

# Compliance Alert

## **Small Employer “Choice Option” Delayed on Federal SHOP Exchange** **Release Date: April 2, 2013**

The Department of Health and Human Services (HHS) has announced that one of the options planned for small group insurance purchased through federally operated exchanges will be delayed until 2015. Under what is referred to as the “choice option,” small employers will be able to select a level of coverage (i.e. bronze, silver, gold, or platinum coverage tier), and participating employees would be allowed to choose from any carrier offering coverage within that tier.

Small employers will still be able to purchase small group plans through the federal exchange, but for 2014 all participating employees would be covered by the particular plan chosen by the employer. Also, beginning in 2014 the federal tax credit (of up to 50% of the employer’s cost) offered to some small employers is available only if an eligible employer purchases group coverage through a public (state or federal) exchange. Generally, the tax credit is available to employers with fewer than 25 employees who meet certain compensation and contribution requirements.

State-operated exchanges are still allowed to offer a choice option to small employers, and a number of states have announced that this model will be available in 2014. In addition, in most states, health insurance carriers will continue to offer small group health insurance policies to employers outside the public exchanges. So far only Vermont and the District of Columbia plan to require all small group plans to be sold through the state exchange.

This delay has no effect on individual health insurance plans sold through a public exchange. It also does not affect the availability of subsidies (i.e. premium tax credits and cost sharing reductions) beginning in 2014, for individuals who qualify and purchase individual health insurance policies through a public (state or federal) exchange. The federal government has already announced plans to make available at least two individual health insurance options nationwide through both federal and state operated exchanges.

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