United States Government Accountability Office

Report to the Chairman, Committee on Small Business, House of Representatives

November 2014

SMALL BUSINESS HEALTH INSURANCE EXCHANGES

Low Initial Enrollment Likely due to Multiple, Evolving Factors

GAO-15-58

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GAO Highlights

Highlights of GAO-15-58, a report to the Chairman, Committee on Small Business, House of Representatives

Why GAO Did This Study

The Patient Protection and Affordable Care Act required SHOPs—exchanges, or marketplaces, where small employers can shop for health coverage for their employees—to be established in all states. States may elect to establish and operate SHOPs themselves or allow CMS to do so within the state. Enrollment in SHOPs was to begin in October 2013, with coverage effective as early as January 2014. GAO was asked to examine the early implementation experiences of the SHOPs.

In this report GAO describes (1) SHOP functionality, enrollment, plan availability, and premiums and (2) stakeholders' views on key factors that have affected current SHOP enrollment or may affect future enrollment growth. GAO reviewed relevant information from CMS and states, including data on employer and employee enrollment, plan availability, and premiums generally through June 1, 2014. GAO also interviewed representatives of key stakeholders that operate SHOPs (CMS and states), offer coverage in SHOPs (health insurance issuers), obtain coverage through SHOPs (small employers), or assist in obtaining coverage through SHOPs (agents and brokers) on a national basis and, for certain stakeholders, in five states—California, Illinois, Kentucky, Rhode Island, and Texas. The five states were selected based on factors including varied issuer participation levels and SHOP functionality. The experiences of these stakeholders cannot be generalized to other states or stakeholders.

GAO incorporated HHS comments on a draft of this report as appropriate.

View GAO-15-58. For more information, contact John Dicken at (202) 512-7114 or dickenj@gao.gov.

What GAO Found

Though all of the Small Business Health Options Programs (SHOPs) required by the Patient Protection and Affordable Care Act were operational, many features were not yet available and enrollment was low as of June 2014. According to the Centers for Medicare & Medicaid Services (CMS), the agency that oversees the SHOPs, all 33 of the SHOPs run by CMS (federally facilitated, or FF-SHOPs) and 14 of the 18 SHOPs run by states (state-based, or SB-SHOPs) were accepting enrollment applications as of the October 1, 2013, deadline. The remaining 4 SB-SHOPs became operational by the following May. Websites where employers could review plan information such as premiums and benefits were available on October 1, 2013, for all FF-SHOPs and most SB-SHOPs. Other key SHOP features—online enrollment and employee choice, the ability for employees to choose among multiple plans—were delayed for all FF-SHOPs, but available for most of the SB-SHOPs. CMS is currently preparing to implement online enrollment for all FF-SHOPs and employee choice for many of the FF-SHOPs for 2015. Based on official estimates and stakeholders' expectations, enrollment for the SB-SHOPs has been significantly lower than expected. The 18 SB-SHOPs had enrolled about 76,000 individuals—including employees, their spouses, and dependent children—in plans purchased through nearly 12,000 small employers, as of June 1, 2014, for most states. Enrollment data for the FF-SHOPs was not yet available, although CMS was in the process of collecting the data from issuers and expected to have complete data by early 2015. However, CMS officials said they do not expect major differences in enrollment trends for 2014 between SB-SHOPs and FF-SHOPs. Finally, most SHOPs had multiple plans available in each county, although a small number of states had counties with no plans available. Premiums for SHOP plans varied across states and were generally comparable to premiums for other small group plans offered within a state but outside of the SHOP.

Stakeholders identified several factors that may have led to current low SHOP enrollment and that may affect future enrollment growth. Many stakeholders reported that the primary incentive for employers to use the SHOPs has been the small business tax credit available to eligible employers who offer coverage through a SHOP, although some noted that the credit may be too small and administratively complex to motivate many employers to enroll. Other factors identified that may have hindered current enrollment include the ability of employers to renew plans that existed before the SHOPs—which, depending on state requirements, is permitted until October 1, 2016—and employer misconceptions about SHOP availability. Stakeholders also described factors that may help stimulate or detract from future SHOP enrollment growth. For example, the phase-out of existing pre-SHOP plans, the implementation of employee choice by an increasing number of SHOPs, improved coordination with agents and brokers, and increased marketing to small employers may help stimulate enrollment growth. Conversely, other factors, such as the 2-year limit on the availability of the small business tax credit and the likelihood, according to stakeholders, that SHOP premiums will not be lower than non-SHOP premiums, may hinder future enrollment growth. The evolving and localized nature of these factors suggests that that a determination of the SHOPs' long-term impact remains premature at this time.

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Abbreviations

CBO	Congressional Budget Office
CCIIO	Center for Consumer Information and Insurance Oversight
CMS	Centers for Medicare & Medicaid Services
FF-SHOP	federally facilitated Small Business Health Options Program
HHS	Department of Health and Human Services
PPACA	Patient Protection and Affordable Care Act
QHP	qualified health plan
SB-SHOP	state-based Small Business Health Options Program
SHOP	Small Business Health Options Program

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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November 13, 2014

The Honorable Sam Graves
Chairman
Committee on Small Business
House of Representatives

Dear Mr. Chairman:

The Patient Protection and Affordable Care Act (PPACA) required the creation in all states of Small Business Health Options Programs (SHOPs)[1]—exchanges, or marketplaces, where small employers can shop for and purchase health coverage for their employees.[2] SHOPs were required to begin accepting enrollment applications for 2014 coverage by October 1, 2013, with coverage starting as early as January 1, 2014.[3] A state may elect to establish and operate a SHOP itself (through a state-based, or SB-SHOP) or allow the Department of Health and Human Services' (HHS) Centers for Medicare & Medicaid Services (CMS) to establish and operate a federally facilitated SHOP (FF-SHOP) within that state.[4] In June 2013, we reported on the status of federal and state efforts to establish the SHOPs. At that time, we found that both CMS and states had made progress in establishing SHOPs,

[1]Pub. L. No. 111-148, §§ 1311(b), 1321(c),124 Stat. 119, 173, 186 (Mar. 23, 2010) (codified at 42 U.S.C. §§ 18031(b), 18041(c)) (hereafter, "PPACA"), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (Mar. 30, 2010) (hereafter, "HCERA"). In this report, references to PPACA include any amendments made by HCERA.

In this report, the term "state" includes the District of Columbia.

[2]PPACA also required the establishment of individual exchanges in each state where eligible individuals can compare and select private insurance coverage from among participating health insurance plans. The SHOPs and individual exchanges are intended to provide single points of access to enroll employees of small businesses and individuals into private health plans. Individual exchanges are also the access point to determine eligibility for income-based premium subsidies and assess eligibility for other health coverage programs such as Medicaid.

[3]PPACA, § 1311(b)(1), 124 Stat. at 173 (codified at 42 U.S.C. § 13031(b)(1)); 45 C.F.R. § 155.410(b)-(c).

[4]CMS has invited states to assist with certain FF-SHOP operations.

although many activities remained to be completed and some were behind schedule.[5]

As the first year of SHOP operations nears its end, members of Congress have raised questions about the challenges that SHOPs may face in achieving long-term success. Such questions include whether SHOPs have been able to provide online enrollment tools and other expected functionalities, and in general whether SHOPs will offer sufficient value to small employers to motivate them to enroll. You asked that we examine the early implementation experiences of the SHOPs. In this report, we describe

1. SHOP functionality, enrollment, plan availability, and premiums; and
2. stakeholders' views on key factors that have affected current SHOP enrollment or may affect future enrollment growth.

To describe early indicators of SHOP functionality, enrollment, plan availability, and premiums, we requested information from CMS and states and interviewed relevant officials. Specifically, to describe SHOP functionality, including when SHOPs became operational, whether SHOPs had a website that allowed employers to browse plan options and enroll online, and whether SHOPs offered employers the ability to offer their employees a choice among multiple plans, we requested information from CMS and interviewed CMS officials. We analyzed CMS and SB-SHOP data on plan availability and premiums in 2014, and we analyzed SB-SHOP data on employer and employee enrollment for timeframes ending between May and September 2014, with most ending on June 1, 2014. To assess the reliability of the data we received from CMS and states, we performed manual and electronic tests of the data to identify any outliers or anomalies and followed up with officials as necessary and incorporated the corrections we received. We determined that the data were sufficiently reliable for the purposes of our analysis. We also reviewed other information sources, including published literature and state SHOP websites, and identified federal requirements related to the SHOPs by interviewing CMS officials and reviewing relevant laws and regulations.

[5]GAO, *Patient Protection and Affordable Care Act: Status of Federal and State Efforts to Establish Health Insurance Exchanges for Small Businesses,* GAO-13-614 (Washington, D.C.: June 19, 2013).

To describe stakeholders' views on key factors that have affected current SHOP enrollment or may affect future enrollment growth, we interviewed national-level representatives of key stakeholders that operate, offer coverage in, obtain coverage through, or assist in obtaining coverage through SHOPs. Specifically, we interviewed officials from CMS's Center for Consumer Information and Insurance Oversight (CCIIO) who oversee the operation of SHOPs, as well as national organizations representing issuers of health coverage, insurance commissioners, small employers, and health insurance agents and brokers.[6] In addition, we selected five states in which to interview state-level representatives of the SHOPs, small employers, and agents and brokers.[7] To ensure that we captured a range of SHOP-related experiences and perspectives, we selected states that varied in terms of state population, geographic location, SHOP type (FF-SHOP or SB-SHOP), SHOP website functionality, including the availability of employee choice, and issuer participation in the SHOP. We selected Kentucky, Rhode Island, California, Illinois, and Texas for our study.[8] For the SB-SHOP states—Kentucky, Rhode Island, and California—we interviewed state exchange officials. For the FF-SHOP states—Texas and Illinois—we interviewed CMS officials involved with the establishment and operation of the FF-SHOPs.[9] Our work was limited to reviewing illustrative examples of stakeholders' experiences with and perspectives on the SHOPs. The findings from our interviews therefore cannot be generalized to the perspectives and experiences of all issuers, insurance commissioners, employers, agents and brokers, or state exchange officials.

[6]We interviewed representatives from the following national organizations: the Blue Cross and Blue Shield Association, America's Health Insurance Plans, the National Association of Insurance Commissioners, the National Federation of Independent Business, and the National Association of Health Underwriters.

