

CHAPTER 11: HEALTHSOURCE RI SHOP ELIGIBILITY

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CHAPTER 11: HEALTHSOURCE RI SHOP ELIGIBILITY

A. Overview of HealthSource RI SHOP

The State of Rhode Island operates a Small Business Health Options Program (SHOP) Exchange to provide employers with 50 or fewer employees access to qualified health plans. Employer eligibility to participate in the SHOP Exchange is determined immediately when an employer establishes an account. Employee eligibility is established by the employer's placement of the employee on the employer census.

Employers have two options for providing their employees access to qualified health plans: the Single Plan option or the Full Employee Choice option. Employers selecting the Single Plan option will make one health plan available to all eligible employees. Employers electing Full Employee Choice will make a standard contribution to the employer-sponsored coverage and the employees may use the contribution to purchase any health plan in the SHOP Exchange they choose.

Unlike individual coverage, employers may enroll in the SHOP Exchange to provide coverage to employees at any time during the year. Eligible employees will have a standard election period set by the employer¹ once the employer enrolls in SHOP or when the employee joins the employer.

Brokers have historically played a critical role in the enrollment and maintenance of small group health plans, and this relationship continues in the SHOP Exchange. If authorized by an employer, brokers can be assigned to the employer's account and make decisions regarding employers' and employees' coverage options.

This Chapter contains additional details on employer and employee eligibility for SHOP, conditions regarding enrollment periods, broker representation, payment policies, and disenrollments from SHOP. The Appendix contains information on the Small Business Tax Credit available to certain SHOP employers to help them pay for health insurance premiums, as well as information on COBRA and "mini-COBRA" coverage for employees.

B. SHOP Employer Eligibility & Enrollment Procedures

Small employers located in Rhode Island can participate in the SHOP Exchange if they offer coverage to all full time employees and provide an acceptable contribution toward employee coverage costs. This section details the specific eligibility requirements for small employers wanting to participate in the SHOP Exchange. This section also distinguishes between information that is needed to determine SHOP eligibility versus information that is needed to establish an employer SHOP account in order for the employer to invite employees to enroll in coverage.

In order to view plans or get quotes before enrolling, employers, brokers and other representatives can go to www.healthsourceri.com and access a side-by side rate sheet, as well as use a plan rate calculator that displays a list of plans and rate information. Brokers are also offered a quoting tool. To actually offer employees health plans available through the SHOP Exchange, employers must create an account. Thus, at this time, employer eligibility is integrated with the account creation process.

¹ 45 CFR 155.725(c)(2)

1) SHOP Employer Eligibility Requirements

An eligible employer must meet three requirements: a) Must be a small employer, b) Must offer SHOP Exchange coverage to all full-time employees; and c) Must have a principal business address or a primary worksite with eligible employees in the SHOP Exchange service area (the State of Rhode Island).²

a) Employer must be a small employer

To qualify, employers must have at least one enrolled employee who is not the owner or the spouse of the owner.³ An employer is any person with one or more employees acting directly as an employer, or indirectly in the interest of an employer, in relation to an employee benefit plan, and includes a group or association of employers acting for an employer in such capacity.⁴ Starting in 2016, a small employer is defined as an employer who employed an average of at least one but not more than 50 employees on business days during the preceding calendar year and who employs at least one employee on the first day of the plan year. In the case of an employer that was not in existence throughout the preceding calendar year, the determination of whether the employer is a small employer is based on the average number of employees that it is reasonably expected the employer will employ on business days in the current calendar year.⁵

An employee is defined as any individual employed by an employer.⁶ The number of employees is determined according to Federal employee counting rules set forth in 26 U.S.C. 4980(H)(2) (see below).⁷ Employers can use the Full-time Equivalent (FTE) Employee Calculator, available at <https://www.healthcare.gov/shop-calculators-fte/>, to count the total number of employees they have and see if they qualify for SHOP.

26 U.S. Code § 4980H – Shared Responsibility for Employers Regarding Health Coverage

(B) Exemption for certain employers

(i) In general—An employer shall not be considered to employ more than 50 full-time employees if—

(I) the employer's workforce exceeds 50 full-time employees for 120 days or fewer during the calendar year, and

(II) the employees in excess of 50 employed during such 120-day period were seasonal workers.

(ii) Definition of seasonal workers

The term "seasonal worker" means a worker who performs labor or services on a seasonal basis as defined by the Secretary of Labor, including workers covered by section 500.20(s)(1) of title 29, Code of Federal Regulations and retail workers employed exclusively during holiday seasons.

² 45 CFR §155.710

³ 45 CFR 155.710; 80 FR 10869

⁴ 45 CFR 155.20 (*An employer* has the meaning given to the term in section 2791 of the PHS Act , except that such term includes employers with one or more employees); PHS Act, 42 U.S.C. §300gg-91(d)(6) (term "employer" has the meaning given such term under section 3(5) of the Employee Retirement Income Security Act of 1974 [29 U.S.C. 1002 (5)]; 29 U.S.C. §1002(5)

⁵ 45 CFR 155.20

⁶ 45 CFR 155.20; PHS Act, 42 U.S.C. §300gg-91(d)(5); 29 U.S.C. §1002(6)

⁷ 45 CFR 155.20; 26 U.S.C. 4980H(2)

(C) Rules for determining employer size for purposes of this paragraph—

(i) Application of aggregation rule for employers

All persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 shall be treated as 1 employer.

(ii) Employers not in existence in preceding year

In the case of an employer which was not in existence throughout the preceding calendar year, the determination of whether such employer is an applicable large employer shall be based on the average number of employees that it is reasonably expected such employer will employ on business days in the current calendar year.

(iii) Predecessors

Any reference in this subsection to an employer shall include a reference to any predecessor of such employer...

(E) Full-time equivalents treated as full-time employees

Solely for purposes of determining whether an employer is an applicable large employer under this paragraph, an employer shall, in addition to the number of full-time employees for any month otherwise determined, include for such month a number of full-time employees determined by dividing the aggregate number of hours of service of employees who are not full-time employees for the month by 120.

