

# Vermont Legislative Joint Fiscal Office

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## ISSUE BRIEF

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### Employers' Health Care Fund Contribution ("Employer Assessment")

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#### History

Act 191 of 2006 – the act that also created Catamount Health – required the Vermont Department of Labor (VTDOL) to collect the *Employers' Health Care Fund Contribution* (a.k.a. "employer assessment"). According to the statute, it was established "to provide a fair and reasonable method for sharing health care costs with employers who do not offer their employees health care coverage."<sup>1</sup> This process is done in conjunction with the current unemployment insurance quarterly reporting of wages and UI taxes.

#### Who pays? Employers, for their "uncovered employees."

- 21 V.S.A. chapter 25 requires an employer to pay the contribution for "uncovered employees," which means:
  - An employee of an employer who does not offer to pay any part of the cost of health care coverage for its employees;
  - An employee who is not eligible for health care coverage offered by an employer to any other employees; or
  - An employee who is offered and is eligible for coverage by the employer but elects not to accept the coverage and either:
    - has no other health care coverage under either a private or public plan; or
    - has purchased health insurance coverage as an individual through the Vermont Health Benefit Exchange.
- The Department of Labor's (DOL) rules also require employers to pay the contribution for a "seasonal" or "part-time" employee who:
  - Has Medicaid; or
  - Has no coverage; or
  - Has worked 21 weeks or more (seasonal employees); or
  - Works more than 389 hours in the reporting quarter (part-time employees).
- DOL's rules treat an employee as "uncovered" when no declaration of coverage form is on file from an employee who declines the employer's offer of health coverage.
- DOL's online guidance for employers also directs them to include as "uncovered" an employee who meets the "seasonal" or "part-time" definition below:

- ❖ *Seasonal* – an employee who works for an employer who offers health care to ALL of its full-time employees, works for that employer for 20 weeks or fewer in a job scheduled to last 20 weeks or less in a calendar year, and has health coverage other than Medicaid.
- ❖ *Part-time* – an employee who works for an employer who offers health care to ALL of its full-time employees, whose regular work week is less than 30 hours and who works no more than 389 hours in a calendar quarter, and has health coverage other than Medicaid.

<sup>1</sup> 21 V.S.A. § 2001

### How is the contribution calculated and paid?

The DOL website has a useful employer health care reporting FAQ to help employers calculate their contribution. The FAQ can be located at:

<http://labor.vermont.gov/InfoCenter/FrequentlyAskedQuestions/EmployerHealthCareReportingFAQ/tabid/1165/Default.aspx>

The contribution is paid on the number of uncovered FTEs as determined above. The rules set forth a methodology for calculating FTEs and hours worked and provide worksheets to help employers determine their contribution.<sup>2</sup> In addition, the law allows for a certain number of FTEs to be exempted from the calculation. Currently that exemption is four FTEs.

❖ *Full-time equivalent* – The number of employees expressed as the number of employee hours worked in Vermont during a calendar quarter divided by 520. The FTE calculation is based on a 40-hour work week.

### How much is the employer assessment and how much money has it raised?

- The current contribution is \$119.12 per uncovered FTE / per quarter.
- Beginning January 1, 2015, the annual increases to the amount of the contribution will be “adjusted by a percentage equal to any percentage change in premiums for the second lowest cost silver-plan in the Vermont Health Benefit Exchange.”<sup>3</sup> Prior to 2014, the contribution was indexed to the increase in premiums for Catamount Health. If premiums decrease, however, the contribution does not also decrease.

#### Employer Assessment Revenues, 2008 - Present

| Historical Revenues |              | Qrtly Contribution<br>Per uncovered FTE | Yearly Contribution<br>Per uncovered FTE |
|---------------------|--------------|---|--|
| 2008                | \$5,782,143  | \$91.25                                 | \$365.00                                 |
| 2009                | \$6,020,213  |   |  |
| 2010                | \$7,113,457  | \$101.74                                | \$406.96                                 |
| 2011                | \$9,232,182  | \$113.03                                | \$452.12                                 |
| 2012                | \$11,168,000 | \$119.12                                | \$476.48                                 |
| 2013                | \$11,886,600 |   |  |
| 2014 Est.           | \$12,700,000 | Under Review                            |  |
| 2015 Est.           | \$14,238,631 |   |  |

Revenues from the employer assessment are deposited into the State Health Care Resources Fund which is used to fund the State Medicaid program. Beginning in 2015, revenues from the contribution will be used to fund the Vermont Health Benefit Exchange when Vermont no longer receives Exchange-related federal grant money under the Affordable Care Act.

<sup>2</sup> <http://labor.vermont.gov/Portals/0/UI/HC-1.pdf>

<sup>3</sup> 21 V.S.A. § 2003(b)

## EMPLOYER ASSESSMENT DATA

*Data from Vermont Department of Labor*

### FY 2013 - Average Quarterly Collection data

| Employee Breakdown of Reporting | Avg. # employers reporting some FTE's | Avg. Reported FTE | Actual Contributions Due* | Avg. Employer Contribution |
|---------------------------------|---------------------------------------|-------------------|---------------------------|----------------------------|
| <b>1-9</b>                      | 556                                   | 1,326             | \$631,812                 | \$1,137                    |
| <b>10-19</b>                    | 691                                   | 2,839             | \$1,352,727               | \$1,958                    |
| <b>20-49</b>                    | 606                                   | 5,044             | \$2,403,484               | \$3,968                    |
| <b>50-249</b>                   | 413                                   | 8,208             | \$3,910,948               | \$9,481                    |
| <b>250+</b>                     | 100                                   | 7,645             | \$3,642,570               | \$36,335                   |
| TOTAL                           | 2,365                                 | 25,062            | \$11,941,542              |                            |

\* Note: Revenues don't reconcile with other chart. These are contributions "due" versus "collected".

### FY 2013 Employer Assessment Data

