

**Kentucky Health Benefit
Exchange Information
for Small Employer
Groups**



2014 Small Group Insurance Reforms

The health status of individuals in the group cannot be considered.

Medical underwriting is eliminated, small employer groups may not be rated on health status.

Small employer groups may only be rated on geographic location, age and smoking status (community rating).

New community rating requirements will change the premium structure of the market place.

- younger healthy groups will see an increase in premium amounts
- older unhealthy groups will see a decrease in premium amounts

Small group not required to offer health insurance to employees.

Small employer groups are eligible for a 50% tax credit if health insurance is offered.

Insurers must refund premiums, if medical loss ratio of 80% is not met.





What is an Exchange?

A health benefit exchange is an organized marketplace for individuals and employees of small businesses to shop for health insurance based on price and quality. Individuals will also be able to apply for Medicaid coverage through the Exchange.



Small Business Health Option Program (SHOP)

Through an Exchange, states are required to have a Small Business Health Option Program (SHOP) to provide health insurance options to small Businesses.

SHOP will ease administrative burden on employers from administering group health plans.

Option for stand-alone SHOP Exchange or merge SHOP with individual market Exchange.

Kentucky's SHOP Exchange will be merged with the individual market Exchange for administrative and financial purposes.

Benefits of SHOP for Employees

- Employees have a choice of plans that suit their individual needs
- Standardized plans and online tools help employers make meaningful comparisons between health plans
- Employees can enroll online
- Employees can manage their accounts online

SHOP Level Playing Field

- Parity with outside small group market
 - KRS 304.17A rules will apply inside and outside exchange
 - Minimize additional SHOP specific requirements
- Monitoring market for risk selection
 - Single risk pool inside and outside SHOP and risk adjustment among insurers will help address risk selection

Eligibility Standards for SHOP

Employers may purchase coverage through the SHOP, if the employer;

1. Is a small employer (50 or fewer employees)**
2. Elects to offer, to all full time employees coverage in a QHP through the SHOP; and
3. Principal business address is in the SHOP service area or the employer offers coverage to employees through the SHOP, serving the employees primary worksite.

Employees are eligible to enroll in SHOP if the employee receives and offer of coverage from the employer.

**ACA defines small employer with 1 to 100 employees in 2014.

--States have authority to keep it at 50 employees until 2016.

Tax Credits for Small Businesses

Small businesses may qualify for tax credits if they,

- (1) have fewer than 25 full-time equivalent employees for the taxable year;
- (2) their average annual wage as a group is less than \$50,000; and
- (3) the employer pays at least 50% of the premium for each employee.

Tax Credit examples

Auto Repair Shop with 10 Employees Gets \$24,500 Credit for 2012

Main Street Mechanic:

Employees: 10

Wages: \$250,000 total, or \$25,000 per worker

Employee Health Care Costs: \$70,000

2012 Tax Credit: \$24,500 (35% credit)

2014 Tax Credit: \$35,000 (50% credit)

Tax Credit examples

Restaurant with 40 Part-Time Employees Gets \$28,000 Credit for 2012

Downtown Diner:

Employees: 40 half-time employees (the equivalent of 20 full-time workers)

Wages: \$500,000 total, or \$25,000 per full-time equivalent worker

Employee Health Care Costs: \$240,000

2012 Tax Credit: \$28,000 (tax credit is reduced since employees exceeds 10....approximate 12% tax credit)

2014 Tax Credit: \$40,000 (tax credit is reduced since employee exceeds 10...approximate 17% tax credit)

Exchange Final Rules & SHOP Minimum Functions

- Enrollment: SHOP open enrollment begins October 1, 2013. Coverage begins no earlier than January 1, 2014.
 - Open enrollment occurs on a rolling basis when a qualified employer offers coverage to employees.
 - Plan years are the twelve consecutive months starting at the close of enrollment.
- Premium payment: The SHOP will deliver a single bill to the employer.
 - Employer payment will reflect both the premium contribution from the employer and the portion of the premium withheld from the employee paycheck.
 - SHOP will submit employer premium payment to insurer.
 - While shopping for plans, employees can see their premium cost for a plan net the employer contribution.

Exchange Final Rule & SHOP Minimum Functions

- Plan selection: Qualified employers determine their contribution towards employee coverage and choose which QHPs are offered to their employees through a method allowed by the SHOP:
 - The SHOP must allow a qualified employer to choose a level of coverage (METAL) and offer all plans at that level, and
 - The SHOP may allow a qualified employer to offer a single plan, selected plans, or plans from multiple cost-sharing levels.
 - Employees then choose the plan that best meets their needs among the plans offered to them by their employer.
- Participating rates: A SHOP may authorize uniform group participating rates as long as such rates are based on the rate of employee participation in the SHOP and not on participation in any particular QHP or QHP insurer.



Enrollment of Employers into QHP Under SHOP

Enrollment and Timeline Process

- SHOP must establish uniform enrollment timelines and processes for insurers and employers which include the following:
 1. Determine eligibility of coverage in SHOP.
 2. Employer selection of QHPs.
 3. Timeframes for employers to select level of coverage for employees.
 4. Timeframes for employees to provide information to complete application process.
 5. Determination and verification of employee eligibility for SHOP enrollment.
 6. Process selection of QHPs by employees;
 7. Establish effective dates of employee coverage.

Enrollment of Employers into QHP Under SHOP (cont...)

Responsibilities of SHOP to Insurer

- Transmit employee enrollment information to QHP insurers.
- Maintain records of all enrollment for QHP insurers.
- Perform Premium Aggregation.
- Ensure that QHP insurer notifies employee of the effective date of coverage.
- Maintain records of enrollment in QHP including identification of employers in SHOP and employees in QHP.
- Monthly reconciliation of enrollment information and employer participation with SHOP. SHOP must notify employer if employee terminates coverage.
- Report information to IRS, employer participation and contribution and employee enrollment information.

SHOP Application Standards

Single Employer application must include;

- Employer name and address
- Number of Employees
- Employer Identification Number (EIN)
- List of employees and Tax ID

SHOP must use a single employee application for eligibility determinations, QHP selection and enrollment for employees and their dependents.

SHOP may use model Health and Human Services (HHS) employer and employee application forms or develop an alternative approved by HHS.

Application may also be filed by internet website, by telephone through a call center, by mail and in person.

SHOP may not provide employer, employee application information for spouse and dependents other than name, address and date of birth.