(F) Exemption for health coverage under TRICARE or the Veterans Administration

Solely for purposes of determining whether an employer is an applicable large employer under this paragraph for any month, an individual shall not be taken into account as an employee for such month if such individual has medical coverage for such month under—

- (i) chapter 55 of title 10, United States Code, including coverage under the TRICARE program, or
- (ii) under a health care program under chapter 17 or 18 of title 38, United States Code, as determined by the Secretary of Veterans Affairs, in coordination with the Secretary of Health and Human Services and the Secretary.

Example: Rhode Island Manufacturing had no more than 48 employees working 30 or more hours for all of 2015. It increased its full time staff to 53 employees in January 2016. It applies for SHOP Exchange coverage on February 2, 2016 for coverage on March 1, 2016 and includes its current employee count of 53. Rhode Island Manufacturing is eligible for the SHOP Exchange because its employee count was less than 50 in the previous calendar year and it employs at least one employee on the first day of the plan year.

Affiliated companies must meet employee counting requirements. For purposes of this section, ‘affiliated companies’ means affiliated service groups, employees of a controlled group of corporations, and employees of partnerships or proprietorships which are under common control.⁸ Companies that are affiliated companies, or that are eligible to file a combined tax return for purposes of taxation, shall be considered one employer.⁹

⁸ 26 CFR § 414 (b), 26 CFR § 414 (c), 26 CFR § 414 (m), & 26 CFR § 414 (o)

⁹ RIGL S. 27-50-3(kk) and 26 CFR § 414 (b), 26 CFR § 414 (c), 26 CFR § 414 (m), & 26 CFR § 414 (o)

Example: Mimi and Roger own 6 Clam Shacks across Rhode Island and southern Massachusetts with a total of 112 employees in the preceding calendar year. No single Clam Shack has more than 50 employees. Each Clam Shack applies for insurance through the Rhode Island SHOP Exchange separately. The Clam Shack is not eligible because although it has multiple separate locations, it files one tax return.

Any eligible employer that has been continuously enrolled in the SHOP Exchange may maintain enrollment in the SHOP Exchange regardless of the number of employees.¹⁰ Employers that enter as eligible employers in the SHOP Exchange are “grandfathered” in to SHOP eligibility until they dis-enroll from the SHOP Exchange or fail to meet eligibility criteria unrelated to the employee count.

- Rhode Island State Law requires the size of a small employer to be re-determined annually.¹¹ However, the SHOP Exchange may not determine an employer ineligible, even if the number of employees at the employer increases beyond 50, so long as the employer is continuously enrolled in the SHOP Exchange.¹²

b) The employer must offer SHOP coverage to all full-time employees.

To participate in the SHOP, eligible small employers must offer coverage through the SHOP to all full-time employees. Employers are permitted to self-attest that all full-time employees are offered coverage through the SHOP.¹³

c) The employer’s principal business address or an eligible employees’ primary worksite must be located in the SHOP Exchange service area (the State of Rhode Island).

Small employers that have a principle business address in Rhode Island are eligible to participate in the SHOP Exchange.¹⁴ Employers located in Rhode Island will be asked to attest that the location of their primary address is in Rhode Island. Eligibility is based on this attestation.

Small employers who purchase insurance for employees whose primary worksite is in Rhode Island will be required to attest that although the location of their primary business address is outside of Rhode Island, the worksite of the eligible employees is in Rhode Island.

For companies with operations in Rhode Island and another state, employers have two options:

1. The employer may choose a single health plan with a multi-state or national provider network and offer it in all business operation locations. Employers should create a SHOP Marketplace account in the state where the primary business site is located.
2. The employer may create a SHOP Marketplace account in a state where the employees have a primary worksite. As long as the business meets all criteria to participate in SHOP, the employer can create a SHOP account. If the employer creates a SHOP Marketplace account in multiple states where the employer has primary worksites, the employer may select different offerings in each state.

¹⁰ 45 CFR 155.710(d)

¹¹ RIGL S. 27-50-3(kk)

¹² 45 CFR §155.710(d)

¹³ The Exchange’s eligibility process allows the SHOP to accept an attestation by an employer that it will offer coverage to all of its full-time employees,)(CMS-9989-F, March 27, 2012 p. 18400)

¹⁴ 45 CFR §155.710(b)(3)(i)

2) SHOP Employer Enrollment Procedures

To enroll in SHOP, employers must comply with several operational requirements, including:

1. Create an account and provide Employer Census Information,
2. Choose a plan option;
3. Select a contribution amount; and
4. Select a dental plan.

While required to effectuate enrollment, these are procedural requirements, and are not conditions of employer eligibility.

a) Create An Account & Provide Employer Census Information

Employer Account Information

Employers must provide a broad set of account information including: Company Name, Company Legal Name, Number of FTEs, Address, City, Zip Code, First Name and Last Name, Primary Phone, Phone Type, and Email Address as part of the application process. In addition, employers must also provide an Employer Identification Number, Employee Census and Employer Tax and Wage reports, which are addressed in more detail below.

Employer Identification Number (EIN)

To enroll in the SHOP, businesses must provide a valid Employer Identification Number (EIN)¹⁵ If an EIN is not provided, the Employer/Broker may not finalize the account application.

Employer Census

The employer census includes the complete list of employees and dependents to whom the employer is offering employer coverage. This is the single list that determines which employees at the employer will be eligible for coverage. The list should reflect employer choices and guidelines described in C.1 with respect to eligible employees. Individuals who work less than 17.5 hours per week are not eligible to be listed on the employer census. If employers offer dependent coverage, they must follow Rhode Island law when adding dependents to the Employer Census.

The State of Rhode Island General Laws TITLE 27 Insurance CHAPTER 27-50 Small Employer Health Insurance Availability Act SECTION 27-50-3(j)

"Dependent" means a spouse, child under the age twenty-six (26) years, and an unmarried child of any age who is financially dependent upon, the parent and is medically determined to have a physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.¹⁶

¹⁶ RIGL S. 27-50-3(j)

The employer may either use the census template to upload the information or provide the information by phone, or manually. Employer account creation can continue for the employer without having complete account information (e.g. employee spouse social security number is missing).¹⁷ The census can be edited until it is finalized. After it is finalized, it cannot be edited unless an employee has a special enrollment period.

