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# SHOP FOR TRIBAL EMPLOYERS



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

# Disclaimer

*This training material is for informational purposes only and is not intended as tax or legal advice. Please talk with your attorney or tax professional for specific questions related to your Tribe or Tribal entity as an employer.*

# Small Business Health Options Program Topics

- What is SHOP?
- SHOP Functions
- Comparison with Individual Marketplace
- SHOP Plans
- Eligibility, Definitions, Application & Enrollment
- FF SHOP in 2014

# What is SHOP?

# What is SHOP?

- SHOP = Small Business Health Options Program
  - Designed to help small businesses purchase health insurance and dental plans (optional) for employees.
- Each State will have a Marketplace (a/k/a Exchange) where individuals and small businesses can shop for health insurance.
- Tribes and Tribal entities are eligible to participate.
- The SHOP will allow an employer to compare plans based on price, coverage and quality.

# SHOP Marketplace in Your State

Connect through Healthcare.gov at:

<https://www.healthcare.gov/marketplace/shop/>



# SHOP Functions



# SHOP Functions

- Among other functions, the SHOP:
  - Determines requirements for enrollment and eligibility.
  - Provides qualified health plan (QHP) options for employers.
  - Certifies QHPs.
  - Determines participation rules.
  - Establishes methods for contributions.



# Comparison with Individual Marketplace

# Individual Marketplace vs. SHOP Generally

Description	Individual Marketplace	SHOP*
Individual Premium Tax Credits	Yes	No
Essential Health Benefits	Yes	Yes
Premium Aggregation	FF: No State: No	FF: In 2015 State: In 2014, State by State basis
Metallic Level QHPs	Yes	Yes
Multi-state Plans	Yes	Yes
Navigator Assistance	Yes	Yes

\*FF SHOP will not be fully implemented until 2015.

# Individual Marketplace v. SHOP

## Specific to AI/AN

Description	Individual Marketplace	SHOP
AI/AN Cost Sharing Reductions (Zero and Limited Cost Sharing plans for AI/ANs)	Yes	No
AI/AN Special “Monthly” Enrollment in plans	Yes	Yes
Certificates of Exemption from Individual Assessable Payment	Yes	No

# SHOP Plans

# SHOP Plans

- Different actuarial values (AV) in plans are described using “metallic” descriptors.
- All plans in the SHOP will have the same Essential Health Benefits (EHBs).
- Plans may have different:
  - Network of providers
  - Premiums & cost sharing

Metallic Plan	Actuarial Value
Bronze (lowest premium, least beneficial)	60%
Silver (Benchmark)	70%
Gold	80%
Platinum (highest premium, most beneficial)	90%

# Essential Health Benefits

## **The plans in SHOP will include Essential Health Benefits (EHB):**

1. Ambulatory patient service
2. Emergency services
3. Hospitalization
4. Maternity and newborn care
5. Mental health and substance use disorder services, including behavioral health treatment
6. Prescription drugs
7. Rehabilitative and habilitative services and devices
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

# SHOP Plans (continued)

## Sources for Plans Offered in SHOP:

1. Qualified Health Plans (QHPs)
2. Multi-State Plans (MSPs)



# Qualified Health Plans (QHPs)

- An insurance plan certified by an Exchange (Marketplace)
- Includes EHBs
- Follows established limits on cost-sharing
  - deductibles, copayments, and out-of-pocket maximum amounts
- Meets other requirements

# Multi-State Plans (MSPs)

- Administered by the Office of Personnel Management (OPM)
- OPM contracts to offer at least 2 MSPs on SHOPs in each State.
  - 31 states in 2013, phased in to all states by 2018
- MSPs at Silver and Gold level required; Bronze or Platinum permitted.
- Must include EHB.
- For MSPs, OPM sets the Benchmark.

# Employer & Employee Choices

Year	State-based SHOP	FF-SHOP
2014 Transition Period	Employer selects one plan (or more, depending on State) which will be made available to employees.	Employer selects one plan which will be made available to employees.
2015	Employer may select: (1) a level of coverage and employee may select any plan in that metallic level; or (2) other options to offer employees.	Employer may select: (1) a level of coverage and employee may select any plan in that metallic level; or (2) one plan to offer employees.



# Eligibility, Definitions, Application & Enrollment

# Employer Eligibility

**Generally, an employer is eligible to participate in SHOP if the employer:**

- (1) Employs 50\* or less full-time equivalent employees (average of 30 hours of service per week) during the prior calendar year;
- (2) Has at least one common law employee on payroll; and
- (3) Has its principal place of business address in the Marketplace **and** offers coverage to all full-time employees through that SHOP; OR offers coverage to each eligible employee through the SHOP serving that employee's primary worksite (in this case, the employer participates in multiple SHOPS).

