



Health Reform in Translation

## Small Group Coverage Before and After ACA

The Affordable Care Act will bring new opportunities for small groups purchasing health insurance and will alter some of the market rules and practices that prevail today. The table compares market and regulatory features affecting California’s small group purchasers before and after January 2014.

### Small Group Insurance Market/California

	BEFORE ACA IMPLEMENTATION	AFTER ACA IMPLEMENTATION
<b>Number of Californians covered (2019 forecast)</b>	3.4 million	3.4 million, of which about 100,000 may obtain coverage through the small employer pool operated by Covered California
<b>Participation opportunities</b>	<p>Firms of 2-50 employees may not be denied coverage based on the health status or claims experience of workers. (This is known as “guaranteed issue” or “guaranteed availability.”)</p> <p>Carriers can and do impose restrictions intended to encourage wide employee participation and assure a stable risk pool. These include participation requirements (for example, carriers may decide not sell to an employer group unless they are assured that 60% of employees will enroll in their plan). They may also impose contribution requirements (for example, the employer must pay 50% or more of worker premium).</p>	<p>Guaranteed-issue coverage continues; until January 2016, it extends to employers with 1- 50 employees. Starting in 2016, guaranteed issue applies to firms of 1-100 employees. Changes in plan or carrier are allowed only during specified annual open enrollment periods or special enrollment periods for specific changes in life circumstances.</p> <p>An “owner-only group” with no common law employees (such as a sole proprietor and spouse) does not qualify for small group coverage.</p> <p>Participation and contribution requirements may still be imposed by carriers.</p> <p>Small, low-wage businesses will be eligible for subsidies to offset premium costs if they obtain coverage through the small employer pool operated by Covered California.</p>
<b>Purchase requirements and penalties</b>	There is no obligation to obtain coverage, and no penalty for going without.	Employers with fewer than 50 FTE employees face no penalties. Employees face the same penalties as in the individual market.

## Small Group Insurance Market/California (cont.)

	BEFORE ACA IMPLEMENTATION	AFTER ACA IMPLEMENTATION
<b>Rates</b>	<p>Carriers may vary rates by the following:</p> <ul style="list-style-type: none"> <li>▶ Benefits and product design</li> <li>▶ Age, in specific age brackets, with no limits on the amount of the variation between young and old</li> <li>▶ Nine carrier-defined geographic regions subject to specific requirements</li> <li>▶ Four family-size categories specified in law</li> </ul> <p>Rates may vary an additional 10% based on the health status or claims history of the group.</p>	<p>Carriers may vary rates by the following:</p> <ul style="list-style-type: none"> <li>▶ Benefits and product design</li> <li>▶ Age, with premiums at age 64 no more than three times as high as those at age 21</li> <li>▶ Nineteen geographic regions defined in state law</li> <li>▶ Whether the coverage is for an individual or family</li> </ul> <p>No rate variation for health status or expected use of health services.</p> <p>No coverage limitations or restrictions because of pre-existing health conditions.</p>
<b>Coverage comprehensiveness</b>	<p>Most products sold have an actuarial value of 80% to 85%. Products must include specific mandated benefits and, if regulated through the Department of Managed Health Care, cover “basic health care services.”</p>	<p>All products sold to or renewed for small groups, except grandfathered plans, must cover EHBs.”<sup>1</sup> Products will be assigned to categories based on actuarial value with a floor of 60%. It is expected that most products sold will continue to be in the 80%-85% AV range, as today.</p>
<b>Insurance carriers</b>	<p>In descending order of market share: Anthem Blue Cross, Kaiser Permanente, Blue Shield of California. Other carriers constitute approximately one-third of the market.</p>	<p>Through Covered California: Blue Shield of California, HealthNet, Kaiser Permanente, Chinese Community, Sharp Health Plan, Western Health Advantage.</p>

### In Context

Prior to implementation of the ACA, California law imposed a special set of rules and protections for groups with 2 to 50 employees.<sup>2</sup> California has adopted ACA reforms in its small group market that take effect in January 2014. Some market rules and practices will shift, and new subsidies will be available to small, low-wage businesses that obtain coverage through Covered California. The definition of “small group” will also change, extending in 2014 to sole proprietors and in 2016 to firms with up to 100 employees. Still, ACA changes to California’s small group market will be more modest than those occurring in the individual market.

### Endnotes

1. Coverage in effect as of March 23, 2010, which continues to meet specific federal requirements limiting benefit and coverage changes, are considered “grandfathered plans” and are exempt from some of the ACA requirements that otherwise apply in the individual and small group markets.
2. [Rules Governing California’s Small Group Market](#), 2002.

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