Employer Tax and Wage Report

Employers provide a tax and wage report by uploading it to complete the employer’s account creation. HealthSource RI SHOP can also upload these documents on behalf of the employer if they are submitted by fax, email, or on paper. Employers may not proceed to the employee open enrollment period without first providing Tax and Wage Reports. If a Tax and Wage Report is not available, employers may upload alternative documentation showing their eligible employees. A list of alternative documentation is available in Appendix D.

a) Employer Chooses Plan Option

Eligible employers who have successfully created SHOP Exchange accounts must provide the HealthSource RI SHOP with certain coverage determinations prior to HealthSource RI notifying employees of such coverage. Employers must choose either the Single Plan option or the Full Employee Choice option.

Single Plan Option: The employer selects one health plan and that is the only plan eligible employees and their dependents may enroll in.

Full Employee Choice Option: Eligible employees may enroll in any plan offered on the SHOP Exchange. Employers selecting Full Employee Choice must select a reference plan. The reference plan is the plan on which the employer’s premium contribution is based. Employees selecting a plan other than the reference plan must pay or save the difference between the plans. While single choice and full choice are the models available to employers, HSRI will also work with employers to highlight a narrower list of plans by request.

b) Employer Selects A Contribution Amount

Employers must select a contribution amount of at least half of the cost of employee only coverage. In the Single Plan option, this is half of the cost of the selected plan. In the Full Employee Choice option, this is half of the cost of the reference plan.¹⁸ This minimum amount is required to be contributed to each type of family tier.

The following are tier “levels” recognized by HealthSource RI:

- Employee-only
- Employee and Spouse
- Employee and Child(ren)
- Family

¹⁷ The data elements on the employer census are: Last Name, First Name, Eligibility Type (e.g. Employee, Spouse or Dependent), Date of Birth, Address, Social Security Number, Associated Employee ID, Expected to Enroll, Coverage Level, Group, Selector; *see also* Phase 1 Functional Design – SHOP 4.51.2 Data Elements.

¹⁸ The contribution is performed such that each employee would pay the same amount for coverage if enrolled in the reference plan.

- Child(ren) only (Dental/COBRA only)

HealthSource RI permits employers to tailor employer contribution amounts based on employee position within the organization. Employers must adhere to Rhode Island anti-discrimination law in tailoring employer contribution levels.¹⁹

c) Employer Selects One Dental Plan

After selecting a health plan, the Employer selects exactly one dental plan. Selecting a dental plan is required, unless the employer attests to offering a separate dental plan that satisfies the pediatric dental portion of the Essential Health Benefits. Pricing for dental plans will be separate from medical plans on the Exchange. Employer contribution is optional for dental plans.²⁰ If an employer chooses not to contribute to dental coverage, employee rates will not be calculated in a composite manner; each employee will instead have rates specific to that employee and any dependents who are enrolling. While medical plans do not currently include embedded dental coverage, this may change in future years.

After the selection of the dental plan, employer plan selection is completed. The employee will then be notified of eligibility to participate in the SHOP Exchange.

d) SHOP Exchange Participation Requirements.

Federal regulations permit the state Marketplaces to set participation rate parameters.²¹ The participation rate refers to participation in the SHOP Exchange, and not participation in a specific QHP or QHPs from a specific issuer. To date, HealthSource RI has elected not to set any minimum participation standard.

C. SHOP Employee Eligibility Requirements and Enrollment Procedures

1) SHOP Employee Eligibility Requirements

SHOP employee eligibility is based on the employer census. An employee included on the employer census is an eligible employee. An employee not included on the employee census is not an eligible employee. Employers may choose to include the dependent(s) of employees on the Employer Census. As explained above in B.2.a., dependents must meet the criteria of a “dependent” as defined under Rhode Island law. Employers may choose whether, as a general rule, to include employee dependents in the pool of eligible candidates for coverage. If not covering employee dependents, employers cannot include them in the census.

When an employee’s dependent reaches the age of 26, the dependent is no longer eligible for coverage through the employee’s plan, and must seek an alternative source of coverage. When a dependent “ages out” of coverage, HealthSource RI will send the dependent a disenrollment notice and will dis-enroll the dependent as of their 26th birthday.

¹⁹ RIGL § 28-5-7(1)(ii)

²⁰ The contribution is performed such that each employee would pay the same amount for coverage if enrolled in the reference plan

²¹ 45 CFR §155.705(b)(10)

2) SHOP Employee Enrollment Procedures

Similar to employer eligibility, there are several operational requirements for employees to successfully effectuate enrollment in a health plan through the SHOP once they have been determined eligible. The employee will receive notification that his or her employer registered for the HealthSource RI SHOP and that the employee (and any dependents) is eligible for coverage. Employees must then:

1. Create an account;
2. Select a health plan (or choose not to enroll in a health plan); and
3. Select a dental plan (or choose not to enroll in a dental plan).

a) Create an Account

Employer Census Matching

Once an employee receives notification of eligibility from the HealthSource RI SHOP, the employee must establish an account. The employee must submit his or her First Name, Last Name, Date of Birth and Social Security Number. All furnished information must match the employer census exactly to successfully create an account. Therefore, ineligible employees not included on the census cannot be matched to an employer and cannot create an account.

Provide Employee Information

When the employee is present on the census, the employee proceeds to create an account. The employee must provide required information to create the account. Data elements include: Username, Password, First Name, Middle Name, Last Name, Suffix (e.g. Jr), Gender, Date of Birth, Social Security Number, Address Line 1, Address Line 2, Apt/Unit #, City, State, ZIP, Email Address, Three Security Questions and the User Acceptance Agreement. Once the information has been submitted and the account has been created, employees will be able to select a plan.