[7]The employer and agent and broker organizations for which we interviewed state-level representatives were, respectively, the National Federation of Independent Business and the National Association of Health Underwriters. We refer to state-level officials who have participated in the establishment and operation of SHOPs as state exchange officials.

[8]We interviewed agent and broker representatives in Kentucky, California, Illinois, and Texas, and employer representatives in California, Rhode Island, and Illinois. The agent and broker representative we contacted in Rhode Island and the employer representatives we contacted in Kentucky and Texas elected not to participate in an interview.

[9]We also interviewed state exchange officials in Illinois, who are assisting CMS in operating the FF-SHOP in that state.

We conducted this performance audit from February 2014 to November 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

PPACA included a number of provisions that changed requirements for small group health plans.[10] For example, PPACA required that, beginning January 1, 2014, plans offer a set of minimum essential health benefits. PPACA also set standards for the percentage of total average costs that plans must cover for such benefits. The average costs covered by each plan are reflected in different plan levels, or tiers, and each tier is designated as bronze, silver, gold, or platinum.[11] In addition, beginning on January 1, 2014, issuers are no longer able to consider the average health status of a particular group when setting premium rates and can only adjust premiums based on enrollment type (individual or family enrollment), geographic area, age, and tobacco use.[12] Plans meeting these and other federal requirements, as well as other standards set by states, may be certified to be offered in an exchange; these plans are referred to as qualified health plans (QHPs).

PPACA required all small group health plans to comply with these requirements as of January 1, 2014.[13] However, in response to concerns regarding some issuers terminating plans that did not comply with PPACA

[10]These requirements apply to small group health plans whether they are sold inside or outside of the SHOPs.

[11]For a bronze-tier plan, on average, an employee would be responsible for 40 percent of the costs of all covered benefits; for a silver-tier plan, on average, an employee would be responsible for 30 percent; for a gold-tier plan, on average, an employee would be responsible for 20 percent; and for a platinum-tier plan, on average, an employee would be responsible for 10 percent of the costs of all covered benefits. PPACA requires that issuers participating in an exchange offer, at a minimum, plans at both the silver and gold levels of coverage.

[12]There are further restrictions in the amount issuers can vary premiums based on the ages and tobacco use of employees within a small group.

[13]PPACA provided a narrow exception from these requirements for "grandfathered plans"—health plans in which an individual was enrolled on March 23, 2010.

requirements, CMS announced in November 2013 that it would provide transitional relief under which states could elect to permit issuers in their states to offer renewals of their noncompliant plans for a plan year beginning between January 1, 2014, and October 1, 2014, provided the plans met certain conditions.[14] In March 2014, CMS extended this transitional policy through October 1, 2016, and noted that the agency may grant an additional 1 year extension, if necessary.[15]

PPACA also mandated the establishment of SHOPs in each state to allow small employers to compare available health insurance options in their states and facilitate the enrollment of their employees in coverage. Until 2016, states have the option to define small employers either as employers with 100 or fewer employees or employers with 50 or fewer employees.[16] To be eligible for SHOP coverage, a small employer must offer coverage to all full-time employees in a QHP through a SHOP. To be eligible to enroll in a QHP through a SHOP, an individual must have been offered health insurance coverage by a qualified employer through a SHOP.

The SHOPs are required to have certain functionalities to facilitate the health plan comparison and enrollment process. For example, each SHOP must provide access to the SHOP to employers and employees through a website, toll-free call centers, and in person. Each SHOP must present the QHPs approved by the SHOP for the small-employer market

[14]Conditions included that the coverage was in effect on October 1, 2013 and that appropriate notices were provided to individuals and small employers. See Department of Health and Human Services, Centers for Medicare & Medicaid Services, Centers for Consumer Information & Insurance Oversight, *Letter to Insurance Commissioners on Market Transitional Policy*, November 14, 2013, accessed September 8, 2014, http://www.cms.gov/CCIIO/Resources/Letters/Downloads/commissioner-letter-11-14-2013.PDF. According to CMS, 39 states adopted the transitional policy for 2014, while 12 states did not.

[15]See Department of Health and Human Services, Centers for Medicare & Medicaid Services, *Extension of Transitional Policy through October 1, 2016,* (Washington, D.C.: Mar. 5, 2014). Under this policy, depending on state requirements, some small employers may choose to remain enrolled in noncompliant plans through the end of plan years beginning on or before October 1, 2016.

[16]Under PPACA, beginning in 2016, small employers will be defined in all states as those with 100 or fewer full-time equivalent employees. Beginning in 2017, states may allow issuers of health insurance coverage in the large group market—issuers offering coverage to groups of 101 or more full-time equivalent employees—to offer QHPs through the SHOP and, in turn, will allow large employers to obtain coverage through the SHOP.

in the state by the participating issuers of health coverage.[17] In addition, the benefits, cost-sharing features, and premiums of each QHP must be presented in a manner that facilitates comparison shopping of plans by small employers and their employees. Each SHOP must accept employer and employee applications through the SHOP website and may also accept applications over the phone, in person, or by mail. This application should collect the information necessary to screen an employer's eligibility for SHOP participation and identify employees eligible to enroll in a QHP. Employers and employees may receive assistance to compare coverage options and complete applications through a qualified insurance agent or broker.[18]

In addition, SHOPs will implement requirements related to employee choice—that is, the ability of employees to choose a plan among multiple plans offered to them by their employer.[19] Employee choice may be offered in different ways. In general, a SHOP must allow a qualified employer to offer its employees a choice among all QHPs available within a specific metal tier of coverage, but may allow an employer to offer

[17]All issuers or members of the same issuer group with a market share of greater than 20 percent in the state's small group health insurance market must participate in a state's FF-SHOP if they wish to participate in its federally facilitated individual exchange. For other issuers, participation is generally voluntary. States with SB-SHOPs may also impose requirements related to issuer participation—for example, Maryland required issuers to participate in its SB-SHOP if the issuers' reported total annual earned premiums were $20 million or more in the small group market outside the exchange.

[18]Small employers and employees may also receive assistance from Navigators, who are individuals and entities, such as community and consumer-focused nonprofit groups, which receive grants from exchanges and provide information and services in a fair and impartial manner to enrollees or potential enrollees. However, CMS has noted that Navigators have focused largely on the individual exchanges, and that brokers have played a much more central role in the SHOPs—as they have traditionally done in the small-group health coverage market—providing service at the time of plan selection and enrollment and customer service throughout the plan year.

[19]In general, when offering coverage though a SHOP, employers select a plan, which becomes the employer's reference plan. Employers also decide the percentage they will contribute to the premiums for employees who select that plan, referred to as a defined contribution. Employees who have been offered a choice of plans are typically able to use the amount of the defined contribution for the reference plan when paying their premiums for a different SHOP plan.

broader employee choices among multiple plans across different tiers.[20] According to CMS, employee choice is intended to be a fundamental new benefit of SHOPs, in that small employers would be able to offer multiple plans from more than one issuer of health coverage, whereas traditionally most small employers have offered only one or a few plans from a single issuer. SHOPs were initially required to have the capacity to allow employers to provide employee choice beginning in 2014. However, under a final rule issued in June 2013, the requirement that SHOPs offer employee choice was first postponed to 2015, although SB-SHOPs retained the option of providing employee choice in 2014. The requirement was further postponed under a May 2014 final rule to 2016 in states that could demonstrate that postponing employee choice would be in the best interest of small employers and their employees and dependents, given the likelihood that implementing employee choice could cause issuers to price their products and plans higher than they would otherwise due to issuers' beliefs about adverse selection.[21]

To provide an incentive for small employers to provide health insurance, and to make insurance more affordable, PPACA established a small business tax credit for certain eligible small employers offering coverage to their employees.[22] The tax credit was available beginning in 2010, prior to the establishment of SHOPs. However, beginning in 2014, employers must offer coverage to their employees through the SHOP to be eligible

[20]To make it more administratively efficient for employers to provide their employees a choice of QHP, CMS also required SHOPs to perform premium aggregation—that is, to aggregate the QHP premiums for multiple employees enrolling in SHOP coverage, provide the relevant employer with a single bill identifying the total amount that is due to the one or more QHPs in which the employer's employees are enrolled, collect the appropriate amount from each employer, and pay the issuers of the QHPs directly.

[21]See 79 Fed. Reg. 30240, 30349-50 (May 27, 2014) (to be codified at 45 C.F.R. § 155.705(b)(2)-(3)). Adverse selection refers to the potential for consumers with fewer health concerns to select certain plans—particularly those with lower premiums—and for consumers with greater health concerns to select other, more comprehensive plans. Applications for consideration of delaying employee choice until 2016 were due to CMS by June 2, 2014 for FF-SHOPs. According to CMS, the agency remains committed to implementing employee choice in all SHOPs by 2016.

[22]PPACA, §§ 1421, 10105(e), 124 Stat. at 237, 906 (codified at 26 U.S.C. § 45R).

To be eligible, an employer must: (1) have fewer than the equivalent of 25 full-time employees, (2) have an average annual employee wage below $50,000, and (3) cover at least 50 percent of the cost of health insurance coverage for employees.

for the credit.[23] Beginning in 2014, employers are eligible for the credit for a maximum of 2 years.[24]

PPACA directed states to establish SHOPs by January 1, 2014.[25] In states electing not to establish and operate an SB-SHOP, PPACA required the federal government to establish and operate an FF-SHOP in the state.[26] For 2014, 18 states chose to operate SB-SHOPs while 33 states opted for an FF-SHOP.[27] CMS's and states' roles in operating

[23]The Internal Revenue Service has stated that in 2014, small employers in certain counties in Wisconsin and Washington where SHOP plans are not offered may be eligible for the tax credit if they offer coverage that would have qualified for the credit prior to January 1, 2014. See Internal Revenue Service, *Section 45R – Transition Relief with Respect to the Tax Credit for Employee Health Insurance Expenses of Certain Small Employers,* Internal Revenue Bulletin: 2014-2 (Washington, D.C.: January 6, 2014).

