U.S. Small Business Administration

PRESS OFFICE

Fact Sheet

America's Small Businesses and the Affordable Care Act: Myth vs. Fact

- **Myth: All employers will be required to buy health insurance for their employees under the Affordable Care Act.**
- **Fact**: The Affordable Care Act does **not** require businesses to provide health insurance to their employees.
  - Starting in 2015, businesses with 50 or more full-time or full-time equivalent employees that do not provide coverage to their full-time employees may be subject to an Employer Shared Responsibility payment.
  - However, 96 percent of America's businesses are too small to be subject to these rules.

- **Myth: Since my state hasn't set up its own health exchange, the Affordable Care Act doesn't apply to me.**
- **Fact**: Beginning in January 2014, **every state** will have an affordable insurance Marketplace (commonly known as an Exchange) for self-employed individuals and small businesses.
  - 17 states and the District of Columbia have opted to run their own State-based Marketplaces.
  - 7 states have chosen to partner with the U.S. Department of Health and Human Services (HHS) to run their Marketplaces.
  - The remaining 26 states have opted to participate in a Federal Marketplace run by HHS.

- **Myth: HHS is eliminating employee choice in the Small Business Health Care Option Program (SHOP) marketplaces.**
- **Fact:** When the Marketplaces open on January 1, 2014, employers in all states will have a range of insurance plans to choose from.
  - During 2014, in the non State-based Marketplaces, employers will select just a single plan to offer to their employees.
  - In states like California in 2014, and in all states starting in 2015, employers will be able to choose a variety of plans to offer to their employees.

- **Myth: The Affordable Care Act is causing health insurance rates to rise**
- Fact: The Affordable Care Act contains a number of provisions that help to slow the growth of health care costs.
  - Under the Affordable Care Act, insurance companies must publicly disclose and justify premium rate hikes of 10% or more. Starting in 2014, insurers will have to justify every proposed rate increase, even if it's a 1% bump.
  - Tough new rules also make sure insurance companies are spending at least 80% of consumer premiums on actual medical care, not salaries and administrative cost.
  - As states like California are beginning to show, the competition fostered in the Marketplace under the Affordable Care Act is helping to drive down rates for health insurance plans.

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