



PACE Act Small Group Update

President Obama has signed into law the Protecting Affordable Coverage for Employees (PACE) Act. The House of Representatives passed H.R. 1624 on September 28 through voice vote and the Senate, through unanimous consent, passed the legislation on October 1.

The PACE Act repeals the mandated small-group expansion from groups of up to 50 employees to groups of up to 100 employees that was to go in to effect on January 1, 2016. This law gives states the flexibility to determine the size of their small-group market instead of being forced into the national standard. HR Knowledge has long been concerned that the combination of the new compliance requirements and the regulations for the new group size would cause dramatic change to the insurance policies of medium-sized employers, and we have continued to advocate for the enactment of the PACE Act to prevent this type of market disruption.

As stated above, the PACE Act defines small groups as those with up to 50 full-time equivalents; however, states now have the ability to set their own definition of small group as long as the definition is no less than 50 and no more than 100.

The PACE Act does not delay the ACA's employer mandate or its reporting requirements. However, the Act has broad bipartisan support and perhaps signals that there may be more bipartisan adjustments to the ACA in the future. Presidential candidates on both sides have signaled that they would explore repealing the ACA's excise tax on high-cost health plans (the Cadillac tax) as well as the ACA's 2.3% tax on medical device manufacturers.

In the meantime, 51-100 life accounts who would have been reclassified as small group can breathe easier now that they will remain large group as long as your state chooses NOT to expand its definition of small group.

Please contact us at benefitsupport@hrknowledge.com with any questions.

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