

The Affordable Care Act

What Small Business Owners Need to Know

For many small businesses in Montana, providing health benefits is the key to recruiting and retaining the best employees. Health insurance isn't cheap, however, and it can be especially hard for small businesses to find affordable coverage. *Businesses with 49 or fewer full-time or full-time equivalent (FTE) employees* (a full-time employee is one who is employed an average of at least 30 hours per week) *are not required* to offer coverage to their employees.

However, the law created a way for your employees — and yourself — to buy quality health insurance through the SHOP.

The Small Business Health Options Program (SHOP)

- The Small Business Health Options Program (SHOP) is open to small businesses with up to 50 employees.
 - The SHOP FTE **calculator** (<https://www.healthcare.gov/shop-calculators-fte/>) is a quick way to see if you qualify for SHOP, especially if you have a mix of full-time and part-time employees.
- If you buy SHOP coverage and have fewer than 25 employees, you may qualify for a small business health care tax credit worth up to 50% of your premium costs.
- You can still deduct from your taxes the rest of your premium costs not covered by the tax credit.
- Small businesses can receive tax credits for two years, worth up to 50% of an employer's contribution to employee plan (35% for tax-exempt small businesses).

Tax credits are only available if employers purchase coverage through a SHOP insurer (BCBSMT, Mountain Health Co-op, PacificSource).

Benefits

- You control the amount of coverage and the amount you pay toward premiums.
- You can start coverage any time. Enroll by the 15th of the month and coverage can begin on the 1st of the following month.
- “Employee choice”: makes the single issuer more appealing to a broader spectrum of the employees and reduces risk.

In the SHOP, employers can compare plans from different companies, side-by-side, and pick the plan that's right for their business. The employer chooses the amount (percent of premium) the business will contribute. Beginning in the 2017 plan year, “employee choice” became available. Also known as “vertical choice”, employers in Montana will be able to offer qualified employees a choice of all plans across all available actuarial value levels, or metal tiers, of coverage from a single issuer.

Requirements for Small Employer Group Insurance

If you currently offer an insurance benefit or you plan to offer one in the future, federal law requires that coverage to meet certain basic requirements. Most of them are the same requirements insurance companies must meet in the individual insurance market. *Most small employer group health plans were covering these benefits in Montana prior to 2014.*

All insurance plans must cover:

- Hospital visits and surgery;
- Doctor's office visits;
- Prescription drugs;
- Maternity and newborn services;
- Mental health and chemical dependency services;
- Lab work and imaging;

- Rehabilitation services and services intended for skill acquisition, like speech therapy for a child who is currently non-verbal;
- Dental and vision care for children;
- Preventive care and management of chronic disease, like diabetes; and
- Emergency services.

Insurance companies may not:

- Charge people more because of their health status.
- Refuse to offer insurance coverage to an individual based on his or her current health status or medical history.

Additionally, the Affordable Care Act puts maximum out-of-pocket limits on the amount your employees must pay for deductibles and medical costs. In 2021, it is \$8,550/individual and \$17,100/family.

Enrolling in the SHOP

A business may apply for SHOP coverage any time, all year. You enroll in SHOP coverage online through www.healthcare.gov. (Paper applications are no longer available.) An agent or broker may assist either with online renewals or the online application. An agent can help you apply for SHOP eligibility and find and compare available SHOP plans. The agent can also help enroll you and your employees. Upon enrollment, you'll pay your first month's premium directly to the insurance company.

The Small Business Health Care Tax Credit

Although small businesses are not required to offer health insurance coverage to their employees, new tax incentives can help businesses offer insurance for the first time — or maintain the coverage you may already be offering. The Small Business Health Care Tax Credit is for employers with **fewer than 25 full-time equivalent employees who earn an average of \$50,000 a year or less**.

To qualify for the Small Business Health Care Tax Credit, you must pay at least 50% of your full-time employees' premium costs. You do not need to offer coverage to your part-time employees or to dependents.

Use the small business health care tax credit **estimator** to find out if you qualify and how much you may save: <https://www.healthcare.gov/shop-calculators-taxcredit/>

The tax credit is worth up to 50% of your contribution toward employees' premium costs (up to 35% for tax-exempt employers).

Please note: The credit is available only if you get coverage through the SHOP.

DO YOU HAVE MORE QUESTIONS?

**Call the federal SHOP employer hotline
at 800-706-7893 or**

**The federal SBA has resources for employers at
www.sba.gov/healthcare**

Contact Montana State Auditor

Web: www.csimt.gov

Email: Policy.CSI@mt.gov

Phone: 406.444.2040