Specify Relationship to Household Members

Each employee is asked during account creation to confirm the relationship to each potential enrollee the employer has included on the census. The enrollee must be described as either "self," "spouse," or "dependent." If requested by the employer, the employee must be able to provide proof of the insurable relationship.²² An employer may request that HSRI remove an employee or dependent who is not eligible, as determined by the employer. Employee and dependent eligibility is determined by the employer in the event of a dispute.

Select Household Members Who Will Enroll

The employee must select which eligible members of the household are to be enrolled in a plan prior to

²² RIGL S. 27-50-3(j); "Dependent" means a spouse, an unmarried child under the age of nineteen (19) years, an unmarried child who is a student under the age of twenty-five (25) years, and an unmarried child of any age who is financially dependent upon the parent and is medically determined to have a physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months

selecting the plan. Based on the relationship defined above under *Specify Relationship to Household Members*, the family type will be determined and a correlating premium is applied. For example, if an employee enrolls herself and her spouse and no children, the plan type and pricing will be based on the family type “employee & spouse.”

b) Select a Health Plan or Choose Not to Enroll in a Health Plan

The employer determines whether one or more plans are offered to employees.

Single Plan Option: If the employer has selected the Single Plan option, the employee may choose to enroll in the plan offered by the employer or choose not to enroll in a plan.

Full Employee Choice Option: If the employer has selected the full employer choice option, the employee is notified of the reference plan. The employee may enroll in any available plan offered through the HealthSource RI SHOP. The employee will be responsible for paying his or her contribution based upon the composite cost of the reference plan, plus or minus any difference between the “list-bill” cost of the reference plan and the “list-bill” cost of the plan selected by the employee. While single choice and full choice are the models available to employers, HSRI will work with employers to highlight a narrower list of plans by request.

c) Select a Dental Plan or Choose Not to Enroll in a Dental Plan

Employees must then select a dental plan option. The employee can choose the plan made available by the employer or can choose not to enroll in coverage.

D. Employer & Employee Enrollment Periods

Employers may enroll in the HealthSource RI SHOP at any time during the year. For employees, the SHOP enrollment period differs from the Individual Exchange Marketplace; the latter has a set open enrollment period each year. The HealthSource RI SHOP has employer-specific annual open enrollment periods held throughout the year and in accordance with the employer’s plan year.

1) Employer Enrollment Period

Employers may enroll in the HealthSource RI SHOP at any time during the year. Employers must complete their application with enough time to complete employee enrollment and pay before the payment deadline.

2) Employee Enrollment Period

a) Annual Open Enrollment

Each year the employer will have an open enrollment period, during which any eligible employee may make changes to his or her enrollment. Changes include: Enrolling in new coverage, changing plans, changing covered family members (enrolling or disenrolling dependents), enrolling in a dental plan, and other changes.

The SHOP must provide an initial open enrollment period, and an annual open enrollment period.²³

b) Special Enrollment Periods for Employees and Dependents

The SHOP Exchange must provide employees and dependents with special enrollment periods when individuals meet the requirements listed below.²⁴ Employer-provided information can determine whether employees (or their dependents) qualify for a special enrollment period.

Newly qualified employees must receive an enrollment period starting on the first day of becoming eligible to enroll in the SHOP Exchange.²⁵ According to federal rules, the probationary period (“waiting period) for employee eligibility cannot exceed 90 days. It is the employer’s responsibility to maintain records of employee hire dates and administer the probationary period.

Individuals are eligible for a special enrollment period if they meet one of the following criteria:

- A qualified individual becomes newly eligible for coverage (e.g., is newly hired or becomes eligible based on hours worked.)
- A qualified individual or dependent loses minimum essential coverage; failure to pay premiums is not considered a loss of minimum essential coverage.²⁶
- A qualified individual gains a dependent or becomes a dependent through marriage, birth, adoption or placement for adoption or foster care;
- A qualified individual’s enrollment or non-enrollment in a QHP is unintentional, inadvertent, or erroneous and is the result of the error, misrepresentation, or inaction of an officer, employee, or agent of the Exchange or HHS, or its instrumentalities as evaluated and determined by the Exchange. In such cases, the Exchange may take such action as may be necessary to correct or eliminate the effects of such error, misrepresentation, or inaction;
- Enrollee adequately demonstrates to HealthSource RI that the QHP in which he or she is enrolled substantially violated a material provision of its contract in relation to the enrollee;
- A qualified individual or enrollee gains access to new QHPs as a result of a permanent move;
- An American Indian or Alaskan Native, as defined by Section 4 of the Indian Health Care Improvement Act, may enroll in a QHP or change from one QHP to another one time per month;
- It has been determined by the Exchange the qualified individual/dependent was not enrolled in a QHP or was not enrolled in the QHP he or she selected (by a non-Exchange entity providing enrollment assistance/activities).
- A qualified individual or enrollee demonstrates to the Exchange, in accordance with guidelines issued by HHS, that the individual meets other exceptional circumstances as the Exchange may provide;
- Loses eligibility for Medicaid or CHIP (Rite Care), or becomes eligible for assistance (as related to coverage through SHOP) under Medicaid or CHIP (Rite Care) (60 day special enrollment period in these cases)
- QHP is decertified. If an employer has selected a QHP in Single Plan that has been decertified, employee coverage in that plan will end. The employer will be eligible to reselect a new plan for employees and employees will be eligible to elect to enroll or not to enroll in this coverage. If the employer has selected Full Employee Choice and one or more employees is enrolled in a QHP that is decertified causing

²³ 45 CFR § 155.725(e).

²⁴ see 45 CFR § 155.725(a)(3); also 45 CFR § 155.420(d)(1)-(2), 45 CFR § 155.420(d)(4)-(5), 45 CFR § 155.420(d)(7)-(10)

²⁵ 45 CFR § 155.725(g)

²⁶ 45 CFR § 155.420(e)

coverage in coverage in that QHP to terminate, the terminated employees are eligible for a special enrollment period (SEP) to reselect a QHP.

c) Effective dates of coverage

The effective date of coverage is the first day of the month following the qualifying (“triggering”) event, with exceptions for birth, adoption, and foster care, in which cases the effective date of coverage is the date of the qualifying event.

