

Senate Passes ACA Small Group Market Rule Repeal



Impacting Groups with 51 to 100 Employees

Effective January 1, 2016, Healthcare Reform (ACA) regulations were going to require groups of 51-100 lives to be rated under the same rating rules as groups with fewer than 50 employees. Insurers would be restricted to base medical rates for these groups solely on geographic and demographic information (individual vs. family coverage and membership's age). For some employers, this may have resulted in a dramatic increase in rates in 2016 and for other employers, they may have recognized a lower than average trend

adjustment in 2016.

The PACE Act repeals this portion of the Healthcare Reform law.

- **The PACE Act has been passed by the U.S. House of Representatives and Senate.**
- **It is expected to be signed by the President due to bipartisan support of the change.**
- **The PACE Act eliminates the ACA requirement that state small group markets to be expanded to businesses with up to 100 employees.**

On October 1, 2015, the U.S. Senate passed legislation repealing the Affordable Care Act (ACA) requirement that the small group market in every state be expanded to include businesses with 51-100 employees. The [Protecting Affordable Coverage for Employees \(PACE\) Act](#) was passed by the U.S. House of Representatives earlier in the week. It has been reported that President Obama will sign the Act into law, although some sources previously indicated that he might veto it.

Small Group Market Expansion

Most states have historically defined "small employers" as those with 50 or fewer employees for purposes of defining their small group health insurance market.

Effective for 2016 plan years, the ACA expanded the definition of a "small employer" to include those that employed an average of between **one and 100 employees**.

The PACE Act eliminates the ACA's new definition and gives states the option of expanding their small group markets to include businesses with up to 100 employees.

Impact on Employers

The expansion of the small group market was expected to have a significant effect on mid-size businesses. These businesses would have been required to buy coverage for employees in the small group market, which is more heavily regulated than the large group market.

This change was expected to increase premium costs for employers and employees and reduce flexibility in plan design due to added small group market requirements.

Some states have already amended their state laws to adopt the expanded small group market definition, however, Florida was not one of them. These states will have to take action to undo those changes.

Most states are already taking advantage of a transition rule provided by the Department of Health and Human Services (HHS). HHS has said it will not enforce small group market regulations for mid-size businesses if their policies are renewed by October 1, 2016.

This means that many employers have already been able to delay moving from the large group to the small group market. The PACE Act will make this relief permanent. However, this is causing insurers to re-rate their 51-100 block of January 1 business, resulting in delays in distributing renewals and preparing proposals for new business.

Please contact your Employee Benefits Advisor or Service team colleague for more information or for any questions you may have.