

HR Insights

Health Care Contributions and Experience Rate Adjustments

Governor Baker signed An Act Further Regulating Employer Contributions to Health Care (The Act) into law in August 2017, and regulations implementing The Act were issued in late 2017. This issue of *HR Insights* discusses The Act's impact on employers.

Background

Over the last few years, there has been a sizeable shift in health coverage from employer sponsored health plans to MassHealth and subsidized coverage through the Massachusetts ConnectorCare program, resulting in increased costs to taxpayers and significant growth in MassHealth spending. The Act was passed as a temporary measure to offset the costs for employees who have coverage through MassHealth or subsidized coverage through the Massachusetts ConnectorCare program until longer-term reform measures can be put into place. The Act was effective January 1, 2018 and is set to expire on December 31, 2019.

What the Act Does

The Act:

- Temporarily increases the existing Employer Medical Assistance Contribution (EMAC)
- Temporarily creates a supplemental contribution (or penalty) that employers must pay for employees who have MassHealth or subsidized health coverage through the ConnectorCare program
- Decreases the scheduled unemployment insurance experience rate to help offset the cost of the increases in the EMAC and the supplemental contribution

The changes are effective for wages paid beginning January 1, 2018, through December 31, 2019.

EMAC Increase

The EMAC, created in 2014, applies to employers with six or more employees in Massachusetts, regardless of whether the employer offers health insurance coverage.

The table that follows shows the rate and maximum annual cost per employee as of January 1, 2018, compared to the rate and maximum cost before January 1, 2018.

EMAC as of 1/1/2018		EMAC before 1/1/2018	
Rate	Maximum Cost Per Employee Per year	Rate	Maximum Cost Per Employee Per Year
.51%	\$77	.34%	\$51

The amount an employer must pay per employee for a year is the rate multiplied by an employee's wages up to the maximum annual wage cap of \$15,000. For example, if an employee's annual wages are \$30,000, the employer must pay a maximum of \$77 for the year ($\$15,000 \times .51\%$) for the employee.

EMAC Supplement

An employer with six or more employees in any quarter must pay the supplemental contribution for any non-disabled employee who has coverage through MassHealth (excluding the premium assistance program) or subsidized coverage through the Massachusetts ConnectorCare Program. This is true regardless of whether the employee is full-time or part-time. The number of employees in a quarter is calculated as follows:

$$\text{Sum of Employees in Each Month of the Quarter} / 3 = \text{Total Employees for Quarter}$$

The number of employees in each month is the number who received wages for any part of any pay period in the month that includes the 12th of the month as reportable to the Department of Unemployment Assistance (DUA).

HR Insights

How the Supplemental Contribution Is Calculated

The supplemental contribution is 5% of wages, up to the annual wage cap of \$15,000, for a maximum of \$750 per applicable employee per year. For example, if an employee has MassHealth coverage and earned \$25,000 in annual wages, the supplemental contribution for the year would equal \$750 (\$15,000 x 5%).

Supplemental payments due from an employer will show on an employer's Unemployment Insurance Liability statements starting with the first quarter statements in April 2018.

Timing of Supplemental Contributions and How Paid

Employers must pay supplemental contributions on a quarterly basis. Payments are due on or before the last day of the first month immediately following the quarter in which the wages were paid and reported. Failure to pay on a timely basis will result in interest charges. In addition, the DUA can collect against delinquent accounts under the same terms and conditions for collecting unemployment insurance contributions, including dunning, property liens, etc. Also, penalties may apply.

Appealing DUA Determinations of Liability

An employer may request a hearing if it does not agree with DUA's determination of liability for a supplemental contribution. A request for a hearing must be filed within 10 days of receiving DUA's notice of determination of liability. Following a hearing, the DUA Director will issue a written decision affirming, modifying, or revoking the initial determination.

An employer is liable for a supplemental contribution for a quarter if an employee received coverage through MassHealth or subsidized coverage through the ConnectorCare program for a continuous period of fifty-six days or more. An employer is not liable for a supplemental contribution, however, for any employee who made less than \$500 in the quarter.

Experience Rate Schedule Changes

To offset the increased costs for EMACs, modifications were made to the unemployment insurance schedule by reducing the scheduled increases to employer contributions for 2018 and 2019. The previously scheduled automatic jump from schedule C to schedule F will be replaced. The experience rates for:

- 2018 will be a one level increase to schedule D
- 2019 will be another one level increase to schedule E

Premium Assistance Program

The MassHealth Premium Assistance Program helps employees remain on or obtain coverage under their employers' plans through direct premium assistance payments. An employer is not required to pay the EMAC Supplement for any employee enrolled in the Premium Assistance Program. For information about this program visit <https://www.mass.gov/service-details/other-health-insurance-and-masshealth-premium-assistance-or-call-800-862-4840>.

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