

Small Business Health Options Program (SHOP)

On March 8, 2016, the Department of Health and Human Services (HHS) published a final rule taking the next step in implementing “employee choice” in the Small Business Health Options Program (SHOP). “Employee choice” provides employers the opportunity to allow employees to choose any health plan at the actuarial value, or “metal,” level selected by the employer. We finalized the addition of a new “vertical choice” model. For most Federally-facilitated SHOPs (FF-SHOPs) and State-based Exchanges using the Federal platform for SHOP eligibility and enrollment (SBE-FPs for SHOP), employers are able to offer qualified employees vertical choice, which is a choice of all plans across all available actuarial value levels of coverage from a single issuer.

Small business markets differ from State-to-State. In order to provide for State-specific evaluations of the impact of vertical choice on adverse selection and resulting changes in plan pricing, and to provide for more uniform small group market coverage options both on and off-Exchange, HHS provided States with additional flexibility by allowing State Insurance Commissioners to recommend that the FF-SHOP in their State not implement vertical choice. Similarly, States with SBE-FPs for SHOP will be able to opt out of making vertical choice available in their States.

In States where vertical choice is available and the issuer’s plan(s) are approved by the State and CMS, a qualified employer would have a choice of three coverage options for both QHPs and SADPs: a single plan, all available plans at a single level of coverage (horizontal choice, as required by the statute), and a choice of all plans offered by a single issuer across all levels of coverage (vertical choice). In States where vertical choice is not an available option for qualified employers, the single plan option and horizontal choice option would continue to be available to qualified employers.

A State with a FF–SHOP that wishes to recommend against offering vertical choice in that State’s FF-SHOP must submit a letter to HHS in advance of the annual QHP certification application deadline, by a date established by HHS describing and justifying the State’s recommendation, based on the anticipated impact vertical choice would have on the small group market and consumers. A SBE-FP for SHOP may decide against offering vertical choice by notifying HHS of that decision prior to the beginning of the QHP certification process each year, by a date established by HHS.

Below is a list of all States with a FF-SHOP or SBE-FP for SHOP that provides information on whether vertical choice may be available to SHOP consumers for the 2026 plan year. In total, 28 States with a FF-SHOP or a SBE-FP for SHOP allow for vertical choice for plan year 2026.

HHS Approval of Implementation of Vertical Choice for Plan Year 2026:

Plan Year 2026 Allowance of Vertical Choice	
State	State Allowing Vertical Choice for Plan Year 2026
Alabama	Yes
Alaska	Yes
Arizona	Yes
Delaware	Yes
Florida	Yes
Illinois	Yes

Indiana	Yes
Iowa	Yes
Kansas	Yes
Louisiana	Yes
Michigan	Yes
Mississippi	Yes
Missouri	Yes
Montana	Yes
Nebraska	Yes
New Hampshire	Yes
North Carolina	Yes
North Dakota	Yes
Ohio	Yes
Oklahoma	Yes
South Carolina	Yes
South Dakota	Yes

Tennessee	Yes
Texas	Yes
Utah	Yes
West Virginia	Yes
Wisconsin	Yes
Wyoming	Yes

Notes:

1. The list provided only applies for the 2025 plan year. States will have the opportunity to opt out of vertical choice each year prior to the beginning of the QHP certification process.
2. For a list of States participating in FF-SHOP or SBE-FP for SHOP and offering vertical choice, please go to See Plans and Prices.
3. This list does not include States with State SHOPS that are not SBE-FPs for SHOP. State SHOPS continue to have the flexibility to provide employers with vertical choice or other employee choice options.