

CLIENT ALERT

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SMALL EMPLOYERS – THOSE HAVING LESS THAN 50 EMPLOYEES - HAVE THE OPTION OF BUYING INSURANCE IN THE FEDERALLY FACILITATED SHOP (Small Business Health Options Program) OR OUTSIDE OF THE SHOP. There is a fair amount of confusion surrounding the benefits of buying group insurance through the SHOP. We have provided the following comparison of buying insurance through the SHOP versus buying it outside of the SHOP.

	Small Group Health Plan under NJ	SHOP Plan through Federally Facilitated Marketplace
Number of Plans an employer may offer	(+) Dependent on carrier and group size – up to 4 plans may be offered	May only offer 1 plan regardless of size
Carriers	(+) Aetna, AmeriHealth, Horizon and Oxford	Limited to AmeriHealth, Horizon and Health Republic of NJ
Who must be covered	Employees regularly scheduled to work 25 hours of more per week	Employees regularly scheduled to work 30 hours of more per week
COSTS	Rates are based on the ages of the insured, family status, tobacco use, and rating area and do not differ if you use a broker or not	
Timing to See Rates	Within 24-48 hours from receipt of Census Information	Unknown – process may take 2-3 weeks, or longer
Plan Designs	(+) will have more options to choose from than in the SHOP	Limited to SHOP offering
Availability of Premium Tax Credit	No longer available outside the SHOP	(+) If the employer otherwise qualifies for the Premium Tax Credit, they must participate in the SHOP to get the Premium Tax Credit (Note 1)

	Small Group Health Plan under NJ	SHOP Plan through Federally Facilitated Marketplace
Participation Requirement	75% of eligible employees must participate or have a valid waiver.	75% of eligible employees must participate or have a valid waiver. (Note 2)
Valid Waivers	Coverage under a spouse's or parent's plan, Medicare, Medicaid, TriCare. **Individual Coverage in and out of the exchange is NOT considered a valid waiver**	
Waiver of Participation Requirement	Never	(+) Waived for employers who enroll during Open Enrollment Period, defined as November 15 to December 15. Current understanding is that if an employer takes advantage of this, that next year, they must meet the participation requirements
Ineligible/Eligible Employers	<p>(+) Ineligible employers include</p> <ul style="list-style-type: none"> • sole proprietor • partnership • Sub "S" corp. <p>Where there are no other eligible employees (working 25 hrs per week)</p> <p>A SPOUSE WHO IS A BONA FIDE EMPLOYEE WILL ENABLE ANY OF THE ABOVE ENTITIES TO BE ELIGIBLE FOR A GROUP PLAN</p>	<p>Ineligible employers include</p> <ul style="list-style-type: none"> • sole proprietor • partnership • Sub "S" corp. <p>Where there are no other eligible employees (working 30 hrs per week)</p> <p>However, if in there is at least one non-spouse/dependent employee working the required 30 hours per week then the business is eligible for coverage through the SHOP</p>
Application Process	This has not changed. As your broker of record, we supply you with quotes, we work with you to complete the paperwork and follow through with the insurance carrier.	There are three ways to enroll in the shop – Paper, Phone or online. The only way to include a broker is by initiating the shopping process on line. However, the online shopping process originally scheduled to be available on October 1, has been pushed back to “sometime in November”. (Note 3)
Broker Assistance	(+) Always!!	Only if you apply online. If you initiate your application using the paper or phone process, it is our understanding that you cannot add a broker at a later date.

Note 1 - Tax Credits for Providing Health Insurance

Certain small employers, including those that are tax-exempt, are eligible to obtain a federal tax credit of up to 35% for providing health insurance to employees (or up to 25% if the small employer is a tax-exempt organization). In order to be eligible:

- the employer must have fewer than 25 full-time equivalent (FTE) employees,
- the employees' *average* annual wages must be less than \$50,000,
- the employer must offer qualified health coverage, and
- the employer must pay an *average* of 50% of the premium.

The amount of the credit decreases as the number of FTEs and/or the average wages increase.

The IRS has more information, including links to forms and instructions, at www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers. You may also review our Client Alert on this tax exemption. www.chb-group.com, Click on Client Alerts

Note 2 - Calculating Participation differs between the SHOP and NJ SEH (NJ Small Employer Health Plans) [based on current information]

UNDER NJ SMALL EMPLOYER HEALTH PLAN PROGRAM	UNDER FEDERAL FACILITATED SHOP PROGRAM
Assume employer with 19 employees	Assume employer with 19 employees
4 employees have valid waivers (coverage under spouse, Medicare etc.),	4 employees have valid waivers (coverage under spouse, Medicare etc.),
75% Participation is 14. (19 x .75)	Waivers deducted first. 19 – 4 = 15
Less valid waivers – 4	75% Participation is 11. (15 x .75)
Number of employees needed to participate = 10	Number of employees needed to participate = 11

Depending on the number of employees you have and the number of waivers, each method has its pros and cons

Note 3 - The difficulties surrounding our inability/ability to assist our clients

Based on the information we have received to date, there is no softening of the regulation that employers must apply online in order to name a broker on their plan – even though employers can't go online yet.

The paper process goes something like this:

1. The employer completes an application and each employee completes an application. These are general applications since rates and plan designs are not provided at this point of the process.
2. Everything is sent to the government, who will respond to the employer in "one to two weeks" letting the employer know if they qualify for the SHOP
3. Once the employer is verified as SHOP eligible, the employer will go online, create an account and review plans and "representative" rates. (these are not actual rates for their population) The employer picks a plan and may at this point have to identify the level of contribution they will make towards coverage.
4. Employees will then have to go on the website and input their data including, ages of family members and tobacco status. Each employee will be given a rate that corresponds to the data they've input. (Note that two 30 yr olds each covering 2 children will have different rates if their children are different ages)
5. Once the employees see their rates, they will either enroll or waive coverage.

Once up and running – we believe the Online process will be similar except that the online process allows an employer to designate a broker who will receive commissions and can help in the enrollment process.

The rates will be the same whether an employer uses a broker or not.

DISCLAIMER - *This Client Alert is based on information as we know or believe it to be. A great deal of the Affordable Care Act as it pertains to small employers is still unfolding. This material informational only and should not be construed as insurance, legal or tax advice. If you would like more information, please do not hesitate to contact our office, your legal counsel or accountant. Check us out at www.chb-group.com !!*

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