

Vermont's Health Care Fund Contribution Assessment

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Background & Purpose

In 2007, Vermont began a quarterly assessment fee for employers that have any "uncovered employees" without "qualifying health coverage." This is referred to as the Health Care Fund Contribution.

Which employers are subject?

Any employer with more than four full-time equivalent employees working in Vermont during a calendar quarter will be subject to the assessment for that quarter. The physical location of the employer is irrelevant.

How is the fee calculated?

The quarterly assessment and fee is calculated using the number of hours worked by FTE uncovered employees. "FTE" refers to full-time equivalent, refers to using the number of hours worked per quarter divided by 520 to express the number of employees. Up to 520 hours may be attributed to a single employee per quarter. Any non-working hours such as PTO or sick time can be excluded from the quarterly hour count. Salaried employees are counted as one full-time employee working 520 hours per quarter. Employees working commission or paid a flat amount should be counted as working 520 hours per quarter if the job is full-time; if not, a reasonable estimate of hours worked should be used.

Only hours worked in Vermont need to be counted. Where the employee lives is irrelevant.

The total number of hours worked by uncovered employees in that quarter is then divided by 520 to determine the number of FTE uncovered employees. An employer may exclude up to four FTE uncovered employees from this number, and round down to next whole number.

The employer then pays the applicable rate per FTE uncovered employee for the quarterly assessment. For 2021, the applicable rate was \$186.56. This reflects the premium paid for the second-lowest-cost silver-level plan in the state exchange.

Who are "uncovered employees?"

An uncovered employee is any employee that is subject to Vermont's unemployment law and is either not offered qualifying coverage; not eligible for an employer's offered qualifying coverage; or is offered and eligible for qualifying coverage but does not accept the coverage nor do they have any other qualifying coverage. This definition includes all full-time, part-time, and seasonal employees who are at least age 18.

If an employee declines an offer of qualifying coverage from their employer, their employer will need to collect a signed annual declaration of health coverage (Form HC-2) from the employee. These declarations do need to be collected annually and kept on file by the employer for at least three years. If an employee declines an employer's qualifying coverage and does not return a declaration of health coverage, the employer must assume that the employee is uncovered. The employer may not rely on any reasonable representation of the employee.

There is one potential exception for an employer to exclude part-time and seasonal employees as uncovered employees. If an employer makes an offer of qualifying coverage to all regular full-time employees, then part-time and seasonal employees who enroll in coverage on the exchange are not considered uncovered.

What is considered qualifying coverage?

Vermont law defines qualifying coverage as a private or public plan that includes hospital and physician services and that the insured's employer contributes toward the cost of. This definition excludes Medicaid and health insurance purchased on the state's exchange, with or without subsidy.

Other Resources

A helpful information sheet on the Health Care Fund Contribution Assessment that was created by the Vermont Department of Taxes specifically for employers: <https://tax.vermont.gov/sites/tax/files/documents/FS-1144.pdf>

Links to the necessary forms to submit the assessment and fee can be found here:
<https://tax.vermont.gov/business/hcfca>

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