[24]The tax credit offered to eligible small employers from 2010 through 2013 was smaller than the credit offered beginning in 2014, but had no restrictions on the number of years employers could receive the credit. From 2010 through 2013, for-profit employers were eligible for a credit of up to 35 percent of the employers' share of the employees' premiums, and nonprofit employers were eligible for a credit of up to 25 percent. Beginning in 2014, eligible for-profit employers may receive a credit of up to 50 percent of the employers' share of the employees' premiums, and nonprofit employers meeting the eligibility criteria may receive a credit of up to 35 percent. The maximum credit is available to employers with 10 or fewer employees and with an average annual employee wage of $25,000 or less, and the size of the credit employers are eligible for decreases as employer size and average employee wage increase.

[25]PPACA, § 1311(b)(1), 124 Stat. at 173 (codified at 42 U.S.C. § 18031(b)(1)).

[26]PPACA, § 1321(c), 124 Stat. at 186 (codified at 42 U.S.C. § 18041(c)).

[27]The 18 states that had SB-SHOPs in 2014 were California, Colorado, Connecticut, Hawaii, Kentucky, Maryland, Massachusetts, Minnesota, Mississippi, Nevada, New Mexico, New York, Oregon, Rhode Island, Utah, Vermont, Washington, and the District of Columbia.

CMS officials noted that Idaho, although initially approved as an SB-SHOP state, used the FF-SHOP platform in 2014. We therefore refer to Idaho as having an FF-SHOP in 2014 for the purposes of our report. Including Idaho, the 33 states that had FF-SHOPs in 2014 were Alabama, Alaska, Arizona, Arkansas, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Michigan, Missouri, Montana, Nebraska, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, West Virginia, Wisconsin, and Wyoming. Some states were approved by CMS to assist with certain FF-SHOP functions associated with consumer assistance and plan management.

These states differ from the SB-SHOP and FF-SHOP states presented in our June 2013 report (GAO-13-614) because Idaho had an FF-SHOP according to our definition, while Mississippi operated an SB-SHOP, in 2014.

SHOPs and individual exchanges may change in future years. CMS officials stated that as of September 2014, Nevada was planning to begin using the FF-SHOP platform, while Idaho was planning to begin using its own state-based platform, in 2015.

SHOPs Were Operational in All States, Although Many Expected Features Were Not Yet Available and Enrollment Was Low as of June 2014

Though SHOPs were operational in all states as of June 1, 2014, many expected features were not yet available for a number of SHOPs. Enrollment for the SB-SHOPs, as of June 1, 2014 for most states, has been lower than expected, and CMS officials said they do not expect the enrollment trends for the FF-SHOPs to be significantly different, although they are still in the process of collecting enrollment data. Most SHOPs had multiple plans available in each county, though in some states there were a few counties with no plans available. Premiums varied across states, though were generally comparable to premiums for small group plans within the same state offered outside of the SHOPs.

SHOPs Were Operational in All States, Although Many Expected Features Were Not Yet Available, Particularly for the Federally Facilitated SHOPs

All of the FF-SHOPs and most of the SB-SHOPs were operational as required—that is, accepting enrollment applications—as of October 1, 2013. According to CMS, four of the SB-SHOPs—Hawaii, Maryland, Mississippi, and Oregon—were not operational as of the October 1, 2013, deadline, although all have since become operational. Hawaii became operational on October 15, 2013, Maryland became operational on April 1, 2014, and Oregon and Mississippi became operational on May 1, 2014.

Websites where employers could review plan information, including premiums and benefits, were available on October 1, 2013, for all FF-SHOPs and most SB-SHOPs. This information allows employers and employees to make meaningful comparisons about available SHOP plans in their state. Plan information for the FF-SHOPs was provided by CMS through its website. According to CMS, on October 1, 2013, the SB-SHOPs in Maryland, Oregon, and Mississippi lacked websites where employers could review plan and premium information. Mississippi has since added plan and premium information to its websites. Oregon and Maryland have directed employers to contact agents and brokers or issuers to review plan options.

According to CMS, most SB-SHOPs created online enrollment portals by October 1, 2013, though a handful of states—Maryland, Oregon, California, and Mississippi—did not have online enrollment portals available or had to take them offline, requiring employers to enroll directly through issuers. For example, the California SHOP initially offered online enrollment but took its enrollment portal down in February 2014 due to technical challenges, leaving small businesses in California able to enroll in SHOP plans only through direct enrollment. Online enrollment for the Mississippi SHOP began when it became operational in May 2014, while Maryland and Oregon have yet to implement online enrollment for their SHOPs.

CMS did not implement online enrollment in the FF-SHOPs in 2014. As a result, employers enrolling in any of the FF-SHOPs, starting in October 2013, had to enroll in SHOP coverage either through agents and brokers or directly through issuers.[28] CMS is currently preparing to implement online enrollment for the FF-SHOPs for 2015, and expects to launch online enrollment fully in all FF-SHOPs by November 15, 2014, when SHOP enrollment begins for 2015.[29] The online enrollment system will allow, among other functions, enhanced features for agents and brokers, notification to employees of their employers' annual open enrollment period, online employer payments, transmitting of enrollment and payment transactions to issuers, and the processing of coverage changes.[30]

According to CMS, fifteen SB-SHOPs offered employee choice in 2014 through a variety of approaches, though employee choice was delayed for the FF-SHOPs until 2015. These approaches included enabling

[28]CMS and other stakeholders we interviewed noted that small employers have traditionally used direct enrollment methods, such as working with agents and brokers, to apply for small group coverage.

[29]In preparation for launching online enrollment, CMS planned to partially launch online enrollment early in five FF-SHOP states (Delaware, Illinois, Missouri, New Jersey, and Ohio) in October 2014. Employers were to be able to log in, create an account, and complete the eligibility application, or authorize an agent or broker to assist with signing up for SHOP coverage.

[30]CMS plans to add functionality to support its online system in early 2015, including enhanced call center access to assist employers, employees, and agent and brokers; integration with the other exchange systems to facilitate IRS reporting and data analytics; and the handling of coverage terminations and delinquent payments.

employers to offer a choice of plans across all metal tiers and all issuers; a choice of plans across one metal tier but for multiple issuers; or a choice of plans from one issuer but across multiple metal tiers. Some states allowed the employer to choose which employee choice model to use, while other states only offered one approach. Four states, including California, required that employers offer their employees a choice of plans, while others, including Rhode Island and Kentucky, gave employers the option of choosing one plan or offering wider plan choice to their employees.

The majority of enrolled employers in SB-SHOP states where data was available took advantage of the employee choice feature. For example, exchange officials in Kentucky and Rhode Island said that approximately 65 and 61 percent of enrolled employers, respectively, decided to offer their employees a choice of plans.[31] In Rhode Island, in cases where employers offered the choice of any plans through the SHOP, just over 50 percent of their employees chose the reference plan the employer had selected, 14 percent selected a different plan within the same tier, 13 percent purchased a lower metal tier—or less expensive—plan than the reference plan, and 21 percent purchased a higher metal tier—or more expensive—plan than the reference plan. CMS officials said that two additional SB-SHOPs, Colorado and New York, reported that a majority of employers decided to offer their employees a choice of plans. However, three SB-SHOPs did not offer employee choice in 2014: Maryland, Massachusetts, and Oregon. Massachusetts was unable to offer employee choice because its online system for employee choice is still in development, according to CMS officials. Maryland and Oregon were unable to offer employee choice because SHOP enrollment was only available through direct enrollment, according to CMS and state officials, respectively.

CMS did not offer employee choice in the FF-SHOPs in 2014 but plans to do so for many FF-SHOPs for 2015. However, CMS offered state insurance commissioners the chance to recommend whether or not employee choice should be implemented in their state for 2015 or delayed until 2016, if the commissioners could adequately explain that this would be in the best interest of small employers and their employees

[31]The remaining employers offered their employees one SHOP plan. All employers offering coverage through California's SHOP offered employee choice, as this was a requirement for participating in the state's SHOP.

and dependents.[32] Fourteen FF-SHOP states chose to allow CMS to implement employee choice for 2015 while 18 FF-SHOP states chose to delay employee choice until 2016.[33] (See app. I for additional details on SHOP functionality as of June 1, 2014.)

State-Based SHOP Enrollment Was Significantly Lower than Anticipated, While Enrollment Data for Federally Facilitated SHOPs Were Not Yet Available

SB-SHOP plans had enrolled approximately 76,000 individuals—including employees, spouses, and dependent children—into plans purchased through 11,742 small employers, as of June 1, 2014 for most states, with end dates ranging from May to September 2014. Enrollment varied widely among the 18 states with SB-SHOPS, from 33,696 individuals (purchased through 3,580 small employers) in Vermont,[34] to 1 individual (purchased through 1 small employer) in Mississippi.[35] (See fig. 1.)

