

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.

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SMALL BUSINESS HEALTH INSURANCE EXCHANGES

Low Initial Enrollment Likely due to Multiple, Evolving Factors

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 a determination of the SHOPs' long-term impact remains premature at this time.