FYI®
For Your Information®

Volume 41 | Issue 7 | January 10, 2018

New Year Brings New Employer Healthcare Taxes in Massachusetts

In an effort to improve the finances of the Massachusetts' Medicaid and Children's Health Insurance Programs, an existing employer tax has been increased and a new employer tax introduced. The state has released draft regulations and FAQs on the operation of the taxes.

Background

In 2007 Massachusetts enacted its healthcare reform law that served as the model for the federal Affordable Care Act (ACA). Similar to the ACA, the Massachusetts law included an employer "mandate." Under the employer Fair Share Contribution provision, employers had to make a "fair and reasonable" contribution toward the healthcare costs of their full-time employees or pay an annual assessment of up to $295 per employee. With the enactment of the ACA, this employer mandate was repealed effective July 1, 2013. (See our December 20, 2013 *For Your Information*.)

Effective January 1, 2014, Massachusetts implemented the Employer Medical Assistance Contribution (EMAC) that is used to fund health benefits for uninsured state residents. Employers with more than five employees in Massachusetts were subject to an assessment of 0.36% of the Massachusetts wage base for unemployment taxation purposes. The unemployment wage base in 2014 was $14,000, resulting in a maximum annual assessment per employee of approximately $50. This contribution requirement applies whether or not the employer offers health insurance to employees.

New Massachusetts Employer Taxes

On August 1, 2017, An Act Further Regulating Employer Contributions to Health Care (Act) was signed into law by Governor Charlie Baker. The objective of the Act is to improve the finances of the state's MassHealth program — the Medicaid and Children's Health Insurance Program (CHIP). The Act does this by increasing the current EMAC tax and by introducing a new EMAC Supplement tax. The increase in the EMAC tax and the new Supplement tax are both temporary and only apply for 2018 and 2019:

- The EMAC maximum contribution rate is increased from 0.34% in 2017 to 0.51% of the unemployment wage base. In 2018 that wage base is $15,000, resulting in a maximum tax of $77 per employee per year.
- The EMAC Supplement tax is a new employer assessment of 5% of wages up to the $15,000 unemployment wage base — $750 maximum — that applies for any non-disabled employee (including full-time and part-time) who obtains:
  - Health coverage through MassHealth (excluding the premium assistance program), or
  - Subsidized health insurance coverage from the Massachusetts ACA marketplace (Massachusetts ConnectorCare)

  Comment: The EMAC Supplement tax only applies for employees, including part-time employees, and not for dependents of an employee. And while the Massachusetts' EMAC Supplement tax applies regardless of the affordability of the employer coverage, an employee would not be eligible for premium subsidies in the Massachusetts ACA marketplace (Massachusetts ConnectorCare) for any month where the employer offered that employee affordable, minimum-value coverage under ACA.

The Massachusetts' Department of Unemployment Assistance (DUA) has issued draft regulations and FAQs on the Act and the new EMAC Supplemental tax. The DUA will determine any employer liability for the EMAC Supplemental tax and will assess the tax by adding it to the DUA statement showing the employer's unemployment insurance liability. Employers who want to appeal the tax can request a hearing with the DUA, but the request for a hearing must be filed within 10 days of the employer's receipt of the determination of the EMAC Supplemental tax. There are no new employer recordkeeping or reporting requirements that need to be addressed.

In Closing

Employers who want to appeal an assessment of the EMAC Supplement tax will need to do so quickly after receiving notice. While the new taxes sunset after 2019, it is possible that future legislation will extend them. The taxes could also be a harbinger of actions other states may take to help fund Medicaid costs.

Authors
Richard Stover, FSA, MAAA
Amy Dunn JD, MHA

Produced by the Knowledge Resource Center of Conduent Human Resource Services
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 or email fyi@conduent.com.