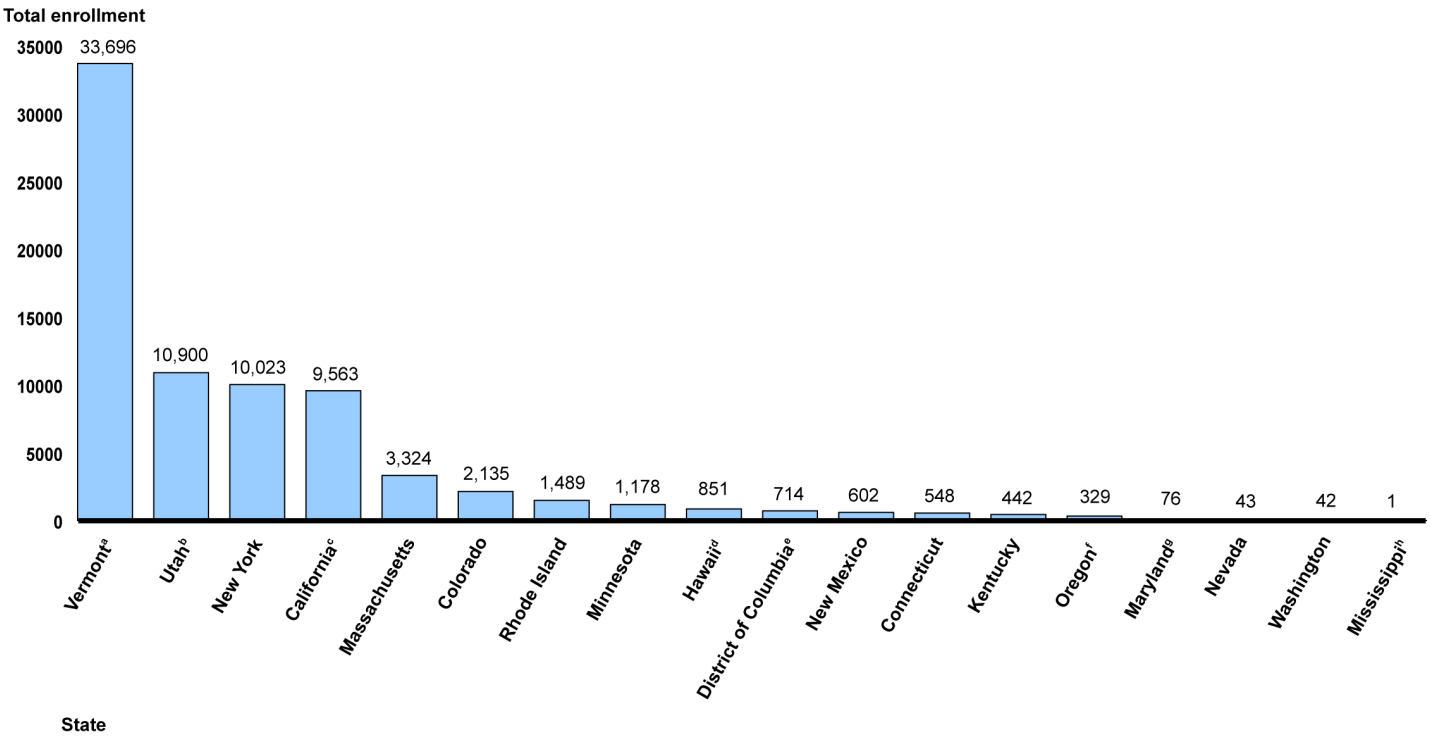
[32]79 Fed. Reg. 30240, 30349-50 (May 27, 2014) (to be codified at 45 C.F.R. § 155.705(b)(2)-(3)).

[33]CMS required that FF-SHOP states notify the agency of their preference and justification for delaying employee choice until 2016. CMS approved the delay of employee choice until 2016 for 18 FF-SHOPs: Alabama, Alaska, Arizona, Delaware, Illinois, Kansas, Louisiana, Maine, Michigan, Montana, New Hampshire, New Jersey, North Carolina, Oklahoma, Pennsylvania, South Carolina, South Dakota, and West Virginia. In addition, Nevada, an SB-SHOP in 2014, will use the FF-SHOP platform in 2015 and will not offer employee choice. The 14 FF-SHOP states that chose to allow CMS to implement employee choice for 2015 were Arkansas, Florida, Georgia, Indiana, Iowa, Missouri, Nebraska, North Dakota, Ohio, Tennessee, Texas, Virginia, Wisconsin, and Wyoming.

[34]Vermont required that all small group plans in the state be offered only through the SHOP.

[35]Mississippi provided enrollment information as of July 1, 2014. Mississippi's SHOP did not come online until May, which limited the time that small employers have had to enroll.

Figure 1: Total Enrollment in the State-Based Small Business Health Options Programs (SB-SHOPs) Generally As of June 1, 2014



Sources: SB-SHOPs. | GAO-15-58

Notes: Figure indicates the total number of individuals (including the employees, spouses, and any dependent children) covered by SB-SHOP plans.

[a]Vermont required that all small group plans in the state be offered only through the SHOP. Vermont provided data as of June 13, 2014.

[b]Utah had an operational exchange for small employers prior to the enactment of the Patient Protection and Affordable Care Act.

[c]California provided data as of May 22, 2014.

[d]The number for Hawaii only reflects the number of employees covered, as total enrollment was not available.

[e]The number for the District of Columbia does not include Congressional employees who are required to obtain coverage through the District of Columbia's SB-SHOP in order to receive a government contribution toward their health insurance premiums under the Federal Employees Health Benefits Program.

[f]The number for Oregon only reflects the number of employees covered, as total enrollment was not available.

[g]Maryland provided data as of September 15, 2014.

[h]Mississippi provided data as of July 1, 2014.

Based on the average number of employees who enrolled in each state per small employer, it appears that the employer groups that enrolled in the SHOPs generally had few employees, particularly given that states allowed employers with as many as 50 employees to enroll in the SHOPs in 2014. Overall, the average number of employees per employer was 3.7, although the average number of employees enrolled per employer in each state varied. Employers that enrolled in Utah had the largest average number of employees enrolled per employer, 8.3, while New York had the smallest average number of employees enrolled per employer, 1.6.[36] (See app. II for additional details on SB-SHOP enrollment.)

Based on official estimates and stakeholders' expectations, SB-SHOP enrollment—as of June 1, 2014 for most states, with end dates ranging from May to September 2014—was significantly lower than anticipated and, at its current pace, is unlikely to reach expectations by the end of 2014.[37] In April 2014, the Congressional Budget Office (CBO) estimated that 2 million employees would enroll in coverage through the SB-SHOPs and FF-SHOPs in 2014, with the number of enrollees rising to 3 million in 2015 and leveling off at 4 million enrollees by 2017.[38] In general, stakeholders we spoke with said that SHOP enrollment has been low, often lower than anticipated. For example, officials from the three SB-SHOPs we spoke to all said that enrollment has been low, with officials from two of the states indicating enrollment was lower than expected. Officials from the third state said challenges related to implementation and the lack of resources for marketing the SHOP had already lowered their expectations for enrollment, though they acknowledged that enrollment was generally low. Further, other stakeholders, including issuer, employer, and agent and broker representatives, also said that enrollment to date has been lower than anticipated.

[36]Mississippi is a unique situation in that only one employer enrolled and so was not included in this calculation.

[37]CMS officials cautioned against inferring future enrollment trends from the partial-year enrollment data for 2014. Officials said that employers may enroll in the SHOPs at any point in the year, unlike individuals pursuing coverage in the individual exchanges, which have limited open enrollment periods. According to the officials, more employers will likely become eligible for SHOP coverage in later months, when their existing non-SHOP plans end.

[38]See Congressional Budget Office, *Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act* (Washington, D.C.: April 2014).

Enrollment data for the FF-SHOPs was not yet available, though CMS officials reported that the agency was in the process of collecting the data from issuers. According to officials, because CMS was not ultimately prepared to implement online enrollment it has had to require each issuer involved in an FF-SHOP to manually report enrollment data. This data reporting role for issuers had not originally been anticipated, and so CMS has had to work with issuers to develop protocols to submit the data. CMS officials said that they are working on a system through which issuers can report their 2014 SHOP enrollment data, and that they expect to have initial data by fall of 2014 but will not have complete data for 2014 until early 2015.[39] However, CMS officials said they do not have reason to expect major differences in enrollment trends for 2014 between the SB-SHOPs and the FF-SHOPs. Beginning in 2015, CMS officials said they plan to have online enrollment that will likely facilitate the more timely and accurate collection of enrollment data.[40]

[39]CMS officials noted that some issuers have reported to CMS that they are unable to accurately report complete enrollment data for 2014, which could underestimate actual enrollment numbers ultimately reported to CMS later in 2014.

[40]While enrollment data is not available for FF-SHOPs, employers that are interested in applying for the small business tax credit in 2014 must submit paper applications to CMS to obtain an official SHOP eligibility determination. CMS reported that it had received 12,376 paper applications from employers for FF-SHOPs as of September 8, 2014. According to CMS officials, employers that are interested in the tax credit have up to one year after enrolling in the SHOP to submit their paperwork to CMS. As a result, the number of paper applications for the SHOP tax credit as of September 8, 2014 likely differs from the actual number of employers that plan to apply for the tax credit in 2014. In addition, as some enrollees in the SHOP may not be eligible for or interested in applying for the tax credit, the number of paper applications likely differs from actual employer enrollment in the FF-SHOPs.

Most SHOPs Have Multiple Plans Available in Each County, and Plan Premiums Varied Across States and Were Generally Comparable to Similar Plans Outside the SHOPs

In nearly all states, multiple issuers offered multiple plans in the SHOPs in 2014. The total number of participating issuers and plans in each state varied widely from 1 to 13 issuers and 3 to 320 plans.[41] Forty-five states had more than one issuer participating in their SHOP and 31 states had 3 or more participating issuers and each issuer offered, on average, 12 plans in each rating area.[42]

In looking at silver-tier plans specifically, we found that most states had at least one silver-tier plan available in each county, though New York, Washington, and Wisconsin had counties where no silver-tier plans were available.[43] Further, most states had at least two silver-tier plans available in each county. When looking at the total number of silver-tier plans, Washington, D.C., offered the most, with 89, while Arkansas, New Hampshire, and West Virginia each only had one silver-tier plan available. Regarding issuer participation in the SHOPs, we found that just over half of states offered silver-tier plans from two or more issuers in each county. Maryland had the most issuers offering silver-tier plans in its SHOP, with 13, though six states—Arkansas, Mississippi, New Hampshire, North Carolina, Washington, and West Virginia—had only one issuer offering silver-tier plans.

The type of plan with the highest enrollment also varied across SB-SHOP states, as did the proportion of employees enrolling in these plans.[44] The highest enrollment plans in each state were most often gold-tier. The plan with the highest enrollment was a gold-tier plan in seven states, a silver-

[41]For additional details on issuer participation in both the individual and small business exchanges beginning in 2014, as well as how this compares with issuer participation in the individual and small group markets prior to the exchanges, see GAO, *Patient Protection and Affordable Care Act: Largest Issuers of Health Coverage Participated in Most Exchanges, and Number of Plans Available Varied*, GAO-14-657 (Washington D.C.: August 29, 2014)

[42]PPACA required each state to establish geographical rating areas that all issuers in the state must use as part of their rate setting. In some states these rating areas are based on counties, while in others they are based on Metropolitan Statistical Areas.

[43]As noted previously, PPACA requires that issuers participating in the SHOP offer, at a minimum, plans at both the silver and gold levels of coverage.CMS officials said that they expect SHOP plans to be offered in these counties in plan year 2015.

[44]Enrollment data for the FF-SHOPs was not yet available, though CMS officials reported that the agency was in the process of collecting the data from issuers.

tier plan in five states, and a platinum-tier plan in five states.[45] The proportion of individuals enrolled in the highest enrollment plan ranged from approximately one-fourth of enrollees in California, Connecticut, Kentucky, and Vermont to less than 10 percent in Minnesota, New Mexico, New York, and Utah.[46] (See app. II for additional details on the highest enrollment SB-SHOP plans.)