E. Eligibility and Enrollment Assistance

Brokers play an integral role in the procurement and maintenance of health insurance for small employers. The role of the broker does not change in the SHOP Exchange. For employers choosing to work with brokers to assist in enrollment and other processes, brokers will maintain the same traditional functions. In the Rhode Island SHOP Exchange, if authorized by an employer, a broker may select and manage the employer’s health insurance offerings. In addition, a broker authorized by an employee may select and manage the employee’s health insurance. Brokers may assist employers and employees without authorization for certain tasks such as browsing health plans, evaluating eligibility for the small business tax credit and other functions.

1) Designation of a Broker

Brokers may be designated by employers to act on behalf of the employer. Designation of a broker must be done electronically, in writing, or by phone.²⁷ Without authorization, which is considered legally binding by the HealthSource RI SHOP, a broker shall not be able to submit information or receive notices on behalf of an employer or the employees of that employer. The broker for the employer may act on behalf of an employee without formal authorization from the employee.

In order to be designated the authorized broker:

Broker must be certified. Broker certification requires that the broker pass a training course provided by an Exchange Broker Liaison. The broker receives a broker certification number, which will be recognized by the HealthSource RI SHOP.

Broker must have an account. Broker may create a broker account any time after SHOP Exchange certification.

Privacy. Broker must comply with the privacy and security standards pursuant to 45 CFR §155.260, which limits how a broker may use any information gained as part of providing assistance and services to a qualified individual.

Duration. The designation of a broker by an employer is valid until:

²⁷ 78 FR 42313; 45 CFR §155.227(g)

- The employer designates an alternative broker.²⁸
- The employer notifies the SHOP Exchange that the authorized representative is no longer authorized to act on the employer behalf.²⁹
- The authorized representative notifies the SHOP Exchange that he or she will no longer act on behalf of the employer.³⁰
- The authorized representative's SHOP Exchange account is closed.
- The authorized representative loses his or her certification.

2) Broker Functions On Behalf of an Employer

An employer's assigned broker may perform all SHOP Exchange functions on behalf of the employer. There is no limit to what functions a broker may perform and all information provided to the employer is also provided to the employer's assigned broker. An employer may request that the broker only perform a subset of SHOP Exchange functions. The following are typical examples of actions that brokers may perform on behalf of an employer:

- Create Account
- Plan Selection
- Manage Employer Census
- File Appeals

3) Broker and Employer Function On Behalf of an Employee

An employer's broker may perform all Exchange functions on behalf of the employees of that employer. There is no limit to what functions a broker may perform and all information provided to the employee is also provided to the employer's assigned broker. An employee may request of a broker that the broker only perform a subset of Exchange functions. Note that an employer may also perform these functions on behalf of employees. The following are typical examples of actions that brokers may perform on behalf of an employee:

- **Create Account**
- **Plan Selection**
- **File Appeals**

4) Broker-Related Assistance Not Requiring Authorization

Brokers do not require formal authorization from the SHOP Exchange to assist employers and employees in matters related to health insurance coverage, but not related to the SHOP Exchange. For example, without formal authorization, brokers may assist employees in providing information to the employer for the employer census. Brokers may assist employees by answering questions about plans on the HealthSource RI SHOP. Brokers may also assist employees with requesting special enrollment periods from employers and ensuring eligibility for COBRA. Brokers may quote an employer without first being authorized.

²⁸ 45 CFR §155.227(d)(1)

²⁹ 45 CFR §155.227(d)(2)

³⁰ 45 CFR §155.227(d)(3)

F. Termination from SHOP

This section addresses termination (disenrollment) from SHOP for both employers and employees. SHOP employers and employees can leave the SHOP at any time. This is often called a voluntary termination. Other terminations can be caused by a number of factors, including non-payment of premium or loss of eligibility. Federal regulation and Rhode Island policies set requirements around term and terminations. Federal regulations require issuers to maintain records of all terminations.³¹

1) Employer

a) Termination Due to Failure to Pay Premiums

Rhode Island requires that employers have a 30-day grace period before insurers are permitted to terminate the employer's coverage. Payment during that time period prevents termination. Termination is permitted if no payment is made at the end of the 30-day grace period. This termination is initiated by HealthSource RI.

If the grace period has passed and the employer has not paid premiums, coverage will be terminated effective the last day of the grace period.

Example: John's bait shop's premium payment for January was due on December 23, but John did not pay his bill by January 31. So coverage for the bait shop will be terminated effective January 31.

In event of adjustments to billing (e.g., added or removed a new employee in a given month but were already billed) for that month, an employer shall not be considered late in payment if the employer paid what they were initially billed for that month. Any adjustments will be reflected in the next billing statement, and the employer will not be considered late on payment.

After termination due to failure to pay premiums, information regarding any unpaid balance for a termed group will be transferred to the appropriate insurer(s). Insurers reserve the right to pursue collections for unpaid balances once transferred to them.

b) Termination Due to Loss of Eligibility

The Rhode Island SHOP Exchange only permits employers who either have a primary business address or have employees whose primary business location is in the service area to participate in the SHOP Exchange. If the SHOP Exchange learns that employers are no longer valid employers, or they no longer meet the location requirement, coverage will be terminated effective the end of the coverage month when this determination has been made. If an employer no longer qualifies as a group due to no "common law" employees enrolled, coverage will be terminated at the end of the plan year.

³¹ 45 CFR § 156.270(h)

c) Voluntary Termination/Disenrollment

The HealthSource RI must permit an enrollee to disenroll from coverage.³² Employers must contact the HealthSource RI SHOP to disenroll. The HealthSource RI SHOP must confirm that any outstanding payments are made before disenrollment. The completion of the disenrollment occurs when the HealthSource RI SHOP provides the employer with a confirmation of disenrollment.

d) SHOP Group Reinstatements

As mentioned above, SHOP groups can be terminated for non-payment if they are more than 30 days behind on payment. If a group is terminated for non-payment, that group may request to be reinstated under certain conditions.

