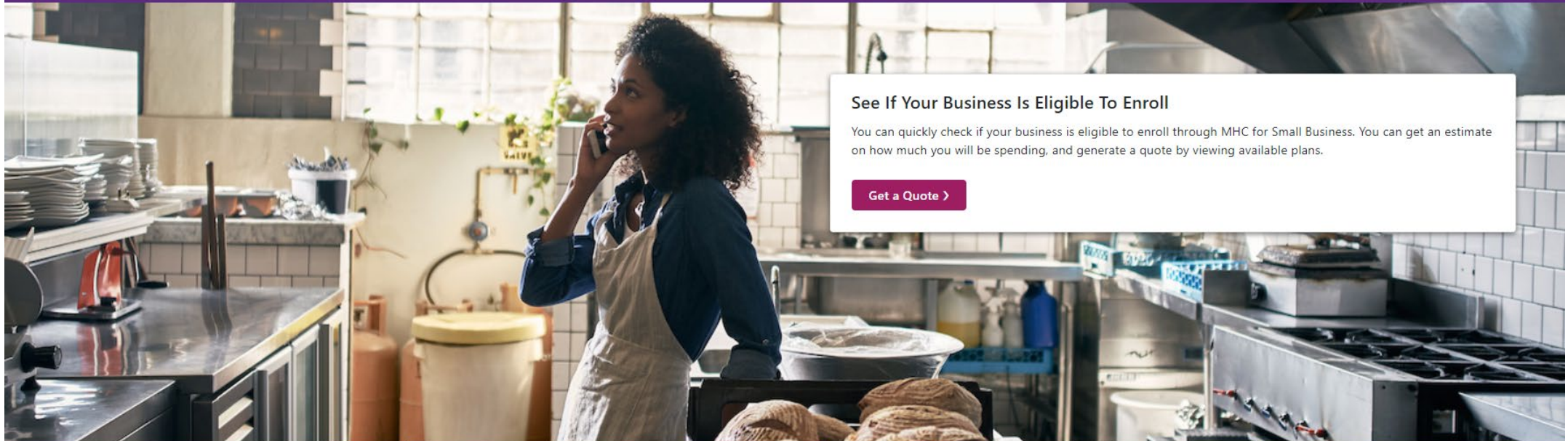
|   | NET: A great deal/<br>Fair amount | NET: Not too much/<br>Not at all |
|---|-----------------------------------|----------------------------------|
| Potentially high or variable cost of health insurance premiums over time                | 83%                               | 18%                              |
| Upfront costs of providing health insurance   | 81%                               | 19%                              |
| The structure and complexity of health plan options available                           | 79%                               | 22%                              |
| The ability to recruit qualified employees without providing health insurance           | 72%                               | 29%                              |
| Employee options for subsidized coverage in the individual health insurance marketplace | 69%                               | 32%                              |
| Regulations and rules for health plan sponsorship                                       | 68%                               | 32%                              |
| Conditions of your workforce, including turnover, part-time or seasonal work            | 61%                               | 39%                              |
| Financial assistance through tax credits for the business                               | 59%                               | 42%                              |
| Practices of other small businesses within the industry                                 | 58%                               | 42%                              |

Source: Q27. MBHE SHOP Survey, June 10 – July 23, 2019. Note: Percentages read across and may not total to 100% because rounding.

# Maryland Health Connection for SmallBiz



## Maryland Health Connection for Small Business



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