

## SHOP Helps Small Businesses Find Affordable Health Insurance

**Tax Credits to Reduce the Cost of Health Insurance:** SHOP will provide a tax credit to small employers (including the self-employed) to help offset the cost of health coverage.

- Small employers who pay at least 60 percent of the premium will receive a tax credit of up to \$1,000 for each covered employee (\$2,000 for family coverage). The full credit will be available to the smallest employers (10 or fewer employees) and will be phased down as the size of the employer increases (up to a maximum of 50 employees). A bonus credit will be available for employers who pay more than 60 percent of the premium.
- Since self-employed individuals pay 100 percent of the premium, they will receive a tax credit of \$1,800 (\$3,600 for family coverage).

**More Stable and Affordable Premiums Through Rating Reforms:** SHOP's rating reforms will make premiums more stable from year-to-year and more affordable for those who need coverage the most.

- Health status rating will no longer be permitted in the SHOP pool and in state small group markets beginning in 2011, which will eliminate the large premium hikes that small businesses often face when even one employee experiences a serious illness.
- The variation in premium rates that insurers can charge will be reduced over time for plans sold through SHOP, so that small businesses will be better able to afford coverage without facing as much of a competitive disadvantage if they have older workers. A tax incentive will encourage states to adopt similar reforms in their state markets.
- The self-employed will be able to participate in the SHOP pool with protection from the practices in the individual insurance market that allow insurers to permanently exclude coverage of preexisting conditions, charge far more for minor health problems, or deny or refuse to renew coverage altogether.

**Administrative Cost Savings:** Health insurance will be provided more efficiently.

- SHOP will encourage statewide purchasing pools and will offer a nationwide pool beginning in 2011. These pools will reduce administrative costs by providing a more efficient way for insurers to market their health plans and for employers and employees to enroll in them. Today, 20 to 25 percent of a small business's premium goes to administrative costs instead of benefits, compared to 10 percent for large employers.

**Simpler Shopping:** SHOP will give employers and employees an easier way to find coverage.

- Statewide and nationwide purchasing pools will offer more health plan choices, facilitate plan comparisons, and provide one-stop shopping for small businesses. Today, obtaining price quotes is difficult and time-consuming, often requiring that a business have its employees fill out complex medical underwriting forms. Through SHOP, information about premiums, benefits, quality, and consumer satisfaction will be available on a web site to facilitate comparison shopping and encourage insurers to offer their best rates. Trade associations and unions may also serve as "navigators" to assist with enrollment.

**Expanded Choice:** SHOP will offer new insurance options.

- SHOP's nationwide purchasing pool will offer private health plans that cover the entire nation, in addition to plans that operate only in a single state or area. These new plans will still be subject to state insurance regulation to protect those who choose them.
- In many states, individual employees will be able to choose their own health plan.