



NEWS RELEASE

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NEW REPORT: 17 STATES AND WASHINGTON, D.C., IMPLEMENTING ‘SHOP’ HEALTH INSURANCE MARKETPLACES FOR SMALL BUSINESSES; MOST OFFER EMPLOYEES COMPETITIVE CHOICE OF PLANS AND INSURERS

*States Have Focused on Features That Will Make SHOP Marketplaces Attractive to Small
Businesses, Prioritizing Predictable Costs, Standard Participation Requirements, and Ease of
Shopping*

New York, NY, March 14, 2014—Seventeen states and the District of Columbia will be running their own Small Business Health Options Program (SHOP) marketplaces, where small firms can buy health insurance for their employees, while the federal government will operate SHOP marketplaces in the remaining 33 states, according to a new Commonwealth Fund study. In *Implementing the Affordable Care Act: State Action to Establish SHOP Marketplaces*, Sarah Dash and colleagues at Georgetown University’s Center on Health Insurance Reforms report that most states running their own marketplaces seek to encourage small-business participation by focusing on features that were previously unavailable, such as being able to offer employees a choice of plans and set a predictable contribution toward their coverage.

States have sought to improve the availability of small-group coverage by implementing standard participation requirements and offering competitive choices of insurers and plans. They also have aimed to improve the shopping experience by providing online access to personalized assistance.

The Affordable Care Act’s SHOP marketplaces, along with federal tax credits for small businesses that provide health insurance to their employees and new insurance market reforms, are intended to improve access to health coverage for small business owners and their employees. SHOP marketplaces are open to employers with 50 or fewer full-time equivalent employees, and tax credits are available for employers with fewer than 25 employees making an average of less than \$50,000. The report notes that small-business owners have struggled to provide affordable, comprehensive health benefits to their employees, who are more likely to be uninsured or underinsured than workers in large firms.

“For years, our research has shown that small-businesses owners and their employees are often priced out of the health insurance market, have very limited options when it comes to insurance, or are forced to select plans with high premiums and limited benefits,” said Commonwealth Fund President David Blumenthal, M.D. “The health reform law’s market reforms and SHOP marketplaces are an opportunity for small businesses to finally provide a range of affordable, comprehensive coverage options to their employees.”

According to the new study, nearly all states have attracted enough competition to offer small-business employers and employees a choice of insurers and plans. However, state offerings vary widely. For example, the Connecticut SHOP marketplace is offering 12 plans, compared to 267 in the District of Columbia. The number of insurers participating also varies, ranging from one in Washington to 10 in New York.

Additional notable SHOP marketplace features from the report:

- Nearly all states have opted to offer small employers a key feature generally not available outside the SHOP marketplaces: the ability to offer employees a choice of plans from multiple insurers, while making predictable contributions towards coverage. Seven states—Hawaii, Minnesota, New York, Oregon, Rhode Island, Utah, and Vermont—have chosen to go beyond the law’s requirements by allowing employers to give employees the choice of any plan in the SHOP marketplace. The Affordable Care Act requires only that states allow employers to choose a plan tier—bronze, silver, gold, or platinum—and then let employees pick any plan in that tier.
- For 2014, the 14 states that, along with the District of Columbia, are allowing employers to offer a choice of plans also make it possible for employers to make a fixed premium contribution toward their employees’ insurance, regardless of which plans workers choose.
- Most states have added tools to help employers shop for plans online. At least 12 states and the District of Columbia allow employers to browse coverage options without submitting any identifying information.
- Ten states and the District of Columbia are offering an online calculator for employers to determine their eligibility for tax credits, and nearly all states are offering an online directory of navigators, in-person assistants, agents, and brokers.

“States creating their own SHOP marketplaces understood what small business owners wanted and worked to make their marketplaces attractive to them,” said Georgetown’s Sarah Dash, the lead author. “Allowing small businesses to pool their purchasing power in a SHOP-like mechanism is not a new idea, but it has never before been available to small businesses in every state. Now that many states have laid the groundwork for their SHOP marketplaces, it will take time to work through initial start-up challenges, whether related to technology or to the more fundamental challenges that have always been associated with attracting customers to a new

business. It will be critical to monitor how the state-run SHOP marketplaces fare with enrollment and customer satisfaction to see what improvements may need to be made.”

The states and the federal government are in various stages of launching their SHOP marketplaces. Depending on the state, small employers currently may enroll in SHOP plans online, directly with insurers, or through agents and brokers. For example, the 33 states where the federal government is running the SHOP marketplaces do not have online enrollment, but small businesses can purchase plans directly from insurers or through agents and brokers. States such as California and Maryland have taken a similar approach.

As additional states bring their marketplaces online and fully implement features, such as employee choice, that are important to small employers, it will be crucial for state and federal policymakers to monitor enrollment and consumer experiences to ensure the SHOP marketplaces are effective in helping small businesses provide affordable insurance options to their employees.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.