

Our Take: What Does the NJ Health Insurance Tax Mean for Employers?

By Corporate Synergies
September 1, 2020



New Jersey Governor Phil Murphy recently signed a new law levying a 2.5% health insurance tax on net premiums collected for individual and large

business plans across the state.¹ Premiums for small businesses, non-profit dental plans, Medicaid, Medicare and certain self-funded coverages are not included.

The bill, which narrowly passed both houses of the state legislature, is designed to replace a federal assessment on health plans being phased out due to changes to the Affordable Care Act. It is expected to raise more than \$200 million each year, funding a reinsurance program—called the Health Insurance Affordability Fund—and subsidies for consumers. Both are designed to help low- and middle-income families who have limited access to affordable health insurance.

New Jersey Democrats have lauded the health insurance tax.

Democrats see the measure as an opportunity to continue expanding access to affordable healthcare through the individual market during a global pandemic. Republicans have expressed concerns that the tax will be passed from carriers to groups, increasing prices and pressure on struggling employers at a time of economic hardship and amid years of steadily-increasing premiums.²

Though we are always happy to see affordable health insurance reach more families, at Corporate Synergies, it's our job to keep an eye on legislation that could impact our clients' bottom lines.

We don't see evidence that a health insurance tax similar to New Jersey's will sweep through other states. However, this tax closely mirrors one that was enacted in Maryland back in 2019.

The unfortunate truth is that carriers are particularly adept at passing along their costs to their clients. With that, we may see premiums rise 2.5% across the board, possibly even in plans that are exempt from the tax assessment. This would directly impact small and medium businesses feeling the crunch from a faltering economy.

In situations like this, it is important to keep in close contact with your employee benefits broker who can ensure you're getting the best value for your investment, that you're moving toward the most sustainable insurance model and that your employees won't feel any disruptions along the way. ■

And rest assured, we're keeping an eye on this story.

¹[NJ.com](#), "Murphy Enacts New Tax On Insurance Companies"

²[NJ Spotlight](#), "NJ Looks to Raise \$200M with New Tax on Health Insurance Plans"

For more information, please call **1.877.426.7779**