1. For groups requesting reinstatement within the same plan year: To be reinstated, the group must first pay all past due premiums and the premium for any uncovered months, including the current month. Once a negative balance covers all coverage months, including the current month, HealthSource RI will reactivate coverage for the employees of the group. The effective date will be the day after the termination date. A group may not be reinstated more than once during a plan year.
2. For groups requesting reinstatement for a month after their normal renewal month: Coverage *cannot* be reinstated back to termination date. Coverage can begin with a new plan year, on the first of the month after the request. To be reinstated, the group must first pay all past due premiums and the premium for the first month of their new span of coverage. Once a negative balance of at least one month's coverage exists on the account, HealthSource RI will create a new plan year for the group. The effective date will be no earlier than the first of the month after the request.

2) Employee

a) Employer Determines Employee is No Longer SHOP-Eligible

The HealthSource RI SHOP may initiate disenrollment from coverage if the enrollee is no longer eligible for coverage.³³ This includes the employer changing the employee's eligibility due to a change in employment status or another reason. If an employee is terminated from coverage for any reason, the employee must be given a notice of termination including the reason for termination and the termination effective date.³⁴ The employer must also notify the Exchange of the termination and the reason for termination. The employee may also have the right to enroll in coverage through COBRA or RI Extended Benefits, which are discussed in the appendix.

b) Employer Disenrolls from SHOP

The employer may either voluntarily dis-enroll from coverage or may be terminated for non-payment of premiums or other reasons. The result is the employee would no longer be eligible for coverage in the SHOP. In addition, as described in Appendix C, the employee would not be eligible for continuation coverage because the group health no longer exists.

³² 45 CFR § 155.430(b)(1)

³³ 45 CFR S. 155.430(b)(2)

³⁴ 45 CFR S. 156.270(b)

c) Employee-Led Termination (Voluntary Termination)

HealthSource RI must permit an enrollee to disenroll in coverage.³⁵ Termination will be effective as of the date specified by the employee, but must be the last day of the month, or the last day of the prior month.

G. Effective Dates and Premium Payments

Effective dates of coverage are discussed in detail in Chapter 3. Premium payments and billing are discussed in detail in Chapter 12.

H. Appendix A. Small Business Tax Credit

Overview: Section 45R of the Internal Revenue Code allows certain small businesses purchasing health insurance on behalf of employees through the Small Business Health Options Program (SHOP) Exchange to be eligible for tax credits for the first two years they offer coverage through the SHOP Exchange.³⁶ The credit has been available to employers meeting the same standards in years prior to the launch of the Exchange.

Certain small employers are eligible to receive a small business tax credit under the ACA to reduce the effective cost of contributing to health insurance coverage.

1) General Eligibility for Small Business Tax Credit

To be eligible for the credit, the small employers must:

- Employ no more than 25 full time equivalents (FTEs);³⁷
- Have an average wage across all employees that does not exceed \$50,000 (indexed annually after 2014); and
- Provide a contribution of at least 50 percent of the cost of premiums for all employees eligible for coverage.³⁸

The IRS has clarified that, because the statute does not require the employees of the employer to be performing services in a trade or business, the tax credit is also available to household employers.³⁹

³⁵ 45 CFR § 155.430(b)(1)

³⁶ 26 CFR §45R

³⁷ FTE calculation for the small business tax credit is different than FTE count for SHOP eligibility.

³⁸ 26 CFR §45R(d)

³⁹ See IRS Notice 2010-082, available at <http://www.irs.gov/pub/irs-drop/n-10-82.pdf>

2) Maximum Amount of Small Business Tax Credit

The amount of the tax credit varies by the type of organization and the year. The full credit is 50 percent of the employer portion of the premium for taxable employers. The full credit is 35 percent of the employer portion of the premium for tax-exempt employers. Tax-exempt employers receive the credit by reducing payroll tax liability by the amount of the credit.

	2014 and after ⁴⁰
Tax exempt business	35 percent
Taxable business	50 percent

3) Phase Out of Small Business Tax Credit

The tax credit is based on a sliding scale with the full amount available to employers with 10 or fewer FTEs and with average wages of \$25,000 or less per year. The tax credit is reduced as the employer increases in size and/or if average wages are higher than \$25,000. For a taxable employer in the SHOP Exchange, the tax credit is reduced from 50 percent at \$25,000 in average wages to 0 percent at \$50,000 in average wages. These wage values increase annually. Simultaneously, the tax credit is reduced from a maximum of 50 percent at 10 FTEs to 0 percent at 25 FTEs.

Example: The cost of premiums for Melissa’s auto body shop are \$3,000 per employee. Because Melissa pays 100 percent of the premiums for her 8 employees, who earn an average of \$24,000 a year, she will receive the full tax credit. This tax credit is 50 percent of the premium paid or \$1,500 per employee enrolled. If Melissa contributed \$2,000 to her employee premiums, she would receive \$1,000 in tax credits for each employee enrolled.

4) Sample IRS Form 8941: Credit for Small Employer Health Insurance Premiums

⁴⁰ 26 CFR §45R(b)

Credit for Small Employer Health Insurance Premiums

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return.**

▶ **Information about Form 8941 and its separate instructions is at www.irs.gov/form8941.**

Attachment
Sequence No. **63**

Name(s) shown on return

Identifying number

A Did you pay premiums during your tax year for employee health insurance coverage you provided through a Small Business Health Options Program (SHOP) Marketplace (or do you qualify for an exception to this requirement)? (see instructions)

- Yes.** Enter Marketplace Identifier (if any): _____
- No.** Stop. Do not file Form 8941 (see instructions for an exception that may apply to a partnership, S corporation, cooperative, estate, or trust).

B Enter the employer identification number (EIN) used to report employment taxes for individuals included on line 1 below if different from the identifying number listed above _____

Caution. See the instructions and complete Worksheets 1 through 7 as needed.