Premiums for silver-tier plans varied within and across states,[47] though no clear patterns emerged. Monthly silver-tier plan premiums for enrollees aged 21 ranged widely from $138 for the least expensive Hawaii plan to $523 for the most expensive Alaska plan, with the median plan costing $262.[48] For enrollees aged 40, the monthly premiums varied from $176 for the least expensive Hawaii plan to $669 for the most expensive Alaska plan, with the median plan costing $335. Finally, for enrollees aged 60, the monthly premiums varied from $375 for the least expensive Hawaii plan to $1421 for the most expensive Alaska plan, with the median plan costing $711. The differences between the premiums of the most expensive and least expensive silver-tier plans within a given state also varied widely. Arizona had the largest difference, with the most expensive plan costing almost three times as much as the lowest-cost plan.[49] North Carolina had the least disparate silver-tier plan premiums, with the most expensive plan costing only approximately five percent more than the least expensive plan.[50] (See app. III for additional details about SHOP premium variation across states.)

[45]Mississippi was excluded from this summary because it only had one enrollee as of July 1, 2014.

[46]Mississippi was excluded from this analysis because it only had one enrollee as of July 1, 2014. Hawaii and Oregon were excluded because they were unable to provide total enrollment, and Washington was excluded because it was unable to provide total enrollment for the highest enrollment plan.

[47]We focused our analysis of plan premiums on silver-tier plans.

[48]Vermont does not allow variation in plan premiums based on age and so was not included in these comparisons.

[49]As would be expected, this difference was consistent across Arizona plans for all three age groups that we reviewed.

[50]Similar to Arizona, this difference was consistent across North Carolina plans for all three age groups that we reviewed.

In the three states where we compared SHOP premiums to non-SHOP small group market premiums in the state, we found that premiums for silver-tier plans were generally comparable.[51] PPACA requires that prices for identical plans within a given state be the same, regardless of whether plans are offered on or off the SHOP.[52] Many stakeholders we spoke to said that SHOP premiums were generally comparable to premiums for plans outside of the SHOPs. As previously noted, PPACA requires that small group plans meet a number of requirements. These requirements limit the overall variability between PPACA-compliant plans offered within or outside of the SHOPs, including variation in premiums.

Stakeholders Identified Several Factors That May Have Led to Current Low SHOP Enrollment and That May Affect Future Enrollment Growth

Stakeholders we interviewed reported that the primary incentive for employers to use the SHOPs has been the small business tax credit. However, stakeholders identified several factors that may have hindered enrollment, thus leading to current low SHOP enrollment. Stakeholders also described factors that may help stimulate or detract from SHOP enrollment in the future.

[51]For California, the prices for non-SHOP plans were somewhat higher than the prices for SHOP plans, with the lowest priced, the median priced, and the highest priced plan in the non-SHOP market being somewhat higher than the lowest priced, the median priced, and the highest priced plan in the California SHOP. For Illinois, the highest priced plan in the non-SHOP market was somewhat more expensive than the highest priced plan in the Illinois SHOP.

We requested data from the five states that we selected to interview state-level stakeholders, California, Illinois, Kentucky, Rhode Island, and Texas. The necessary data were not available within our timeframes from Kentucky and Texas.

[52]PPACA, § 1301(a)(1)(C)(iii) (codified at 42 U.S.C. 18021(a)(1)(C)(iii)).

Stakeholders Reported that the Small Business Tax Credit Has Been the Primary Motivator for Employers to Enroll in SHOPs

Many stakeholders, including issuer, employer, and agent and broker representatives we interviewed, reported that the primary incentive for employers to use SHOPs has been the small business tax credit.[53] Employers must generally purchase coverage through a SHOP and meet certain other criteria, including having fewer than 25 employees, to be eligible for the credit, which they may receive for a maximum of two years beginning in 2014. Most employer group representatives reported that those small employers that were interested in and taking steps to enroll in the SHOPs were largely doing so in order to be eligible for the tax credit. Exchange officials in Kentucky also reported that the tax credit has likely been an important incentive for small employers enrolling in the state's SHOP, and that most employers that had enrolled as of April 2014 had less than 25 employees, indicating that they may have been pursuing the credit.[54] Similarly, as discussed previously, we found that the average number of enrolled employees in SB-SHOPs ranged from 1.6 to 8.3 employees,[55] suggesting that many enrolled employers may have been eligible for the credit.

However, several stakeholders noted that the tax credit is too small and administratively complex to motivate many small employers to enroll. CMS officials and one employer group representative noted that the temporary nature of the tax credit—that is, the fact that employers may receive the credit for only 2 years beginning in 2014—may deter some employers from offering coverage for the first time through the SHOP to obtain the credit. This is consistent with our prior work, which revealed low use of the credit even prior to the establishment of the SHOPs. In 2012, we reported that the take-up of the small business tax credit in tax year 2010, the first year the credit was offered, was much lower than the estimated number of eligible employers. According to tax preparers and other stakeholders we interviewed for that work, small employers likely did not view the credit as a sufficient incentive to begin offering health

[53]The Internal Revenue Service has stated that in 2014, small employers in certain counties in Wisconsin and Washington where SHOP plans are not offered may be eligible for the tax credit if they offer coverage that would have qualified for the credit prior to January 1, 2014.

[54]Kentucky exchange officials noted that they cannot determine how many employers have applied for or received the tax credit because the federal government, rather than the state, handles tax credit applications.

[55]Mississippi is a unique situation in that only one employer enrolled and so was not included in this calculation.

insurance, particularly given the complexity of, and time required to claim, the credit.[56]

Stakeholders Identified Several Factors That May Have Hindered Current SHOP Enrollment

Although the small business tax credit may have led some employers to enroll in the SHOPs, stakeholders identified several other factors that may have hindered enrollment, thus leading to current low SHOP enrollment.

- **Delays in key SHOP features**. Stakeholders, including representatives of national employer, agent and broker, and insurance commissioner groups, said that the delays in implementation of online enrollment and employee choice in the FF-SHOPs may have hindered SHOP enrollment. These key features, which have also been delayed in certain SB-SHOPs, are not typically available to small employers purchasing coverage through other means. According to stakeholders, until these key features are implemented, employers may not have as much incentive to enroll in coverage through the SHOP.
- **Limited awareness of and misconceptions about SHOP availability**. Many stakeholders, including state exchange officials and national- and state-level agent, broker, and employer representatives, reported a lack of employer awareness of the ability to enroll in SHOP plans beginning October 1, 2013, largely due to misconceptions about whether the SHOPs were open for enrollment and a lack of outreach by states and CMS. Stakeholders said that media reports announcing delays in certain SHOP features—in particular, the delays in FF-SHOP online enrollment and employee choice—led many employers to assume that the overall implementation of SHOPs was delayed and that enrolling in plans was not yet possible. In addition, stakeholders said that low awareness stemmed from a federal and state emphasis on highlighting the availability of the individual exchanges. For example, exchange officials from one SB-SHOP state noted that employer awareness of

[56]See GAO, *Small Employer Health Tax Credit: Factors Contributing to Low Use and Complexity,* GAO-12-549 (Washington, D.C.: May 14, 2012). CMS officials noted that the agency launched a SHOP Small Business Health Care Tax Credit Estimator, available at the federal exchange website, in early 2014 to ease administrative burden and help employers better understand the tax credit. According to the officials, this tool is intended to make it easier for employers to determine if they qualify for the tax credit as well as the size of the credit they might receive.

the SHOP remained low in part because the state initially focused outreach and marketing efforts on the individual exchange. However, exchange officials from this and another SB-SHOP state reported that with the end of their individual exchanges' open enrollment periods, the states are now focusing outreach and marketing efforts on their SHOPs, which must provide for rolling enrollment.[57]

- **Renewal of existing, noncompliant plans**. The majority of stakeholders—including national-level groups as well as stakeholders representing four of the five states included in our study—said that the ability for employers to renew their existing, non-PPACA compliant plans may have limited SHOP enrollment.[58] National-level employer and agent and broker groups we interviewed said that most small employers chose to renew their existing plans in states where this was permitted, in part due to a general preference for the status quo, as well as other factors, such as concerns about potential premium increases associated with new plans.[59] Kentucky, California, and Illinois exchange officials, as well as CMS officials who participated in the implementation of the SHOP in Illinois and Texas, said that the renewal of these plans may have limited SHOP enrollment in these states.
- **Technical challenges and administrative burden**. Some stakeholders said that the ongoing technical challenges and administrative burden associated with many of the SHOPs have served as a barrier to entry for employers, in part by discouraging some agents and brokers from recommending the SHOP to employers. National- and state-level employer group representatives reported hearing from small employers that they have avoided SHOPs due to technical challenges with SHOP websites, as well as administrative burdens, such as difficulty reaching customer service and, in some cases, the need to send application paperwork by mail. State exchange officials reported that they worked closely with agents

[57]The open enrollment period refers to the limited time frame when individuals are eligible to enroll in QHPs through an individual exchange. Individuals may be eligible to enroll in QHPs outside of the open enrollment period if they experience certain qualifying life events.

[58]Rhode Island exchange officials indicated that this factor was not applicable in Rhode Island as it did not permit the renewal of non-PPACA-compliant plans in 2014.

[59]In addition, press reports have suggested that some issuers may have encouraged their customers to renew their noncompliant plans early, before SHOP enrollment and pricing became available.

and brokers to establish their SB-SHOPs, particularly given that most small employers have traditionally relied on agents and brokers when purchasing coverage for their employees. However, state exchange officials and other stakeholders, including CMS officials, noted that agents and brokers still faced challenges associated with using SHOPs. These challenges included, in some cases, poor or inaccessible customer service for brokers; poor training for brokers on SHOP requirements; the extra time required to explain SHOP requirements to clients; challenges receiving compensation; and the lack of a dedicated broker "portal" on some SHOP websites that would allow brokers to set up and help manage accounts for their clients.[60] Agent and broker representatives from one state noted that challenges such as these have led some agents and brokers to avoid recommending that their small employer clients use the SHOP.

