

5 Key Changes to ACA's 'Small Group' Definition & Their Impact

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With the scheduled expansion of how small employers are defined under the federal Affordable Care Act (ACA) in 2016 to include groups sized 51 to 100 could result in changes to health care premiums and coverage for significant numbers of employees of small businesses, if the experience of those employers under 50 is used.

As point of information, for plan years beginning in 2016, the ACA expands the definition of small employers to include those with up to 100 employees. As groups with 51 to 100 employees renew or newly purchase coverage, they must abide by the rules and regulations governing the small group market, including those related to benefit coverage, actuarial value, and premium rating restrictions.

Many employees in groups 51-100 could be facing changes to their benefits, and this expansion could also mean increased premiums for those in groups 1-50.

Given this, the potential implication for Small Groups may include:

- Many employers and employees will be affected by the change in the small group definition. Such a change could affect over 150,000 establishments with more than 3 million workers.
- Groups sized 51 to 100 will face more restrictive rating rules, which will increase relative premiums for some groups, such as those with younger and healthier populations, and reduce them for other groups, such as those with older and sicker populations.
- Groups sized 51 to 100 will face additional benefit and cost-sharing requirements, which could reduce benefit flexibility and increase premiums.
- The more restrictive rating and benefit requirements could cause more groups sized 51 to 100 to self-insure, especially among those whose premiums would increase under the new rules.
- If adverse selection occurs among groups sized 51 to 100, this could mean increasing premiums for groups sized 1 to 50.

As a valued member of Employers Resource Association, we wanted to share that given the above information, there will be many new rating regulations and compliance regulations that employers of ALL sizes will be required to comply with. If the expanded definition of small group is concerning to you and the potential impact, there are options and solutions for groups to avoid (or reduce) some of the increased cost brought on by the new community rating mandates. However, timing is imperative.

If you are interested in working with a qualified and competent insurance brokers and TPA's who can keep your company in compliance and in the most competitive insurance program available, please contact Monique Kahkonen, Director of Compensation and Benefit Services, at mkahkonen@hrxperts.org.