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The Affordable Care Act & Small Business

1. Who is eligible to buy a SHOP plan?

To qualify for a SHOP plan, your business or non-profit organization must generally have 1 to 50 full-time equivalent (FTE) employees. You must also have an office or employee work location in the state whose marketplace you want to use.

2. Is my business legally required to provide insurance if I have fewer than 50 employees?

No. If you have fewer than 50 FTE employees, you are not mandated by the Affordable Care Act (ACA) to offer health insurance, and you will not face any penalties if you choose not to.

3. What is the Minimum Participation Rate (MPR)?

In most states, a certain percentage of your employees—typically 70%—must accept your insurance offer or have coverage from another valid source (like a spouse's plan or Medicare) for you to qualify.
Pro Tip: If you cannot meet the participation rate, you can enroll between November 15 and December 15 any year, when the minimum participation requirement is waived.

4. When is the Open Enrollment period for SHOP plans?

Unlike individual health insurance, there is no restricted Open Enrollment period for small businesses. If you qualify and meet the participation requirements, you can enroll and start offering SHOP coverage at any point during the year.

5. How do I qualify for the Small Business Health Care Tax Credit?

The SHOP marketplace is the only place where you can get the Small Business Health Care Tax Credit, which can worth up to 50% of your premium contributions (35% for non-profits). To qualify, you must:

- Have fewer than 25 FTE employees.
- Pay an average annual wage of less than a specific inflation-adjusted cap (around $65,000).
- Offer a SHOP plan and pay at least 50% of the premium cost for your full-time employees.

6. Can I use a SHOP plan if my only employee is my spouse or a family member?

Generally, no. To use the SHOP marketplace, you must have at least one "common law" employee enrolled who is not a business owner, partner, corporate shareholder, or an immediate family member of the owner.

7. Can I enroll in the SHOP plan myself as the business owner?

Yes. As a business owner, you can be covered under the plan, but only if at least one eligible, non-family employee also enrolls in the coverage.

8. How much flexibility do I have in planning what to offer?

SHOP plans offer significant flexibility. You can choose to:

- Offer your employees a single health/dental plan, or let them choose from multiple plans.
- Offer health coverage only, dental coverage only, or both.
- Decide exactly how much you want to contribute toward employee premiums.
- Choose the waiting period for new hires (up to a maximum of 90 days).

9. What happens if a new employee is hired mid-year?

New employees do not have to wait for a yearly renewal. They can enroll after completing the waiting period you established when setting up the plan. Existing employees can also enroll mid-year if they experience a Qualifying Life Event (like marriage or having a baby).

10. Can I work with an insurance agent or broker to buy a SHOP plan?

Yes. You can use a SHOP-certified agent or broker to help you compare plans, check tax credit eligibility, and set up your coverage. Their help generally doesn't cost you anything extra, as their fees are built into the plan premiums by the insurance companies.

Want to learm more about the tax benefits of participating in a SHOP plan?

The IRS has a great questions and answers page on the benefits of participating in SHOP plans. It is a resource I always give ouot to my clients. It will address many of the broad topics that are on the minds of small business owners and can be located here:

https://www.irs.gov/newsroom/small-business-health-care-tax-credit-questions-and-answers-who-gets-the-tax-credit

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