Stakeholders Identified Various Factors That Have the Potential to Contribute to or Detract from Future SHOP Enrollment Growth

Despite the various factors that may have restrained SHOP enrollment to date, many stakeholders noted that certain other factors suggest that the SHOPs have the potential to experience future enrollment growth. According to some stakeholders, central to enrollment growth will be the phasing out of noncompliant plans, the resolution of the technical challenges and reduction of the administrative burden cited as hampering current enrollment, and the demonstration of a "value proposition" that gives employers a reason for preferring SHOP-based coverage to coverage available outside the SHOP. Stakeholders suggested several additional factors that could help stimulate future SHOP enrollment growth.

- **Improved coordination with agents and brokers**. Stakeholders, including CMS officials, state exchange officials, and issuer, employer, and agent and broker representatives, emphasized the importance of coordinating with and providing improved web- or phone-based tools to agents and brokers in order to facilitate SHOP enrollment. States and CMS reported taking steps to resolve certain challenges faced by agents and brokers when using the SHOP. For example, Kentucky exchange officials said that they are working to develop a tool that will allow agents and brokers to easily provide

[60]The FF-SHOPs offered customer service phone lines, but not broker portals; however, CMS officials indicated that FF-SHOPs will offer broker portals when online enrollment begins in November 2014.

price quotes across multiple SHOP plans to their clients, and are considering allowing SHOP-certified agents and brokers to initiate applications on behalf of employers. Illinois exchange officials reported developing a dedicated section for agents and brokers on the state's SHOP website through which agents and brokers can obtain updated information on the SHOP, in response to feedback from agent and broker community leaders. CMS officials said that establishing a broker portal for the FF-SHOPs is a key agency priority, and that the agency plans to have a broker portal in place when FF-SHOP online enrollment becomes available in fall 2014. According to CMS officials, the portal will, among other functions, allow agents and brokers to search for and communicate with employer clients; monitor employees' enrollment progress; make changes to employee rosters; and receive messages regarding employers' monthly invoices, including any late payment warnings.[61]

- **Availability of employee choice**. Some stakeholders stated that the employee choice feature, when fully implemented in all states, will be a key value proposition for the SHOPs. For instance, CMS officials said that employers will likely value being able to offer employees a choice from among multiple plan and issuer options—an ability that small employers typically have not been able to offer. Employer group representatives reported that their members consider employee choice to be an important benefit of the SHOPs, as employees will be able to decide on their own the coverage that best suits their needs and, if necessary, will have the option to spend more to purchase more comprehensive plans. Evidence from Kentucky and Rhode Island, whose SHOPs offer, but do not require, the use of employee choice, further suggests that employers may value this feature. As discussed previously, according to state exchange officials, the majority of employers in Kentucky and Rhode Island that enrolled in the SHOPs chose to offer their employees the choice of multiple plans.[62]

  However, some issuer representatives and other stakeholders were uncertain about the value of employee choice, noting that it is

[61]Employee rosters contain information, such as names and dates of birth, for each employee to whom SHOP coverage is offered.

[62]According to CMS officials, data reported to CMS by two additional SB-SHOP states—Colorado and New York—indicate that the majority of employers using the SHOP in those states have chosen to offer employee choice.

challenging for issuers to implement and that too many choices may be overwhelming for employers and employees. Representatives from national issuer and insurance commissioner groups reported that it is time consuming and expensive for issuers to build the information technology systems required for premium aggregation and other issuer-specific functions necessary for employee choice. In addition, issuers and other stakeholders have reported concerns regarding whether employee choice would lead to adverse selection among plans in the SHOP—a concern that has, in part, led some states to delay their implementation of employee choice until 2016.

- **Increased marketing to employers**. Some stakeholders said that states need to better market the SHOP to small employers to increase SHOP awareness. Some employer group representatives said states need to improve outreach by more aggressively targeting small employers and highlighting the value of the SHOPs in their marketing. Exchange officials in one state emphasized the importance of marketing the SHOPs to small employers as a product that offers value, rather than performing traditional outreach, which is more characteristic of public programs. The officials also noted that marketing must be conducted continuously throughout the year, given that employers renew their coverage at different points in the year.
- **Robust issuer participation**. Although stakeholders representing four of the five states included in our study reported that issuer participation has not been a challenge, CMS officials said that robust issuer participation will be important in ensuring the SHOPs' long-term viability. Issuer representatives noted that, due to the requirement that certain issuers must participate in a state's FF-SHOP if they wish to participate in its federally facilitated individual exchange, some issuers will be required to participate in the SHOPs.[63] However, according to the representatives, other issuers may be hesitant to participate given factors such as uncertainties regarding delays in SHOP functionality and technical readiness; potential new requirements, such as those related to the adequacy of provider networks; the expense and complexity of implementing employee choice and other SHOP features; and the ability for employers to renew noncompliant plans. CMS officials said that although some issuers may be reluctant to

[63]78 Fed. Reg. 15410, 15535 (Mar. 11, 2013) (to be codified at 45 C.F.R. § 156.200(g)). In addition, some SB-SHOPs require that issuers meeting certain requirements participate in the state's SHOP.

participate in the FF-SHOPs in the early years of implementation, once information technology systems have been fully developed and refined, issuers may be more eager to participate.

- **Expansion of the SHOPs to larger employers**. Exchange officials in one state noted that as eligibility for SHOP enrollment expands to employers with up to 100 employees—which must occur no later than January 1, 2016—and, eventually, to larger employers in some states, additional employers may consider the SHOP as an option for purchasing coverage.[64] However, based on the small average number of employees per employer enrolled in SB-SHOPs, it remains to be seen whether larger employers will enroll when given the opportunity.
- **Financial sustainability of the SHOPs**. Exchange officials in one state noted that an essential element of SHOP viability will be ensuring the SHOPs are financially sustainable.[65] They and other SB-SHOP exchange officials we interviewed said that their states have proposed or finalized funding mechanisms in place. In two of the states, these funding mechanisms will draw from either all exchange plans—both individual and SHOP—or all health plans in the state; therefore, low initial SHOP enrollment is not likely to significantly

[64]CMS officials said that as of September 2014 they were not aware of any states that were planning to expand the SHOP to employers with 51 to100 employees in 2015.

Beginning in 2015, employers with 100 or more employees that do not offer affordable health coverage to 70 percent or more of their employees may be subject to a penalty if at least one employee receives subsidized coverage through an exchange. Beginning in 2016, employers with 50 or more employees that do not offer affordable health coverage to their full-time employees may be subject to this penalty if at least one employee receives subsidized coverage through an exchange. PPACA, § 1513(a). 124 Stat. at 253 (codified at 26 U.S.C. § 4980H); 79 Fed. Reg. 8544, 8575, 8597-8601 (Feb. 12, 2014) (to be codified at 26 C.F.R. §§ 54.4980H-4, 54.4980H-5). Therefore, as SHOP eligibility expands to larger employers and these penalties take effect, more employers may be likely to participate in the SHOP.

[65]States operating SB-SHOPs are required to ensure that the SHOPs are self-sustaining by January 1, 2015, meaning that states must ensure their SHOPs have sufficient funding to support ongoing operations, as federal grants awarded to establish exchanges will no longer be available. SHOPs may generate funding for SHOP operations in certain ways, including requiring issuers to pay user fees, or a percentage of premiums charged by the issuer. HHS requires that issuers participating in the FF-SHOPs pay a monthly user fee to fund FF-SHOP operations; in 2014, this fee is equal to 3.5 percent of the monthly premium charged by the issuer. HHS requires that this user fee be spread across all of an issuer's small group plans, regardless of whether the plans are offered in a SHOP.

affect SHOP operating revenues in those states.[66] However, one stakeholder expressed concern regarding whether SHOPs will be sustainable in the long run if enrollment remains low, particularly given the expense required to maintain the SHOPs' information technology systems.

Stakeholders also described factors whose future effects on SHOP enrollment are more uncertain or have the potential to detract from SHOP enrollment growth in the long term.

- **Loss of the tax credit**. As noted previously, stakeholders and our analysis of SB-SHOP enrollment data suggested that many employers currently enrolling in the SHOP may be eligible for the tax credit. However, employers may only receive the tax credit for a maximum of 2 years. It therefore remains to be seen whether employers will continue to purchase coverage through the SHOP once they have exhausted their ability to receive the tax credit, and how this will affect overall SHOP enrollment. One employer representative suggested that an extension of the credit, or a re-design of the credit such that larger businesses are eligible, will help ensure SHOP enrollment growth moving forward.
- **Comparability of prices on and off the SHOP**. Issuer representatives and other stakeholders noted that prices for SHOP plans are likely to remain similar to prices for non-SHOP small group plans, which may limit the incentive for small employers to enroll in coverage through the SHOP. According to stakeholders, small employers' coverage decisions are largely driven by price. However, as we noted previously, premiums are currently similar for plans offered on and off the SHOP in part due to the requirement that prices for identical plans in a given state be the same, regardless of whether they are offered on or off the SHOP. In order for issuers to offer more competitive prices through the SHOPs, they must offer unique, SHOP-only plans that are lower in price when compared to non-SHOP options. However, according to issuer representatives, there are limited mechanisms by which issuers could do so. As PPACA requires that all plans offer a set of minimum essential health benefits, issuers are limited in the extent to which they can lower prices by

[66]Exchange officials in the remaining SB-SHOP state noted that they have proposed various options for SHOP funding, but that they expect that operating revenues and expenditures for the state's individual exchange and SHOP will be combined.

restricting the benefits they offer in SHOP plans. In addition, though issuers could lower prices for SHOP plans by offering narrower provider networks, issuer representatives cite the high administrative costs of creating and maintaining new networks as a deterrent.

