



Health Care Reform **Bulletin**

ACA Small Group Market Rule Repealed

Provided by National Insurance Services, Inc.

Quick Facts

- The ACA required state small group markets to be expanded to certain larger businesses.
- On Oct. 7, 2015, President Obama signed the PACE Act into law to repeal this requirement.
- States are no longer required to expand their small group market to include businesses with up to 100 employees.

The PACE Act gives states the option of expanding their small group markets to include businesses with up to 100 employees.

On Oct. 7, 2015, President Obama signed the [Protecting Affordable Coverage for Employees \(PACE\) Act](#) into law. **The PACE Act repeals the Affordable Care Act (ACA) requirement that the small group market in every state be expanded to include businesses with 51-100 employees.**

Although some sources questioned whether he might veto the law, the President signed the PACE Act into law in light of its bipartisan support in Congress.

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, instead, 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 premiums 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. 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 that it will not enforce small group market regulations for mid-size businesses if their policies are renewed by Oct. 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 makes this relief permanent for all employers.

Please contact National Insurance Services, Inc. if you have any questions about your policies.