



Impact of Small Group Definition on Employers and Their Employees

Employers with 51 to 100 employees will be included in the Affordable Care Act's (ACA) definition of small group market starting in 2016. Instead of providing stability, expanding the definition will force those historically defined "large group plans" into the "small group market," where they will experience higher premiums, less flexibility, and new barriers to coverage.

- **Premium increases:** Premiums would be impacted by benefit package changes, deductible changes, rating changes, limitations and other issues. Sixty-four percent of members in the redefined small group would receive an 18% premium increase on average. Some employers could easily see premium impacts of 35% or more.
- **Reduced competition:** While many national insurers are in almost all states for large group market coverage – they are only in some small group markets. Once groups sized 51-100 become "small groups" – insurers would need to enter the entire small group market in order to continue to sell coverage to this segment. The reality is that most groups sized 51-100 will end up with fewer insurance carrier options once they are "redefined" into the small group market.
- **Negative coverage impacts:** Employers that are faced with significant premium changes could choose to self-fund, drop or downgrade coverage. The U.S. Bureau of Labor Statistics indicates there are around 8.8 million workers in this segment. If even a portion of those workers are negatively impacted, we could see millions of individuals negatively impacted by this group size definition change.
- **Timing issues:** As enacted, the ACA was supposed to have provided this market segment with two full years of experience under the employer mandate and in SHOP exchanges before re-categorizing their plans into the small group market. Because these two very significant building blocks have not occurred as anticipated (both SHOP and the mandate have been delayed), continuing on with a redefinition of small group in 2016 would be particularly harmful and disruptive.

CAHC supports efforts to delay a change in the small group definition and the Protecting Affordable Coverage for Employees (PACE) Act (S. 1099/H.R. 1624).

- Bipartisan, common-sense legislation would provide states with flexibility to increase the small group market from 50 to 100 if they choose, but remove the requirement that forces states to change the small group definition.
- Protecting and preserving the existing small group market will promote stability and predictability when it comes to health insurance premiums.
- Allows small and mid-sized businesses to keep existing health insurance plans for their employees.