Note: Self-employed individuals and owner-only companies must use the individual Marketplace.

\*Increases to 100 in 2016.

# Employer Eligibility (continued)

- Participation Rate Requirement
  - In Federally-facilitated SHOP, at least 70% of full-time employees must enroll in order for the employer to qualify, or other % requirement per state law.
    - AR, IA, NH, NJ, SD & TX – at least 75%
    - TN – at least 50%
    - % exception: November 15-December 15
  - For State-based SHOP, check SHOP application to determine participation rate requirement.

# Employee Eligibility

An employee (or employee's family member) is a qualified individual eligible to enroll in coverage through the SHOP only if the employee (or the employee's family member) receives an **offer of coverage** from a qualified employer.

# Full-Time Employee Definition

## State-based SHOP

- In 2014 and 2015, a State may use the definition of full-time employee from the State's small group market or the Federal definition. *Look at State SHOP application for applicable definition.*
- In 2016, the Federal definition of full-time employee will apply to State-based SHOPS.

## Federally-facilitated SHOP

- Beginning on October 1, 2013, the FF-SHOP will use the federal definition of full-time employee which is *an employee who is employed an average of 30 hours of service per week (or 130 hours of service per month)*



# Counting Employees: State-based SHOP

- Counting method will vary by State.
- State-based SHOP application will explain counting method or check State-specific SHOP website.
- In 2016, a State-based SHOP must use the same method as the Federally-facilitated SHOPS.

# Counting Employees: Federally-facilitated SHOP

To determine full-time equivalent employees (FTEs):

- Use the most recent year.
- Exclude seasonal employees (those working fewer than 120 days a year) from all calculations.
- Count the number of people who worked an average of 30 or more hours a week.
- Add to this amount the number of hours worked per week by non-full time employees (part-time employees) and divide by 30 (round down to next whole number).
- Result = number of FTEs.

Source: <http://marketplace.cms.gov/getofficialresources/publications-and-articles/key-facts-about-shop.pdf>

# 2014 SHOP Application Process

## **State-based SHOP**

Application process varies by State.

Generally, employer can apply through State SHOP website, on the phone, by mail (paper application) or through an enrollment assister.

## **Federally-facilitated SHOP**

Employer may complete the paper application available at [healthcare.gov](http://healthcare.gov) for SHOP eligibility determination (i.e., required for tax credit) or may apply by phone.

Employer may work directly with an agent, broker or insurance company.

# Enrollment Deadline

## State-based SHOP

Employer **may** enroll in health insurance at any time during the year (rolling enrollment).

Per regulations, special monthly enrollment period for AI/ANs applies to SHOP.

Check state website for other enrollment guidance.

## Federally-facilitated SHOP

Employer **may** enroll in health insurance at any time during the year (rolling enrollment)

Per regulations, special monthly enrollment period for AI/ANs applies to SHOP.

See next section for more details.

# FF SHOP 2014

# FF SHOP Website

- Cannot apply for SHOP eligibility or enroll in coverage through healthcare.gov at this time.
- Paper application is available for download.
- Premium estimate tool available at <https://www.healthcare.gov/find-premium-estimates/>
- In 2014, “direct enrollment” is required in FF SHOP.

# FF SHOP “Direct Enrollment”

- “Direct enrollment” occurs through an agent, broker or through an insurance company that offers plans through the SHOP Marketplace.
- Similar to how many small businesses have purchased insurance in the past.
- Employer can select a QHP and dental plan (optional) through an agent, broker or insurance company.
- Employer pays insurance company directly (or with the assistance of agent or broker).

# FF SHOP Eligibility Determination

- To apply for an eligibility determination from the FF SHOP:
  - Employer can get help from an agent, broker or insurance company; or Marketplace Navigator or assister.
  - Employer can obtain the paper application and instructions from the healthcare.gov website and submit application by mail.
  - Employer can apply by phone through Small Employer Call Center at 1-800-706-7893. Assistance is available Monday-Friday from 9:00 a.m. to 7:00 p.m. (EST).
- SHOP Notification:
  - Within 3-5 days of receipt
  - Response by phone and email (or mail, if requested)
- If determined ineligible for SHOP, insurance company is not required to cancel coverage; however, can't claim tax credits.



# FF SHOP QHP Enrollment

- Employer **may** enroll in health insurance at any time during the year (rolling enrollment).
  - If enroll by 15th of the month, then coverage on 1<sup>st</sup> of next month
- Employer does not have to wait until SHOP eligibility determination in order to enroll or buy coverage.
- Qualified employee enrollment
  - Initial enrollment period is determined by employer
  - Special enrollment periods apply
    - American Indians and Alaska Natives may enroll in a plan or change plans once per month

# Section Review

- What is SHOP?
- Are Tribes and Tribal entities eligible?
- Name one difference between SHOP and the Individual Marketplace?
- What is limit on number of employees for SHOP?
- In 2014, how many plans will an employer in an FF-SHOP offer to employees? In a State-based SHOP?

