

Small business owners looking for health insurance options know that the **SHOP Marketplace** (Small Business Health Options Program) was designed to simplify buying coverage for small groups — generally businesses with 1-50 employees. But what happens when the *SHOP Marketplace isn't available* or doesn't operate in your state or county? Are you stuck with **off-exchange only routes**? Or do other *small employer options* exist?

If you've heard terms like *off-exchange* and *on-exchange* tossed around and aren't sure what they mean — or why it matters — this deep dive will help. We'll break down:

- What **off-exchange** vs. **on-exchange** really means
- Who qualifies for **individual** vs. **small group** coverage
- Basics and limits of the **SHOP Marketplace**
- How buying direct from a carrier compares
- The impact of the **Small Business Health Care Tax Credit** on your coverage choice

Ready? Let's clear up the confusion.

Defining Terms: Off-Exchange vs. On-Exchange

Before we dig into your options, let's define these essential terms — because they get used a lot but mean different things.

- **On-Exchange** plans are health insurance plans purchased *through a government-run marketplace or exchange*. For small businesses, that means the *SHOP Marketplace*. On-exchange plans are SHOP certified and must meet certain standards like offering essential health benefits.
- **Off-Exchange** plans are those you buy *directly from an insurer or broker*, outside the government's marketplace platform. These plans can be identical to on-exchange ones or slightly different, but you don't go through the SHOP portal or get some marketplace services like direct access to tax credits.

Important: Off-exchange vs. on-exchange is a purchase route, NOT a rating of plan quality or benefits. The same insurance company might offer the same plan both on and off the SHOP Marketplace. So anyway, back to the point.

Mini Scenario: Same Plan, Different Routes

Imagine you run a 5-person landscaping business. Your insurer offers the "SilverCare Plan" both through SHOP and directly off-exchange. Subscribers through SHOP get online tools and can apply for the Small Business Health Care Tax Credit. If you buy directly (off-exchange), you get the same plan benefits and network but lose some of those marketplace perks.

Individual vs. Small Group Eligibility: Who Qualifies?

It's crucial to recognize the difference between **individual coverage** and **small group health insurance**, especially for micro-business owners.

- **Individual plans** are available to people who do not have access to employer-sponsored coverage. You buy these as a single person (or family)
- **Small group plans** are for businesses with at least one full-time common-law employee (beyond the business owner) and fewer than 50 (sometimes 100, depending on state rules) employees.

Owner-only businesses without employees qualify for individual plans. This matters because your access to SHOP and Small Business Health Care Tax Credits depends on offering small group coverage to your employees.

Mini Scenario: Owner-Only vs. Common-Law Employees

- Tom runs a consulting gig by himself with no employees. He's technically a "one-person business" — but because he has no common-law employees, he must shop for **individual coverage**.
- Maria owns a bakery and hires 3 employees. She can access **small group plans**, including SHOP certified options, since her business qualifies as a small employer.

How Does the SHOP Marketplace Work — and Where Is It Limited?

The SHOP Marketplace was created under the Affordable Care Act (ACA) to give small employers easy access to group health insurance, help them compare plans, and typically qualify for tax credits.

Key Features of SHOP Marketplace:

- Available for businesses with 1–50 eligible employees (*some states extend up to 100 employees*)
- Employers can offer multiple plan choices to employees
- Premiums can be paid via pre-tax payroll deductions
- Small Business Health Care Tax Credit is only available for plans purchased *through SHOP*
- Depending on state, employers and employees can enroll online

However, SHOP isn't everywhere:

- Some states have not built or don't operate a SHOP Marketplace at the state level.
- In some areas, SHOP offerings are limited or unavailable for employee counts below a minimum.
- Carrier participation in SHOP varies — not all insurers offer SHOP plans in every county.

What happens if SHOP isn't available in your area?

- *You can't buy a SHOP certified plan **on-exchange** in that location.*
- That means to get small group coverage you must shop **off-exchange**— directly with carriers or brokers.
- **Warning:** Off-exchange small group plans generally *do NOT qualify* for the Small Business Health Care Tax Credit.

Buying Direct from a Carrier: Is It a Viable Alternative?

Because of these gaps, many micro-business owners purchase health insurance directly from insurance carriers, skipping the SHOP Marketplace platform entirely.

Pros of Buying Direct (Off-Exchange):

- More carrier and plan choices in some cases
- Possibly faster underwriting and enrollment
- Less reliance on government websites that may have technical issues

Cons of Buying Direct:

- **No access to Small Business Health Care Tax Credits.** This credit can offset up to 50% of premiums, so losing it means higher net costs.

