

FYI[®]

For Your Information[®]

Celebrating
40
years of FYI[®]

California enacts individual healthcare mandate

With the elimination of the ACA individual mandate penalty in 2019, states are considering taking action to help stabilize their individual health insurance marketplaces.

Massachusetts, New Jersey, Vermont and Washington D.C. previously implemented individual mandates that require residents to obtain healthcare coverage or be subject to a penalty. California has now enacted an individual mandate that is effective in 2020, and it includes new employer reporting requirements.

Volume 42

Issue 69

August 6, 2019

Authors

Richard Stover, FSA

Amy Dunn, JD, MHA

Background

On December 20, 2017, Congress passed the Tax Cuts and Reform Act of 2017. One of the provisions of this law nullified the individual mandate by making the penalty for failing to purchase health insurance \$0. (See our [December 20, 2017 *Legislate*](#).) Motivated by concern that healthier individuals would drop health insurance coverage absent an individual mandate, and that the remaining “sicker pool” of insureds in the marketplace would cause health insurance premiums to rise, several states have enacted individual mandates:

- Washington D.C. — effective in 2020
- New Jersey — effective in 2019
- Vermont — effective in 2020

Massachusetts implemented an individual mandate in 2006 under a health reform program that became the model for the ACA.

New Jersey has released preliminary guidance on the employer reporting requirements. (See our [April 10, 2019 *FYI*](#).) Vermont and Washington D.C. have not yet issued any guidance.

California individual mandate

California is the most recent state to implement an individual mandate, effective in 2020, with legislation signed by Governor Gavin Newsom on June 27. The “Minimum Essential Coverage Individual Mandate” appears to mirror the now invalidated ACA individual mandate penalty in terms of the amount and exemptions. Taxes raised by the penalties will be used to help provide premium support for middle income residents.

The law requires entities, including employers, that provide minimum essential coverage to an individual “to file specified returns to the California Franchise Tax Board regarding that coverage” by the March 31 following each calendar year. Notices must be provided to covered individuals by January 31 following each calendar year. Further guidance will be needed on the reporting requirements.

In closing

Employers should monitor the California, New Jersey, Vermont and Washington, D.C. websites for additional guidance and discuss with their ACA reporting vendor the actions needed to comply with these new state requirements. Other states are considering similar individual mandate requirements.

Produced by the Knowledge Resource Center

The Knowledge Resource Center is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive.

You are welcome to distribute *FYI*® publications in their entirety. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.