EMPLOYEE BENEFITS COMPLIANCE ALERT!

FOUNDATION RISK PARTNERS

New Jersey Enacts Employer Assessment Tied to NJ FamilyCare Enrollment

August 11, 2026

New Jersey has recently enacted a law imposing a new annual assessment on employers designed to help offset the state's Medicaid costs. Under NJ A5324/S4533 (the "Assessment" or "New Law"), certain employers will be required to pay an annual fee based on the number of employees, and in some cases dependents, enrolled in NJ FamilyCare, the state's Medicaid and Children's Health Insurance Program (CHIP) platform. The Assessment is expected to have a significant financial impact on some large employers with New Jersey workforces and reflects a growing trend among states seeking alternative Medicaid funding mechanisms.

WHAT SHOULD NEW JERSEY EMPLOYERS AND PLAN SPONSORS DO NEXT?

As state Medicaid programs continue to face funding pressures, employers should be aware that similar proposals have been considered or discussed in several other states, including California, Colorado, Washington, Oregon and Connecticut. While the details vary significantly, the broader trend bears watching, particularly for employers operating in multiple states.

ACTION REQUIRED

Assess your exposure to potential NJ FamilyCare assessments.

Review beneficiary notices and payment obligations to ensure compliance.

Protect employee privacy by restricting access to NJ FamilyCare enrollment information.

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BACKGROUND

New Jersey has recently enacted a law imposing a new annual assessment on employers designed to help offset the state's Medicaid costs. Under NJ A5324/S4533 (the "Assessment" or "New Law"), certain employers will be required to pay an annual fee based on the number of employees, and in some cases dependents, enrolled in NJ FamilyCare, the state's Medicaid and Children's Health Insurance Program (CHIP) platform. The Assessment is expected to have a significant financial impact on some large employers with New Jersey workforces and reflects a growing trend among states seeking alternative Medicaid funding mechanisms.

WHO IS SUBJECT TO THE ASSESSMENT?

The Assessment generally applies to employers that had 50 or more employees enrolled in NJ FamilyCare or Medicaid during the preceding calendar year. Once an employer meets that threshold, the assessment is calculated based on the total number of covered beneficiaries attributable to the employer, including covered employees and certain covered dependents. For purposes of the law, dependents may include spouses, civil union partners, domestic partners and qualifying children.

HOW MUCH IS THE ASSESSMENT?

The Assessment's annual fee is determined using a tiered structure based on the number of NJ FamilyCare beneficiaries attributed to the employer. For an employer with between 50 and 249 attributable beneficiaries, the Assessment is $325, for an employer with between 250 and 499 attributable beneficiaries the Assessment is $525 and for an employer with 500 or more attributable beneficiaries, the Assessment is $725. The Assessment applies to each attributed employee and dependent, which can result in substantial annual costs for employers with high levels of NJ FamilyCare participation.

HOW WILL THE NEW LAW BE ENFORCED?

Employers subject to the New Law are expected to receive notices from the NJ Division of Revenue and Enterprise Services by March 1 of each year identifying the number of attributable beneficiaries (the "Notice"). The Assessment itself (i.e., the fee from the New Law) will generally be due by April 15 of each year.

Employers will have the opportunity to challenge an Assessment through an appeals process established by the NJ Department of Labor and Workforce Development, although payment must generally be made while an appeal is pending. Failure to pay the required Assessment fee may result in penalties of up to $500 per day for each day the payment remains outstanding.

ARE THERE ANY EXCEPTIONS OR EXCLUSIONS?

The Assessment excludes certain beneficiaries with developmental, intellectual or permanent physical disabilities from the Assessment calculation. In addition, beginning July 1, 2027, employers generally will not be assessed for individuals who are employed for less than 90 days, part-time employees, temporary employees, seasonal employees and per diem employees. The legislation also provides transition relief through credits or refunds for certain Assessments paid before these exclusions become effective.

ARE THERE ANY EMPLOYEE PROTECTIONS IN THE NEW LAW?

The New Law includes confidentiality and anti-retaliation provisions designed to protect employees and their families. Employers receiving information related to NJ FamilyCare enrollment must safeguard that information and may not use enrollment status to make employment-related decisions. Employers should carefully limit access to any state-provided data and ensure that managers and decision-makers are not using NJ FamilyCare participation as a factor in hiring, promotion, discipline or other employment actions.

WHAT SHOULD NEW JERSEY EMPLOYERS DO NEXT?

Employers with New Jersey employees should consider taking the following steps now:

- Evaluate potential financial exposure under the New Law's framework.
- Assess current benefits and HR policies and strategies that could affect employee participation in NJ FamilyCare.
- Monitor forthcoming state guidance regarding implementation of the Assessment.
- Review future attribution Notices carefully to understand how beneficiaries are assigned to the employer.
- Update internal privacy practices and policies to address the handling of NJ FamilyCare-related information.

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If you have any questions, please call your Account Manager or 877.426.7779.