- **Competition with private exchanges**. Some stakeholders, including issuer, agent, and broker representatives, as well as exchange officials from one state, reported that private exchanges for small group coverage—or online health coverage marketplaces managed by private companies, such as issuers or benefits consulting firms—are becoming more prevalent and may compete with SHOPs for employer enrollment. According to some agent and broker representatives, private exchanges may appeal to employers because, in some cases, they offer employee choice—a key value proposition of the SHOP that has not yet been implemented in all states—without many of the requirements associated with the SHOP. Exchange officials from one state said that recently created private exchanges in that state have been able to spend more on advertising, which has made it difficult for the SHOP to compete. However, the officials noted that the SHOPs provide increased value in that they offer full transparency and choice of SHOP plans—whereas some private exchanges, despite claiming to offer full choice of plans, simply offer plans from the carrier operating the exchange.
- **Possibility of sending employees to the individual exchanges**. Exchange officials from two states and some agent and broker representatives reported that some small employers have chosen, or may choose in upcoming years, to drop coverage for their employees altogether, particularly in light of the availability of premium and cost-sharing assistance for eligible low- and moderate-income individuals obtaining coverage through an individual exchange. CMS officials said they have heard anecdotal information that this may be occurring, but have no data. Several recent employer surveys have found that, while the majority of surveyed small employers were not considering dropping coverage for their employees, a minority were intending to or

considering whether to drop coverage and, in some cases, direct their employees to the individual exchanges in 2014 or 2015.[67]

- **Potential for adverse selection**. If it were to occur, adverse selection between SHOP and non-SHOP plans could lead to increased SHOP premiums and thus inhibit SHOP enrollment in the long term. However, issuer representatives said that the similarity in premiums seen thus far has diminished concerns about such adverse selection. The issuer representatives said a greater concern is the risk for adverse selection between PPACA-compliant plans—that is, both the SHOP and non-SHOP plans that comply with PPACA's insurance reforms—and the existing, noncompliant plans that have been renewed. This risk may be temporary, as CMS's current transitional relief policy, under which noncompliant plans may continue to be offered, permits issuers of such plans to offer renewals of these plans only for plan years beginning on or before October 1, 2016.[68] In addition, PPACA established mechanisms to mitigate adverse selection if it does occur among PPACA-compliant plans, and stakeholders said it will be at least 1 year, if not several years, before

[67]For example, one survey found that 67 percent of respondents said they would continue to offer health coverage in 2014, while 6 percent said they would definitely stop offering coverage and 27 percent said they would consider discontinuing coverage under certain circumstances. See eHealth ®, *Small Employer Health Insurance Survey: March 2013,* accessed August 21, 2014, http://news.ehealthinsurance.com/_gallery/get_file/?file_id=514a002dfc96aa2799001afe&file_ext=.pdf. Another survey found that 23 percent of respondents were considering dropping coverage and giving money directly to employees to purchase coverage through the individual exchange in late 2013 or 2014. See National Small Business Association, *2014 Small Business Health Care Survey,* accessed August 21, 2014, http://www.nsba.biz/wp-content/uploads/2014/02/Health-Care-Survey-2014.pdf. An additional survey found that the majority, or approximately 85 percent, of small employer respondents were very or definitely likely to continue coverage for their full-time employees in 2015, and another approximately 9 percent said that they were somewhat likely to continue coverage. The remaining 7 percent said they were more likely to direct employees to the individual exchanges in 2015. See International Foundation of Employee Benefit Plans, *2014 Employer-Sponsored Health Care: ACA's Impact* (Brookfield, Wis.: 2014).

[68]CMS has noted, however, that it may consider extending this transitional policy for an additional year. See Department of Health and Human Services, Centers for Medicare & Medicaid Services, *Extension of Transitional Policy through October 1, 2016,* (Washington, D.C.: Mar. 15, 2014).

it becomes clear if adverse selection is occurring in the SHOPs, as well as how well these mechanisms will mitigate its effect.[69]

Concluding Observations

The SHOPs are an important element of PPACA, intended to provide a new mechanism by which small employers can shop for and purchase health insurance coverage for their employees and to offer features not typically available to the employees of small employers, such as the ability to choose among multiple health plans. While much progress has been made by CMS and states to ensure all SHOPs are now operational, early evidence suggests enrollment is significantly lower than anticipated amid the delayed availability of key functions among many SHOPs and misconceptions by employers about the availability of SHOPs. CMS officials and other stakeholders point to structural factors to help explain the current low enrollment—such as the temporary ability for employers in many states to renew their existing plans even if they do not comply with PPACA insurance reforms—and suggest reasons for optimism about future SHOP enrollment trends. They point to such factors as the phase-out of the noncompliant plans, the expected availability of online enrollment and employee choice functions in many more SHOPs, and intended CMS or state efforts to improve SHOP awareness and coordination with agents and brokers. Nevertheless, other factors may temper such optimism, such as the loss of the small business tax credit for some employers, the potential for adverse selection, and the challenge SHOPs may face in competing with plans offered to small employers outside of the SHOPs. These collective factors will vary across states and continue to evolve, suggesting that a determination of the long-term impact of the SHOPs remains premature at this time.

Agency Comments

We received comments from HHS on a draft of this report (see app. V). HHS described steps it is taking to improve the SHOP program based on lessons learned from the first year of operation and emphasized the

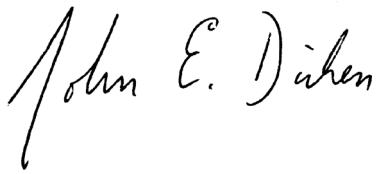
[69]These provisions, or risk mitigation mechanisms, are designed to mitigate the potential effects of adverse selection and provide stability for health insurance issuers in the individual and small group markets. All issuers in the small group market are eligible to participate in the risk adjustment programs. Issuers of small group plans offered through a SHOP are also eligible to participate in the temporary risk corridors program in effect in 2014, 2015, and 2016. According to issuer representatives, of these two mechanisms, risk adjustment likely has the more significant ability to help stabilize SHOP premiums. GAO is separately examining early experiences with these risk mitigation programs.

future role SHOPs could play to produce more competition in the small group health insurance markets as the SHOPs improve and mature. HHS also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretary of Health and Human Services and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact John E. Dicken at (202) 512-7114 or dickenj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Sincerely yours,



John E. Dicken
Director, Health Care

Appendix I: Small Business Health Options Program (SHOP) Features as of June 1, 2014

SHOP	Date SHOP enrollment began	SHOP website allows browsing for plans and premiums	SHOP allows employers to enroll online	SHOP offers employee choice
State-based SHOPS				
California	10/1/2013	●	○[a]	●
Colorado	10/1/2013	●	●	●
Connecticut	10/1/2013	●	●	●
District of Columbia	10/1/2013	●	●	●
Hawaii	10/15/2013	●	●	●
Kentucky	10/1/2013	●	●	●
Maryland	4/1/2014	○	○	○
Massachusetts	10/1/2013	●	●	○
Minnesota	10/1/2013	●	●	●
Mississippi	5/1/2014	●	●	●
Nevada	10/1/2013	●	●	●
New Mexico	10/1/2013	●	●	●
New York	10/1/2013	●	●	●
Oregon	5/1/2014	○	○	○
Rhode Island	10/1/2013	●	●	●
Utah	10/1/2013[b]	●	●	●
Vermont	10/1/2013	●	●	●
Washington	10/1/2013	●	●	●
Federally facilitated SHOPs				
Alabama	10/1/2013	●	○	○
Alaska	10/1/2013	●	○	○
Arizona	10/1/2013	●	○	○
Arkansas	10/1/2013	●	○	○
Delaware	10/1/2013	●	○	○
Florida	10/1/2013	●	○	○
Georgia	10/1/2013	●	○	○
Idaho[c]	10/1/2013	●	○	○
Illinois	10/1/2013	●	○	○
Indiana	10/1/2013	●	○	○
Iowa	10/1/2013	●	○	○
Kansas	10/1/2013	●	○	○

SHOP	Date SHOP enrollment began	SHOP website allows browsing for plans and premiums	SHOP allows employers to enroll online	SHOP offers employee choice
Louisiana	10/1/2013	●	○	○
Maine	10/1/2013	●	○	○
Michigan	10/1/2013	●	○	○
Missouri	10/1/2013	●	○	○
Montana	10/1/2013	●	○	○
Nebraska	10/1/2013	●	○	○
New Hampshire	10/1/2013	●	○	○
New Jersey	10/1/2013	●	○	○
North Carolina	10/1/2013	●	○	○
North Dakota	10/1/2013	●	○	○
Ohio	10/1/2013	●	○	○
Oklahoma	10/1/2013	●	○	○
Pennsylvania	10/1/2013	●	○	○
South Carolina	10/1/2013	●	○	○
South Dakota	10/1/2013	●	○	○
Tennessee	10/1/2013	●	○	○
Texas	10/1/2013	●	○	○
Virginia	10/1/2013	●	○	○
West Virginia	10/1/2013	●	○	○
Wisconsin	10/1/2013	●	○	○
Wyoming	10/1/2013	●	○	○

Legend: ● = Yes; ○ = No

Sources: Centers for Medicare & Medicaid Services. | GAO-15-58

[a]In November 2013, California launched online enrollment for the SHOP. However, the system was taken down in February 2014 and now California is only using direct enrollment.

[b]Utah had an operational exchange for small employers prior to the enactment of the Patient Protection and Affordable Care Act.

[c]Idaho originally planned to establish an SB-SHOP, but ultimately elected to use the FF-SHOP platform. We therefore consider Idaho as having an FF-SHOP in 2014 for the purposes of our report.

Appendix II: State-Based Small Business Health Options Program (SB-SHOP) Enrollment Generally as of June 1, 2014

State	Employer enrollment	Employee enrollment	Total enrollment	Average employees enrolled per employer	Highest enrollment plan		
					Metal tier	Employee enrollment	Total enrollment
California[a]	1,360	6,667	9,563	4.9	Silver	1,749	2,499
Colorado	258	1,499	2,135	5.8	Silver	171	247
Connecticut	92	344	548	3.7	Silver	95	150
District of Columbia	211	525	714	2.5	Platinum	66	79
Hawaii[b]	398	851		2.1	7a[c]	228	
Kentucky	58	341	442	5.9	Gold	92	124
Maryland[d]	15	65	76	4.3	Gold	6	13
Massachusetts	729	1,840	3,324	2.5	Platinum	240	409
Minnesota	159	790	1,178	5.0	Gold	57	87
Mississippi[e]	1	1	1	1	Gold	1	1
Nevada	16	41	43	2.6	Gold	10	10
New Mexico	129	408	602	3.2	Gold	41	57
New York[f]	3,964	6,390	10,023	1.6	Platinum		637
Oregon[g]	57	329		5.8	Silver	41	
Rhode Island	229	884	1,489	3.9	Gold	171	286
Utah	478	3,977	10,900	8.3	Gold	303	757
Vermont[h]	3,580	18,706	33,696	5.2	Platinum	4,535	8,436
Washington[i]	8	25	42	3.1	Silver	9	

Sources: SB-SHOPs. | GAO-15-58

Notes: Total enrollment reflects the total number of individuals (including the employees, spouses, and any dependent children) covered by SB-SHOP plans.

