

# 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 (VT DOL) 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:
    - is enrolled in Medicaid;<sup>2</sup>
    - has no other health care coverage under either a private or public plan except Medicaid; or
    - has purchased health insurance coverage as an individual through the Vermont Health Benefit Exchange (Vermont Health Connect).<sup>3</sup>
- 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.

<sup>1</sup> 21 V.S.A. § 2001

<sup>2</sup> Act 174 of 2014 (Misc. Tax bill) amended the statutes to include language regarding Medicaid enrollees.

<sup>3</sup> Act 54 of 2013 amended the statutes to include language regarding enrollees of Vermont Health Connect.

### 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/unemployment-insurance/employers/employer-health-care-contribution-information/>

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>4</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?

- Beginning January 1, 2016, the contribution is \$151.12 per uncovered FTE / per quarter.
- As of January 1, 2015, the amount of the contribution is “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>5</sup> Prior to 2014, the contribution was indexed to the increase in premiums for Catamount Health. If premiums decrease, however, the contribution will not also decrease.
- The contribution rate was increased to \$133.30 beginning July 2014. Beginning January 2015, it has been and will continue to be adjusted at the beginning of each calendar.

**Employer Assessment & Revenues, 2008-Present**

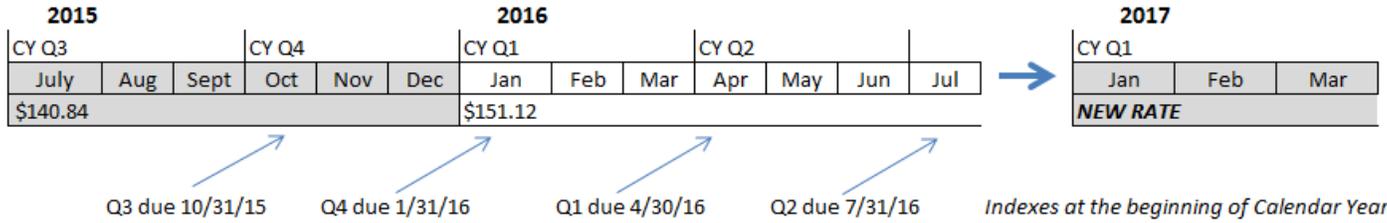
Historical Revenues		Rate
2008	\$5,782,143	\$91.25
2009	\$6,020,213	
2010	\$7,113,457	\$101.74
2011	\$9,232,182	\$101.74 / \$113.03
2012	\$11,168,000	\$113.03 / 119.12
2013	\$11,886,600	\$119.12
2014	\$12,995,400	
2015	\$15,879,665	\$133.30 / \$140.84
2016	\$17,896,335	\$140.84 / \$151.12
2017 Est.	\$19,094,995	\$151.12 / \$158.77

Revenues from the employer assessment are deposited into the State Health Care Resources Fund which is used to fund state health care programs including Medicaid and the Vermont Health Connect.

<sup>4</sup> <http://labor.vermont.gov/Portals/0/UI/HC-1.pdf>

<sup>5</sup> 21 V.S.A. § 2003(b)

**EMPLOYER ASSESSMENT RATE & INDEX VISUAL**



Indexes at the beginning of Calendar Year

Index adjusted by a percentage equal to the percentage change in premiums for the 2nd lowest cost silver-level plan in Vermont health benefit exchange.

**EMPLOYER ASSESSMENT DATA**

\* Based on Data provided by the Department of Labor

**FY 2015 - Average Quarterly Collection data**

Employee Breakdown of Reporting	Avg. # employers reporting some FTE's	Avg. Reported FTE	Actual Contributions Due*
1-9	648	1,375	\$723,533
10-19	871	3,849	\$2,027,197
20-49	681	6,455	\$3,396,915
50-249	433	9,412	\$4,947,466
250+	108	8,891	\$4,695,134
<b>TOTAL</b>	<b>2,741</b>	<b>29,982</b>	<b>\$15,790,245</b>

\* Note: Revenues don't reconcile with other chart.

These are contributions "due" versus "collected"