

Affordable Care Act's (ACA) Deductible Limits for Small Groups Repealed

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On April 1, 2014, President Obama signed into law the Protecting Access to Medicare Act of 2014. The primary purpose of the law is to provide a one-year delay of a 24% reduction in payment rates for physicians who participate in the Medicare program.

Of interest to small employers, Section 213 of the law repeals a provision of the **Affordable Care Act (ACA)** that limited deductibles in small group health insurance plans to no greater than \$2,000 for single coverage and \$4,000 for family coverage. For purposes of the ACA's insurance market reforms, an employer in the small group market is one that employs an average of 50 or fewer full-time equivalent employees (in 2016, the definition of small group changes to 100 or fewer employees).

Before its repeal, the ACA's deductible limit rule was intended to be effective for plan years beginning in 2014. The implementing regulations prohibited carriers from taking into account an employer's health FSA or HRA contributions for purposes of determining compliance with the deductible limits. This left some small employers with no choice but to purchase plans with lower deductibles if they were to continue offering coverage, which in most cases significantly increased premiums. Carriers in certain states, however, were able to avoid implementing the deductible limit rules due to various "fixes" offered by the Obama administration through the Centers for Medicare and Medicaid Services (CMS), as well as an exception in the Health and Human Services regulations, which enabled plans to exceed the deductible limits if it was necessary in order for the plan to achieve a specified actuarial value (e.g., 60%).

The repeal of the ACA's deductible rule is retroactive to the date of the ACA's enactment (March 23, 2010). It is unclear how quickly, if at all, carriers offering plans in the small group market will return to offering policies with deductibles that exceed the now-repealed \$2,000/\$4,000 limits.

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National Law Review, Volume IV, Number 98

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