1 Enter the number of individuals you employed during the tax year who are considered employees for purposes of this credit (total from Worksheet 1, column (a))	1		
2 Enter the number of full-time equivalent employees (FTEs) you had for the tax year (from Worksheet 2, line 3). If you entered 25 or more, skip lines 3 through 11 and enter -0- on line 12	2		
3 Average annual wages you paid for the tax year (from Worksheet 3, line 3). If you entered \$51,000 or more, skip lines 4 through 11 and enter -0- on line 12	3		
4 Premiums you paid during the tax year for employees included on line 1 for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (b))	4		
5 Premiums you would have entered on line 4 if the total premium for each employee equaled the average premium for the small group market in which the employee enrolls in health insurance coverage (total from Worksheet 4, column (c))	5		
6 Enter the smaller of line 4 or line 5	6		
7 Multiply line 6 by the applicable percentage: • Tax-exempt small employers, multiply line 6 by 35% (.35) • All other small employers, multiply line 6 by 50% (.50)	7		
8 If line 2 is 10 or less, enter the amount from line 7. Otherwise, enter the amount from Worksheet 5, line 6	8		
9 If line 3 is \$25,000 or less, enter the amount from line 8. Otherwise, enter the amount from Worksheet 6, line 7	9		
10 Enter the total amount of any state premium subsidies paid and any state tax credits available to you for premiums included on line 4 (see instructions)	10		
11 Subtract line 10 from line 4. If zero or less, enter -0-	11		
12 Enter the smaller of line 9 or line 11	12		
13 If line 12 is zero, skip lines 13 and 14 and go to line 15. Otherwise, enter the number of employees included on line 1 for whom you paid premiums during the tax year for health insurance coverage under a qualifying arrangement (total from Worksheet 4, column (a))	13		
14 Enter the number of FTEs you would have entered on line 2 if you only included employees included on line 13 (from Worksheet 7, line 3)	14		
15 Credit for small employer health insurance premiums from partnerships, S corporations, cooperatives, estates, and trusts (see instructions)	15		
16 Add lines 12 and 15. Cooperatives, estates, and trusts, go to line 17. Tax-exempt small employers, skip lines 17 and 18 and go to line 19. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, line 4h	16		
17 Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)	17		
18 Cooperatives, estates, and trusts, subtract line 17 from line 16. Stop here and report this amount on Form 3800, line 4h	18		
19 Enter the amount you paid in 2014 for taxes considered payroll taxes for purposes of this credit (see instructions)	19		
20 Tax-exempt small employers, enter the smaller of line 16 or line 19 here and on Form 990-T, line 44f	20		

I. Appendix B. Notices

Below are lists of notices that are required under federal regulation to be sent to employer and/or employees.

1) Employer Notices

- a) **Employer Notices:** Employer Notice of Incomplete Information: Once the SHOP application has been received by the small employer, the SHOP must notify the employer of any inconsistencies.⁴¹
- b) **Employer SHOP Eligibility:** The SHOP must provide an employer seeking to purchase coverage through the SHOP with a notice of approval or denial.⁴²
- c) **Employer Notice of Annual Election Period:** The SHOP must provide notification to a qualified employer of the annual election period in advance of such period.⁴³

2) Employee Notices

- a) **Notice of Incomplete Information:** The SHOP must notify the individual of the inability to substantiate his or her employee status.⁴⁴
- b) **Employee SHOP Eligibility:** The SHOP must provide an employee seeking to enroll in a SHOP QHP with a notice of approval or denial.⁴⁵
- c) **Employee Notice of Enrollment:** The SHOP must ensure that a QHP issuer notifies a qualified employee of enrollment in a QHP with an effective date of coverage.⁴⁶
- d) **Employee Termination of Coverage Notice:** The SHOP must notify the employer if any employee terminates coverage from a QHP.⁴⁷
- e) **Employer Non-payment Notice: Employers will be notified if they fail to make a premium payment prior to the payment deadline.** Rhode Island state law dictates that a 30-day grace period be implemented in the small group market before the termination process is initiated.⁴⁸
- g) **Employee Notice of Open Enrollment Period: The SHOP must provide notification to a qualified employee of the annual open enrollment period in advance of such period⁴⁹**

⁴¹ 45 CFR §155.715(d)(1)(ii)

⁴² 45 CFR §155.715(e)

⁴³ 45 CFR §155.725(d)

⁴⁴ 45 CFR §155.715(d)(2)(ii)

⁴⁵ 45 CFR §155.715(f)

⁴⁶ 45 CFR §155.720(e)

⁴⁷ 45 CFR §155.720(h)

⁴⁸ R23-1-1-ACA S. 10.7

⁴⁹ 45 CFR §155.725(f)

J. Appendix C. Continuation Coverage

The federal Consolidated Omnibus Reconciliation Act (COBRA) establishes continuation of coverage rights under group health plans. These rights are commonly referred to as “COBRA” rights. COBRA rights are generally limited to group health plans of employers with twenty or more employees,⁵⁰ but many states, including Rhode Island, have established laws to extend similar rights to employees of employers with fewer than twenty employees.⁵¹

A. COBRA

The basic rule under COBRA is that a group health plan of an employer with 20 or more employees is required to provide each “qualified beneficiary” who would lose coverage because of a “qualifying event” an opportunity to elect “continuation coverage” within an “election period.”⁵² The following description of key provisions of COBRA does not address some special situations.

