Marketplace Advisory Committee SHOP Overview

The Small Business Health Options Program (SHOP) was created to provide better health insurance options for small employers to encourage them to offer insurance to their employees. In most states, SHOP allows employers to offer their employees one or more plans through the exchange's website. Employers can handle everything online — applying, choosing plans, managing coverage, and paying premiums.

Oregon has a direct enrollment SHOP, which means that we do not offer an automated online system for employers purchasing insurance; instead, employers work directly with carriers to purchase and pay for plans.

How does Oregon's SHOP function?

- Carriers apply to participate in the Marketplace and submit insurance plans for certification. This process is relatively the same for both the individual and small group markets. If the plans meet the requirements of the Department of Financial Regulation (formerly the Oregon Insurance Division) and the Marketplace, they are certified as Qualified Health Plans (QHPs).
- An employer with fewer than 51 employees (sole proprietors do not count as small employers) can purchase QHPs for their employees but are not required to offer insurance.
- The employer works with an agent or directly with carriers to request quotes for their employees.
    - Because Oregon uses tiered composite rating, the carrier will provide quotes for each plan as if the entire group is purchasing that plan. If the employer chooses to offer more than one plan, the carrier will recalculate the premium, based on the ages of the employees who actually enroll in the plan.
    - Agents using Get Quote can request premium quotes from every carrier for every SHOP plan. Employers or agents working directly with carriers must choose which carriers and plans to request quotes from.
- After employers receive premium quotes, they choose which plans to offer their employees. Employers are not required to cover dependents, but most in Oregon do.
    - Carriers are willing to offer up to three plans to an employer. Most employers offer two plans: one silver plan and one gold plan.
    - Some employers offer more than one carrier (usually Kaiser and one of the other carriers), and usually offer one plan from each carrier.
- After the employer enrolls their employees in the plans, if they want to claim the Small Employer Tax Credit, they complete a form, and the carrier sends it to the Marketplace.
    - The Marketplace reviews the employer's form and determines whether the employer may participate in SHOP, based on the following criteria:
        - Employer is based in Oregon
        - Employer has 25 or fewer employees
        - Employer has purchased a Marketplace-certified SHOP QHP
        - Employer is contributing at least 50 percent of the employees' premium

        - If the employer meets the criteria, the Marketplace approves it for SHOP participation, and sends the employer a letter to use when preparing its taxes. The IRS uses that letter, along with other criteria, to determine if the employer is eligible for the Small Business Tax Credit. *The Marketplace does not determine eligibility for the tax credit.*

What is available in fully automated SHOPs that is not available in Oregon?

- Multiple employee choice options
    - There are four employee choice models:
        - One plan from one carrier
        - One metal tier, all carriers (horizontal choice)
        - One carrier, all of that carrier's plans (vertical choice)
        - All carriers, all plans (full choice)
    - Oregon provides a modified form of the vertical choice model, as most employers offer two plans from the same carrier in different metal tiers.
    - In an automated SHOP, employee choice functions similarly to the individual market, where employees would be able to log in and view details of all the plans the employer has chosen to offer, and then pick the plan that's best for them.
- Billing coordination for the employer
    - In a fully automated SHOP, the Marketplace would coordinate between the employer and the carrier and provide billing and payment technology. This is particularly important for employers that offer plans from multiple carriers.
    - The Marketplace would also coordinate billing and payment for any employees who leave the employer and choose to remain covered in the plan under COBRA.

Why doesn't Oregon have automated SHOP?

- Cover Oregon attempted to build an automated SHOP, but had to stop work on it when it became clear the technology was not going to be available in time. At that time, CMS granted permission for Oregon to use a direct enrollment approach. When Cover Oregon moved to HealthCare.gov for the 2015 plan year, the federally facilitated marketplace (FFM) could not accommodate the tiered composite rating, so CMS once again allowed Oregon to continue with the direct enrollment model. Tiered composite rating calculates a group's premium based on the ages of those enrolled and the number of dependents an enrollee has. This is difficult to calculate and administer if an employer offers multiple plans from multiple carriers, as the original quoted premium and final premium can differ significantly.