[a]California provided data as of May 22, 2014.

[b]Hawaii was not able to provide total enrollment.

[c]In Hawaii, group plans are designated as "7a" or "7b," which are the equivalent of platinum- and gold-tier plans, respectively.

[d]Maryland provided the number of employers enrolled as of September 2, 2014, and the number of enrollees, including the plan with the highest enrollment, as of September 15, 2014. Maryland had two plans with 13 total enrollees; both plans were gold-tier.

[e]Mississippi provided data as of July 1, 2014.

[f]New York was not able to provide the number of employees enrolled for the highest enrollment plan.

[g]Oregon was not able to provide total enrollment.

[h]Vermont provided data as of June 13, 2014

[i]Washington was unable to provide total enrollment for the highest enrollment plan.

Appendix III: Small Business Health Options Program (SHOP) 2014 Average Monthly Premiums for Silver-Tier Plans

	Silver-tier SHOP plan average monthly premiums age 21			Silver-tier SHOP plan average monthly premiums age 40			Silver-tier SHOP plan average monthly premiums age 60		
State	**Low**	**Median**	**High**	**Low**	**Median**	**High**	**Low**	**Median**	**High**
Alabama	$213	$262	$279	$272	$335	$357	$579	$711	$757
Alaska	480	491	523	613	627	669	1302	1332	1421
Arizona	165	217	449	211	278	574	448	590	1220
Arkansas[a]	236	236	236	302	302	302	641	641	641
California	180	247	355	230	316	453	488	670	963
Colorado	251	296	382	321	378	489	681	804	1038
Connecticut	339	352	359	429	449	459	911	954	974
Delaware	277	293	303	354	374	388	753	795	823
District of Columbia	186	231	304	249	310	408	536	666	879
Florida	230	257	303	295	329	387	625	698	821
Georgia	214	252	316	273	322	404	580	684	857
Hawaii	138	192	208	176	245	266	375	521	565
Idaho	199	256	313	255	327	400	541	695	849
Illinois	203	295	335	259	377	428	550	802	909
Indiana	281	306	330	359	391	421	762	830	894
Iowa	185	272	356	236	347	455	502	738	966
Kansas	204	216	326	261	276	417	554	586	886
Kentucky	213	233	302	273	295	365	579	626	775
Louisiana	234	264	293	299	337	374	635	717	795
Maine	264	280	324	338	358	414	718	759	878
Maryland	183	271	354	233	346	453	495	735	961
Massachusetts	215	262	371	253	308	437	429	523	743
Michigan	151	280	346	193	358	442	410	761	939
Minnesota	193	251	309	247	321	400	524	681	861
Mississippi	243	246	264	310	314	337	658	667	715
Missouri[b]	251	278	304	321	355	389	681	754	826
Montana	241	256	268	308	327	343	654	694	728
Nebraska	189	262	325	241	335	416	513	711	882
Nevada	199	226	356	255	289	456	541	614	967
New Hampshire[c]	284	284	284	363	363	363	771	771	771
New Jersey	280	382	411	312	425	458	511	696	750
New Mexico	224	270	312	287	345	399	609	732	847
New York[d]									
North Carolina	309	317	323	395	405	413	838	859	878

	Silver-tier SHOP plan average monthly premiums age 21			Silver-tier SHOP plan average monthly premiums age 40			Silver-tier SHOP plan average monthly premiums age 60		
State	**Low**	**Median**	**High**	**Low**	**Median**	**High**	**Low**	**Median**	**High**
North Dakota	244	253	263	312	323	336	663	686	713
Ohio	228	278	330	292	355	421	620	755	895
Oklahoma	166	220	268	212	281	342	451	598	727
Oregon	197	283	347	252	361	443	535	768	941
Pennsylvania	186	240	306	238	306	391	506	651	830
Rhode Island	211	245	257	269	313	328	572	665	697
South Carolina	283	297	303	361	379	387	767	806	822
South Dakota	239	263	273	305	336	349	649	713	741
Tennessee	225	243	310	287	311	396	609	660	840
Texas	207	259	282	264	331	360	562	703	765
Utah	162	200	247	240	296	365	486	599	741
Vermont[e]	395	422	429	395	422	429	395	422	429
Virginia	195	260	359	249	333	459	527	706	975
Washington	268	278	294	342	355	376	727	753	799
West Virginia[f]	296	296	296	378	378	378	803	803	803
Wisconsin	224	282	450	286	361	576	608	766	1222
Wyoming	337	355	383	431	454	490	915	964	1040

Sources: GAO analysis of Centers for Medicare & Medicaid Services and state-based SHOP data. | GAO-15-58

Notes: All premiums have been rounded to the nearest dollar.

[a]The Arkansas SHOP only had one plan available.

[b]The Missouri SHOP only had two plans available.

[c]The New Hampshire SHOP had only one plan available.

[d]Premium data from New York was not available.

[e]Vermont does not allow variation in plan premiums based on age.

[f]The West Virginia SHOP had only one plan available.

Appendix IV: Small Business Health Options Program (SHOP) Silver-Tier Plan Availability

State	Total silver-tier plans	Issuers offering silver-tier plans	Plans available in all counties	At least two plans in each county	At least two issuers in each county
Alabama	5	2	●	●	●
Alaska	8	2	●	●	●
Arizona	44	5	●	●	●
Arkansas	1	1	●	○	○
California	11	6	●	○	○
Colorado	31	7	●	●	●
Connecticut	3	3	●	●	●
Delaware	4	2	●	●	●
District of Columbia	89	7	●	●	●
Florida	17	5	●	○	○
Georgia	7	3	●	○	○
Hawaii	13	2	●	●	●
Idaho	17	3	●	●	●
Illinois	20	3	●	●	●
Indiana	58	2	●	●	○
Iowa	28	5	●	●	○
Kansas	3	2	●	○	○
Kentucky	8	4	●	●	●
Louisiana	12	4	●	●	●
Maine	4	2	●	●	●
Maryland	29	13	●	●	●
Massachusetts	19	10	●	●	●
Michigan	21	8	●	○	○
Minnesota	22	3	●	●	○
Mississippi	3	1	●	●	○
Missouri	2	2	●	○	○
Montana	10	3	●	●	●
Nebraska	14	4	●	●	●
Nevada	6	2	●	●	○
New Hampshire	1	1	●	○	○
New Jersey	11	3	●	●	●
New Mexico	21	5	●	●	●
New York[a]			○	○	○

State	Total silver-tier plans	Issuers offering silver-tier plans	Plans available in all counties	At least two plans in each county	At least two issuers in each county
North Carolina	4	1	●	●	○
North Dakota	6	3	●	●	●
Ohio	39	6	●	●	●
Oklahoma	22	3	●	●	○
Oregon	28	8	●	●	●
Pennsylvania	44	9	●	●	○
Rhode Island	5	3	●	●	●
South Carolina	5	3	●	●	●
South Dakota	7	3	●	●	●
Tennessee	4	2	●	○	○
Texas	9	2	●	●	○
Utah	33	3	●	●	●
Vermont	6	2	●	●	●
Virginia	13	5	●	○	○
Washington	3	1	○	○	○
West Virginia	1	1	●	○	○
Wisconsin	59	9	○	○	○
Wyoming	5	2	●	●	●

Legend: ● = Yes; ○ = No

Sources: GAO analysis of Centers for Medicare & Medicaid Services and state-based SHOP data. | GAO-15-58

[a]Data on the total number of silver plans and the number of issuers offering silver plans was not available for New York.

Appendix V: Comments from the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

OCT 2 4 2014

John E. Dicken
Director, Health Care
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Dicken:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled, "Small Business Health Insurance Exchanges: Low Initial Enrollment Likely due to Multiple, Evolving Factors" (GAO 15-58).

The Department appreciates the opportunity to review this report prior to publication.

Sincerely,

Jim R. Esquea

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S DRAFT REPORT ENTITLED: SMALL BUSINESS HEALTH INSURANCE EXCHANGES: LOW INTIAL ENROLLMENT DUE TO MULTIPLE, EVOLVING FACTORS (GAO-15-58)

The Department of Health & Human Services (HHS) appreciates the opportunity to review and comment on this draft report.

HHS is committed to improving the Small Business Health Options Program (SHOP), by acting on lessons learned from the first year of operation. HHS has worked to continually improve the SHOP experience to increase ease and reduce administrative burden for employers. For example, in order to help small employers determine if they qualify for the tax credit and for how much, the Centers for Medicare & Medicaid Services launched a SHOP Small Business Healthcare Tax Credit Estimator in English and Spanish in early 2014. Importantly, on November 15, 2014, employers will be able to access a seamless online Federally-facilitated SHOP experience including key new features such as a choice of health plans for employees in many states, premium aggregation services, and a dedicated online system for licensed agents and brokers to assist their SHOP clients. Prior to November 15, 2014, this new online experience will have been tested in five states through targeted consumer testing with small businesses, agents, brokers, and assisters.

Small business owners have struggled to keep up with the ever-rising cost of providing health insurance for their employees. Historically, small businesses have been charged 10 to 18 percent more for the same benefits compared to large employers.[1] There has been limited competition in the small group health insurance market, as shown by the Government Accountability Office in its 2008 report.[2] The SHOP, as it improves and matures, may produce more competition in the small group markets, potentially benefiting small employers and their employees. HHS, through the SHOP, new insurance reforms, and tax credits, has worked to improve the insurance market for small employers, making it easier for them to find and purchase employee health coverage.

[1] http://www.commonwealthfund.org/~/media/Files/Publications/In%20the%20Literature/2006/May/Benefits%20and%20Premiums%20in%20Job%20Based%20Insurance/Gabel_benefitspremiumsjobbased_925_itl%20pdf.pdf
[2] http://www.gao.gov/assets/100/95991.pdf

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

John E. Dicken, (202) 512-7114 or dickenj@gao.gov

Staff Acknowledgments

In addition to the contact name above, Randy DiRosa, Assistant Director; Priyanka Sethi Bansal; Sandra George; Eagan Kemp; Laurie Pachter; and Kate Tussey made key contributions to this report.