A “qualified beneficiary” is a spouse or dependent child covered under an employer’s plan before a qualifying event occurs. The employee is also considered a qualified beneficiary in the case of an employee termination or reduction in hours.⁵³

A “qualifying event” that triggers the COBRA continuation right is any of the following (when the event would otherwise cause a qualified beneficiary to loss coverage):

- Death of the covered employee.
- Termination (other than for gross misconduct), or reduction of hours, of the covered employee’s employment.
- The divorce or legal separation of the covered employee.
- The covered employee becomes entitled to Medicare.
- A dependent child ceases to be a dependent under the terms of the plan.
- The employer files for bankruptcy. The loss of coverage in case of bankruptcy may occur any time within one year before or after the bankruptcy filing.⁵⁴

The continuation coverage that is available to a qualified beneficiary must meet the following requirements:

- The benefits offered under the coverage must be identical to the benefits offered under the group health plan to beneficiaries who have not experienced a “qualifying event.”
- In case of the covered employee’s termination or reduction in hours, the coverage must extend for 18 months. If a second qualifying event, other than the employer’s bankruptcy, occurs within the first 18 months, the continuation coverage may be extended for a total of 36 months.
- For other qualifying events, the coverage must continue for 36 months.
- Continuation coverage may terminate if the employer eliminates its group health plan entirely.

⁵⁰ ERISA § 601(b); PHS Act § 2201(b)(1). COBRA establishes continuation rights for private employer group health plans under ERISA. State and local government employers, which are not subject to the substantive requirements of ERISA, must nevertheless comply with the COBRA continuation right under the terms of the PHS Act.

⁵¹ RIGL S. 27-19.1-1.

⁵² ERISA § 601(a); PHS Act § 2201(a).

⁵³ ERISA § 607(3); PHS Act § 2207(3).

⁵⁴ ERISA § 603; PHS Act § 2203.

- Eligibility for COBRA may not be based on evidence of insurability.⁵⁵

A qualified beneficiary may need to pay the full premium for COBRA coverage, plus up to a 2 percent administrative fee. That means the premium can be as high as 102% of the cost of coverage for similarly situated individuals who have not had a qualifying event, including both the share paid by the employee and by the employer. COBRA coverage can be terminated if the employee fails to make a premium payment, but the qualified beneficiary has 45 days from the COBRA election to make the initial premium payment.⁵⁶

The “election period” is the time with which the qualified beneficiary must notify the employer of the choice to exercise ERISA rights. The election period begins on the date coverage would terminate because of a qualifying event and lasts sixty days.⁵⁷ Coverage is effective on the date of the qualifying event, so coverage may be instituted retroactively.⁵⁸

B. Rhode Island Extended Benefits

Rhode Island law provides continuation rights in addition to those provided under federal COBRA. State statutes such as these are sometimes referred to as “mini-COBRA” laws. Rhode Island’s law has a different scope than COBRA: it only applies to insured group health plans, not self-insured group health plans, and covers all such plans, regardless of employer size, whereas COBRA covers all group health plans of employers with at least twenty employees. However, Rhode Island’s Extended Benefits law does not apply to employers and employees in the construction industry that participate in a Taft-Hartley multi-employer welfare plan.⁵⁹

Under RI Extended Benefits, an employee, spouse, or dependent may continue coverage for 18 months after coverage would be terminated due to layoff, death, or the workplace ceasing to exist. The continuation coverage cannot last longer than the period of time the employee was employed prior to the qualifying event, and terminates whenever the individual in continuation coverage becomes eligible for benefits under another group plan. The employee is responsible for paying the full premium rate (including the amount the employer was paying), but no more. If the employer plan has fifty or fewer plan participants, the payments are made directly to the insurer; otherwise, payments are made to the employer. The election to participate in continuation coverage under this provision must be made within thirty days of the layoff or death.⁶⁰

⁵⁵ ERISA § 602; PHS Act § 2202.

⁵⁶ ERISA §§ 602(2)(C), (3), 604; PHS Act §§ 2202(2)(C), (3), 2204.

⁵⁷ ERISA § 605(a)(1); PHS Act § 2205(a)(1).

⁵⁸ ERISA § 602(2); PHS Act § 2202(2).

⁵⁹ RIGLS. 27-19.1-1(h).

⁶⁰ RIGLS.27-19.1-1(a)-(c).

K. Appendix D. Tax Documents for New Groups Without a Quarterly Tax and Wage Report

Tax Documents for New Groups without a Quarterly Tax and Wage Report

HSRI requires the most recent Form 941 (Quarterly Tax and Wage Report). The documents below may be used when the group isn't required by law to file or hasn't been in business long enough to file.

BUSINESS TYPE	IN BUSINESS MORE THAN 3 MONTHS	IN BUSINESS LESS THAN 3 MONTHS
C-Corps	Form 941 (Quarterly Tax and Wage Report) <u>OR</u> Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex)	Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex) <u>OR</u> Copy of Business Application and Registration form submitted to RI Division of Taxation and W-4's
S-Corps	Form 941 (Quarterly Tax and Wage Report) <u>OR</u> Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex)	Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex) <u>OR</u> Copy of Business Application and Registration form submitted to RI Division of Taxation
PARTNERSHIPS	FOR EMPLOYEES WHO ARE PARTNERS	FOR EMPLOYEES WHO ARE PARTNERS
(General partners will not have Form 941 or W-2. Income information is found on Schedule K-1 – line 15A).	Schedule K-1 (Partner's Share of Income) <u>OR</u> Schedule SE (Self-employment Tax) <u>OR</u> Form 1065 (Partnership Return of Income) AND For employees who are not partners: Form 941 (Quarterly Tax and Wage Report) <u>OR</u> Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex)	Affidavit (for owner/employee not on payroll) and supporting documentation AND For employees who are not partners: Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex)
Limited Liability Company (LLC)	May file as a C-Corp or a Partnership Determine which one and see requirements above.	May file as a C-Corp or a Partnership Determine which one and see requirements above.
INDEPENDENT CONTRACTORS		
Independent Contractors	Form 1099-MISC	Affidavit (for owner/employee not on payroll) and supporting documentation
FARMS		
	Schedule F (Profit or Loss From Farming)	Most recent payroll report from a third party payroll processing company (e.g., ADP or Paychex) <u>OR</u> Affidavit (for owner/employee not on payroll) and supporting documentation
NON-PROFIT ORGANIZATIONS		
There are many forms that may be filed under non-profit status. The best way to determine which form is used is to ask the group which form they actually file with the government. Churches/religious organizations may have K-2/W-2 forms even when non-profit.		