- Automated SHOP is expensive to implement on its own. One estimate provided in a response to the technology RFP was $13.8 million for a SHOP exchange solution. As current SHOP enrollment in Oregon is extremely low, it would expensive to implement an automated solution unlikely to be used by many employers. A third of carriers offering small group plans (both on an off exchange) reported enrollment totaling 6,490 groups covering 83,731 members in 2016. By comparison, the Marketplace's SHOP covers 159 groups for a total of 977 lives. This has been the experience of most states, regardless of whether or not they offer automated SHOP, and the Marketplace does not expect offering an automated SHOP would result in a significant increase in Oregon small employers using SHOP. More information on the low use of SHOP nationwide can be found below.

What are other states doing?

- Direct enrollment
    - Hawaii – Hawaii already has an employer-sponsored health insurance program that is effective. When its exchange was split up among several state agencies in 2015, it shut down their SHOP and began using the same direct enrollment model as Oregon. Kaiser was Hawaii's only SHOP carrier, and SHOP utilization was low.
    - Idaho – Idaho has always had a direct enrollment SHOP. It has low uptake in SHOP and decided it would not be worth spending millions of dollars on what would likely be a small number of groups. Idaho's SHOP currently has 26 employers participating, and a total coverage of 269 lives.
    - Vermont – Vermont has only two carriers, and does not allow off-exchange SHOP plans, so all groups go through SHOP. Vermont has struggled with the technology for its individual exchange and has used the direct enrollment model for SHOP as a work around.
- Automated SHOP (Not the FF-SHOP run by CMS)
    - California
    - Colorado
    - Connecticut
    - DC – Congress and their staff must use it
    - Kentucky
    - Maryland
    - Massachusetts
    - Minnesota
    - Mississippi
    - New Mexico
    - New York
    - Rhode Island
    - Washington – Kaiser is the only carrier and plans are offered only in Kaiser's service area, which is mainly limited to the Interstate 5 corridor.
    - Utah – Has had its own small group exchange since before the ACA was passed. Its exchange is well-established and successful.
- All other states use the FF-SHOP

SHOP enrollment in Oregon and other states

- SHOP enrollment has been lower than expected in all states. Oregon, surprisingly, has higher enrollment than several states with automated SHOPs. California and New York, which have the most SHOP enrollment, each have fewer than 4,000 groups participating in their SHOP programs.
    - Technological issues are the biggest barrier to SHOP enrollment. Nationally, employers cite the ability to offer employee choice as the main driver for

    - SHOP participation. If a state does not offer automated enrollment, or if the automated solution is difficult to use, SHOP uptake is low.
    - In Oregon, all of the groups that have enrolled in SHOP plans have requested the letter for tax preparation, which indicates that they are interested in the tax credit. Although the IRS does not release information on how many employers actually receive the tax credit, anecdotal evidence suggests the number is much lower than the number of employers who attempt to claim it.
    - For employers that are not interested in employee choice or the Small Employer Tax Credit, direct enrollment in off-exchange small group plans is easier, and thus more widely used.
- Currently, there are 159 groups enrolled in Oregon's SHOP, with 977 covered lives.

Alternatives to SHOP

- Currently, Hawaii and Vermont have filed 1332 waivers requesting to be released from the requirement to offer SHOP.
    - Before SHOP, Hawaii implemented a successful program that requires small employers to provide coverage to employees who work 20 hours a week or more. The Hawaii Prepaid Health Care Act requires employers to provide gold or platinum equivalent plans to their employees. The employer must contribute at least 50 percent of premium, and the total employee contribution cannot exceed more than 1.5 percent of their monthly wages for employee-only coverage. Hawaii provides premium help to employers with fewer than eight employees that meet certain criteria. Hawaii's argument is that its Prepaid Health Care Act provides better, more affordable plans to employers and their employees than SHOP plans, and is widely used, making SHOP unnecessary.
    - Vermont requires all small group plans to be sold only through the exchange, and thus has a large number of groups in SHOP. Vermont argues that its direct enrollment model is convenient for employers, offers full employee choice, and negates the need for an automated SHOP because it is widely used.
- Other alternatives to SHOP include private exchanges and allowing employees of small employers to use the individual exchange. There is not enough information available on these alternatives to report whether they are effective.