

## Draft Rules Issued for Catamount Health Assessment

Draft rules for the administration and collection of the employer health care assessment were recently issued by the Vermont Department of Labor (DOL). This employer assessment (tax) was part of the health reform package adopted by the Legislature and signed by the Governor last spring.

All Vermont employers are subject to the assessment; however, only those employers who do not provide health insurance to their employees, or employers who offer employee health insurance but who have employees who are not covered by health insurance, will have to pay it. The assessment of \$91.25 per full-time equivalent (FTE) per quarter will be payable quarterly; the DOL is proposing that the rules be in effect for the April 1, 2007 quarter.

Specifically, the draft rules state that the assessment applies to:

- a) An employee of an employer that does not offer to pay any part of the cost of health care coverage for its employees.
- b) An employee who is not eligible for health care coverage offered by an employer to any other employees. This includes primarily part-time and seasonal employees.
- c) An employee who is offered and is eligible for coverage by the employer, but elects not to accept the coverage and has no other health care coverage under either a public or private plan.

Most municipal employers will be impacted by items b and c. It should be noted that the assessment does not apply to individuals under the age of 18.

The DOL was assigned the responsibility of developing the rules and mechanisms for reporting and collecting the assessment. As part of the process, they sought comments from interested parties. VLCT responded to this request, as the new assessment will result in additional costs and administrative burdens for Vermont cities and towns. Our concerns were as follows:

1. Elected officials, unpaid and appointed officials, such as planning commissioners, and volunteers, including volunteer firefighters, should not be considered employees for purposes of the assessment.
2. Calculating the assessment for seasonal employees will be a challenge.
3. One person should not be counted as more than one FTE. This means that hours worked over 40 hours per week should not be included in the assessment.

The draft rules address most of the concerns raised by VLCT. Reporting for the employer health care assessment would be done quarterly on the same form used to report unemployment compensation wages. The definition of employee would also be the same as that used for unemployment compensation purposes. This means that elected or appointed officials, as well as volunteers, would not be considered employees for purposes of the assessment. Under the proposed rules, a single individual cannot be considered as more than one FTE, regardless of overtime worked. A full-time salaried employee would also be considered one FTE. Finally, the Department of Labor recognizes the complexity of the seasonal employee issue and has set up a working group to address this issue specifically.

The proposed regulations require that the employer must annually verify if an employee who is eligible for employer-offered health insurance, but does not enroll, has health care coverage from another source. This class of employee may get health coverage through a spouse, Medicare, or some other government health program. These records would be retained for a minimum of four years. A simple form could be provided to each eligible, but non-covered employee, to verify whether or not he or she has health care coverage elsewhere. Considering that the assessment is paid quarterly, this requirement is fairly simple.

The employer health care assessment will impact the budgets of those municipalities that have employees who are not covered through their employer-offered health insurance. A draft worksheet allows for estimation of what the assessment will cost in budget terms. (For a copy of the worksheet, please

contact Shawna McNamara at [smcnamara@vlct.org](mailto:smcnamara@vlct.org).) Please remember that the calculation is per quarter. If an employer hires a lot of seasonal employees, it might be a good idea to complete separate calculations for each quarter to account for this.

Overall, the DOL has taken a reasonable approach to the rules governing the employer health assessment. The rules create as little administrative burden as possible and address the major concerns for municipalities in this area. You may view the draft rules at <http://159.105.83.167/Portals/0/UI/HC%20Premium%20Contribution%20draft%20rule.doc>.

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**VLCT News**, October 2006