- Lack of centralized comparison tools like those on SHOP
- Potentially more complex administration and compliance

Mini Scenario: The Tax Credit Impact

Kelly owns a 4-person retail shop and wants to provide insurance. Her state's SHOP Marketplace is offline, so she buys an off-exchange plan directly from an insurer. The plan costs \$1,200 monthly. If she could buy through SHOP, she might qualify for a tax credit halving that cost. For Kelly, the difference is \$600/month out of pocket vs. \$1,200—a material impact on her budget.

The Small Business Health Care Tax Credit: Why It Drives Your Decision

The **Small Business Health Care Tax Credit** helps small employers afford the cost of providing health insurance by covering a portion of premiums (up to 50% for small tax-exempt employers).

Requirements to Qualify:

- Your business has fewer than 25 full-time equivalent employees (FTEs)
- Average wages per employee are below a specified threshold (often around \$58,000/year, adjusted annually)
- You purchase a **SHOP Marketplace certified plan**
- You pay at least 50% of employee-only premiums
- Your business contributes to employees' coverage premiums

Key Takeaway: You *must buy your plan through the SHOP Marketplace* to claim this tax credit. Purchasing off-exchange or individual plans disqualifies you.

Summary Table: Off-Exchange vs. On-Exchange (SHOP) Small Employer Plans

Feature	On-Exchange (SHOP)	Off-Exchange (Direct Purchase)	Purchase Route	Through government SHOP Marketplace
Directly from insurer or broker, outside marketplace	Plan Certification	Must be SHOP certified	May or may not be identical plans	Access to Small Business Tax Credit
Eligible if criteria met	Not available	Employer Size Eligibility	1–50 (sometimes up to 100) employees	Typically same
Employee Eligibility	Common-law employees (not owner-only)	Same Plan Management Tools	Centralized online portal for enrollment and premium payment	Varies by carrier
Availability	Limited by state and carrier participation	Broader, but without marketplace supports		

What If I'm an Owner-Only Business?

If you run a business with **no common-law employees** besides yourself (owner-only), the ACA and IRS rules classify you differently:

- You're *not eligible* for SHOP Marketplace plans as a small group.
- Your only option is to shop for **individual or family plans** — on or off the public exchanges.

You won't have access to the Small Business Health Care Tax Credit in this scenario. Sometimes, owner-only businesses attempt to add family members as employees, but that can have legal and tax implications—always consult a specialist.



How to Decide Your Small Employer Health Insurance Route

1. **Check SHOP availability in your state and county.** Visit Healthcare.gov or your state's health insurance exchange website.
2. **Confirm your business size and employee structure.** Do you have common-law employees? Is your business large enough to buy small group insurance?
3. **Evaluate if you qualify for the Small Business Health Care Tax Credit.** This credit can make on-exchange plans substantially more affordable.
4. **Compare plans on SHOP (if available) to off-exchange plans offered by carriers.** Check differences in premiums, benefits, and administrative ease.
5. **Consider working with a licensed broker.** Brokers who specialize in micro-business group plans can help you navigate state-and-county-specific quirks and identify all your options.
6. **Factor in employee preferences and plan networks.** Broader network access or better customer support might weigh in favor of one route.

Final Thoughts

Is **off-exchange my only option if SHOP isn't available?** Sometimes, yes — especially if your state or county does not currently operate a SHOP Marketplace, or if carrier participation is limited.

But remember these three points:

- **Off-exchange vs on-exchange is a buying method, not plan quality.**
- **You need common-law employees to access small group coverage and SHOP certified plans.** Owner-only businesses shop individual plans.
- **The Small Business Health Care Tax Credit is only available for SHOP Marketplace purchases,** making it a crucial cost factor.

If you find yourself stuck without SHOP options, <https://homebusinessmag.com/blog/healthcare-insurance/off-exchange-health-insurance-plans/> explore off-exchange alternatives—they often provide many similar plan choices

but at a higher net cost without the tax credit. For many micro-businesses, partnering with a trusted broker with hands-on knowledge of your particular state and carrier market is invaluable for navigating the best approach.

Need help understanding your **small employer options** or finding SHOP certified plans? *Contact a local licensed health insurance broker* experienced in micro-business benefits — they can guide you through the complexity tailored to your exact location and employee count.

