



For Immediate Release

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The PACE Act -- What it Means for California

President Obama signed H.R. 1624, also known as the Protecting Affordable Coverage for Employees, or PACE, Act on October 7.

This bipartisan bill was designed to allow states to continue categorizing existing businesses with 51 to 100 employees as large employers rather than small employers, and adds monies to the Medicare Improvement Fund.

The PACE Act was designed to potentially provide employers with cost reductions; however, cost pressures are likely to come from the mandate to cover all 10 essential health benefits as defined by the ACA, coupled with the move to shift away from composite rating into an age banded community based rating systems where some employers may more likely to see their costs increase. Analyses by the Congressional Budget Office and independent actuarial groups also see possible premium drop.

“Some employers may benefit from this change while other employers will have double-digit increases, along with fewer benefits than current large group plans,” said Michael Lujan, CAHU president. “CAHU has been sharing members’ feedback with legislators and is committed to being a resource to California's policymakers. CAHU supports what is in the best interest of California's employers, employees, consumers and the agents who serve them.”

Current law defines “large employers” as those who employed more than 100 people during the business days of the preceding calendar year and at least one employee during the first day of the plan year. The PACE Act enables states to define a large employer as one that employed more than 50 people during the same time periods.

California has already enacted laws requiring business with 51 to 100 employees to be designated as “small employers” in regards to the health care market. In order to comply with federal law, California may have to call its legislators back for a special session before the Legislature reconvenes on Jan. 4, 2016.

The California Association of Health Underwriters (CAHU) and its members are participating in discussions with legislators about the potential fiscal impacts of this new federal legislation. Though some employers may see a net benefit, others may see net loss.

For more information, please contact: Susan Peters, Executive Director
800.322.5934 or info@cahu.org

The California Association of Health Underwriters, the Independent Insurance Agents and Brokers of California, and the National Association of Insurance and Financial Advisors of California represent California’s licensed health insurance agents. Our licensed members provide reliable insurance advice, act as the consumer’s advocate when dealing with carriers and provide a number of essential services relating to the individual and group insurance coverage and obligations post-enrollment. Our members also act as a trusted and effective marketing and distribution channel for health insurance information for all consumers and potential consumers of health care insurance coverage.

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