

SMALL BUSINESS HEALTH OPTIONS PROGRAM (SHOP)

A new option for health coverage for Maryland's small businesses and their employees

Starting in April 2014, small employers in Maryland will have a new way to find and purchase health insurance coverage. The **Small Business Health Options Program (SHOP)**, offers health insurance options specifically for small businesses and their employees.

Small employers who provide health insurance to their employees may qualify for federal tax credits to lower costs on employee health benefits. SHOP will be the only place where you can access these credits beginning 2014.

What is SHOP?

The Small Business Health Options Program or SHOP, enables small businesses and their employees to compare and select from a variety of qualified health plans that suit their needs and budgets. SHOP is a program of Maryland Health Connection, the state's online health insurance marketplace.



When does it start?

SHOP opens April 1, 2014. The health coverage you purchase for your employees can begin any time after June 2014. SHOP has no specific open enrollment period, so you can sign up at any time after April 1, 2014.



May I work with an insurance broker or third party administrator (TPA) to purchase health insurance through SHOP?

Yes. A Maryland Health Connection authorized producer or certified third party administrator (TPA) can help you select and purchase health insurance for your employees.

I am self-employed. Can I purchase health coverage for myself through SHOP?

The SHOP program is for Maryland businesses with one to 50 full-time equivalent employees. If you do not have at least one employee, you are not eligible for SHOP. However, if you are a legal resident of Maryland, you are eligible to purchase health insurance through the individual marketplace at Maryland Health Connection.



As a small business owner, am I required to provide health insurance to my employees?

Small employers with 50 or fewer full-time equivalent employees are not required to provide health insurance to their employees under the Affordable Care Act. However, offering health coverage is a good way to keep your workers healthy, happy and productive. It also helps your company compete with others for the best candidates.


What are the plan levels of coverage?

Health plans will be organized into four levels—bronze, silver, gold and platinum—to make it easier for both you and your employees to compare plans. Each plan shows how much the insurance company pays and how much employees contribute through co-payments, on average.

Before enrolling in a plan, your employees will be able to see what their premiums, deductibles and out-of-pocket costs will be.

What's the advantage of arranging for my employee's health insurance through Maryland Health Connection?

By pooling small businesses in Maryland together, you get the purchasing power of a larger group, which means reduced premium costs and lower administrative expenses. The "employee choice" model allows small businesses to offer multiple carriers to their employees as opposed to just one.

 SHOP also allows you and your employees to do side-by-side comparisons of health plans, their benefits, premiums and quality.

| How much will my employee's plan pay? | | |
|---------------------------------------|---------------------------------------|------------------------------------|
| PLAN LEVEL | INSURANCE COMPANY COVERS (on average) | YOUR EMPLOYEE'S COPAY (on average) |
| Bronze | 60% of health care costs | 40% of health care costs |
| Silver | 70% of health care costs | 30% of health care costs |
| Gold | 80% of health care costs | 20% of health care costs |
| Platinum | 90% of health care costs | 10% of health care costs |

How do the tax credits work?

Federal tax credits are available now to help small businesses cover the cost of providing health coverage for employees. Starting in 2014, the tax credit will pay up to 50 percent of premium costs. See the Health Care Tax Credits for Small Business fact sheet on MarylandHealthConnection.gov for more information.

HEALTH CARE TAX CREDITS FOR SMALL BUSINESSES

Helping small businesses cover the cost of employee health benefits

You may qualify for federal tax credits if you own a small business in Maryland and provide health coverage to your employees. Starting in 2014, the health care tax credit increases to as much as 50 percent of premium expenses for two consecutive years, but you must purchase coverage through Maryland Health Connection to qualify.

How do I qualify for the health care tax credit?

Your small business may qualify for the tax credit for providing health insurance to employees if:

- ✘ you contribute at least 50 percent toward employee premium costs
- ✘ you employ 25 or fewer full-time equivalent employees
- ✘ you pay an average annual salary of less than \$50,000

The contribution requirement also applies to vision, dental and other add-on coverage.

Employers with 10 or fewer full-time equivalent employees paying an average annual wage of \$25,000 or less are eligible for the maximum tax credit.

How much is the tax credit?

The amount of the tax credit depends on your number of full-time equivalent employees, the average annual wages you pay and how much you spend on insurance premiums for employees.

In the first phase of the tax credit, through 2013, there is a sliding scale up to 35 percent of eligible premium expenses. In 2014, the tax credit increases to 50 percent of premium expenses and remains available for a total of two consecutive years.

The tax credits available to small employers with 25 or fewer full-time equivalent employees are shown here, including the credits available through 2013 and the higher amounts available in 2014.

| Maximum Tax Credit for Businesses | | |
|-----------------------------------|-------------|--|
| | Tax Year(s) | Maximum Tax Credit as a Percentage of Insurance Premium Expenses |
| Phase One | 2010–2013 | 35% |
| Phase Two | 2014 | 50% |

How do I claim the tax credit?

You claim the tax credit on the annual tax return for your business.

Are nonprofit or tax-exempt small employers also eligible for a tax credit?

Yes, but the amount of the tax credit differs. The same eligibility requirements for number of employees and wages paid that businesses must meet also apply to tax-exempt organizations. The tax credits available to nonprofit or tax-exempt organizations with 25 or fewer full-time equivalent employees are shown here, including the credits available through 2013 and the higher amounts available in 2014.

| Maximum Tax Credit for Nonprofit or Tax-Exempt Organizations | | |
|--|-------------|--|
| | Tax Year(s) | Maximum Tax Credit as a Percentage of Insurance Premium Expenses |
| Phase One | 2010–2013 | 25% |
| Phase Two | 2014 | 35% |

How to Calculate FTEs

How do I know if my business qualifies to purchase health insurance through the Small Business Health Options Program (SHOP)?

Any Maryland business with one to 50 full-time equivalent (FTE) employees is considered a small business and is eligible to use the SHOP. Follow the steps below to get an idea if you are eligible to use the SHOP for your employees.



The SHOP is a program of Maryland Health Connection, the state's new online health insurance marketplace.

STEP 1:

Calculate the number of your full-time employees for the prior year.

Full-time employees are defined as those employees who work on average more than 30 hours per week.

STEP 2:

Calculate the number of your full-time equivalent (FTEs) employees for the prior year.

To determine your FTEs, calculate the total hours worked for all employees who were not full-time employees and divide the total hours by 1,560 (30 hours per week times 52 weeks). Record this number as your number of FTEs.

STEP 3:

Add the number of full-time employees and FTEs from Step 1 and Step 2.

If this number is 50 or less, you qualify to purchase on the SHOP.

STEP 4:

Subtract seasonal workers. *If the calculation above resulted in more than 50 FTEs, you still may qualify to purchase on the SHOP. Recalculate your FTEs, but this time do not include in the calculation any employees who worked only in four or fewer calendar months (or less than 120 days) in the prior year.*

Using these steps offers a preliminary estimate. Go to irs.gov for help online with this calculation. Note: This does not constitute tax advice. Contact your tax professional for information regarding your refund or tax liability.