# Questions



# **Small Business Tax Credit For Small Employers**

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# Small Business Tax Credit Topics

- About the Tax Credit
- Eligibility for the Tax Credit
- Small Business Requirements
- How to Claim the Credit
- Resources



# About the Tax Credit

# About the Tax Credit

- The tax credit is percentage of premiums paid by employer.
- Percent is sliding scale based on employer size and average wage.
- 2010 to 2013 maximum credit is:
  - 35% for small business employers
  - 25% for small tax-exempt employers
- Beginning January 1, 2014, maximum credit is:
  - 50% for small business employers
  - 35% for small tax-exempt employers



# About the Tax Credit

- The maximum credit is available to employers with  $\leq 10$  FTE employees and average annual wages of \$25,000.
- In 2014, the credit will only be available for employers that purchase insurance coverage through a SHOP.
- The employer can only receive the credit for 2 consecutive years (beginning in 2014).

# About the Tax Credit

- **Benefits**
  - The credit can be carried back or forward to other tax years.
  - The amount of premium not covered by the tax credit can be claimed as a business expense deduction.
  - For tax-exempt employers, the credit may be refundable provided that the refund does not exceed the employer's income tax withholding and Medicare tax liability.



# Eligibility for the Tax Credit

# Eligibility for the Tax Credit

- The IRS issued guidance that an agency or instrumentality of the federal government, or of a state, local or Indian tribal government are not eligible for the tax credit.
  - Exception: A Tribal government 501(c)(3) organization may apply for the tax credit.

# FF SHOP Eligibility Determination Required for Tax Credit

- Employer must receive a Notice of SHOP eligibility determination from the SHOP.
  - Paper application is available on [healthcare.gov](http://healthcare.gov).
- The SHOP will send employee enrollment information to the IRS to ensure that eligible employers can claim the tax credit for tax year 2014.

# Eligibility for the Tax Credit

A small employer may qualify for a tax credit if the small employer meets all\* of these requirements:

1. Fewer than 25 full-time equivalent employees (FTEs);
2. Pays an average annual wage of less than \$50,000 per year per FTE; and
3. Pays for at least 50% of the cost of health insurance coverage for each of its employees.

\*FF SHOP: Notice of SHOP eligibility also required.



# Small Business Requirements

# 1. Fewer than 25 full-time equivalent employees (FTEs)

- First, add total number of **hours of service** paid to all employees (including part-time employees) during the year (cannot be more than 2,080 hours for an employee).
- Next, divide this number by 2,080.
- If the result is not a whole number, then round to the next lowest whole number.
- The result determines the number of FTEs.



## 2. Pays an average annual wage of less than \$50,000 per year per FTE

- This is determined by adding the wages paid to the FTEs in a year and dividing the total wages by the number of FTEs.
- For example, if the total wages paid to 20 FTEs employees is \$900,000, the average wage is \$45,000.

### **3. Pays for at least 50% of health insurance coverage**

The small business must pay for at least 50% of the cost of health insurance coverage for each of its employees (employees' self-only coverage, not family coverage).

**All three\* requirements must be met in the year the tax credits are being claimed.**

\*FF SHOP: Notice of SHOP eligibility also required.

# Determining Hours of Service

- **Hours of Service** includes each hour an employee is paid or entitled to payment:
  1. For performance of duties for the employer;  
or
  2. For a period of time during which no duties are performed due to vacation, holiday, illness, incapacity including disability, layoff, jury duty, military duty or leave of absence.



# How to Claim the Credit

# Claiming the Credit

- **Small employers**
  - Claimed on small employer's tax return. See IRS Form 8941 & Instructions - Credit for Small Employer Health Insurance Premiums
  - The credit may be carried to past years or forward
- **Small tax-exempt organizations**
  - Claimed using IRS Form 990-T – Exempt Organization Business Income Tax Credit
  - The credit may be refundable



# Resources

# Resources

- Learn about the options for your business at <https://www.healthcare.gov/marketplace/shop/>
- IRS Small Business Health Care Tax Credit for Small Employers <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>
- Through this website:
  - Forms, step by step instructions, videos, & additional guidance (IRS Notices)
- Determine your eligibility at: <http://tribalhealthcare.org/tribal-employers/determine-your-responsibility/>.

# Section Review

- What type of Tribal entity may apply for the Small Business Tax Credit?
- Name a benefit of the Tax Credit.
- Are part-time employees included in the employee count?
- What is the relationship between the SHOP and the Tax Credit in 2014?



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