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IBA Newsletter

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Another Employer Fee in Massachusetts

Striking headline, isn't it? Oh, I can hear the reactions of despair across our beloved state, similar to Clark Griswold driving to Walley World only to find out that it is closed for renovation. I understand it, and I am right there with you. However, in this case, there is good news. I will start with the bad first, though.

The rumor was that Governor Baker was going to implement an annual \$2,000.00 per worker fee for a great number of businesses in this year's state budget. Why? To generate approximately \$300 million worth of revenue needed to offset the increasing expenses from the Massachusetts Medicaid program, better known as MassHealth, because it now accounts for \$16 billion (or 40%) of the state's annual \$40 billion budget.

Now the good news. When the state budget was passed on July 17th, that proposed fee was left out (due to near universal objection), and an alternative is now going to be debated publicly over the next 30 days with the goal of approving a measure within 60 days. The revenue generated by this alternative is estimated to be \$200 million, and has these three main components:

1. The measure would last for two years;
2. The existing Employer Medical Assistance Contribution (EMAC) fee would increase from \$51 to \$77 for each employee; but if employers have employees who currently receive public health benefits the fee could be as much as \$750 more for each of those employees; and
3. The changing of the existing unemployment insurance rate structure so that there would be smaller increases for the same two-year term as this legislative measure

So, what of controlling the costs for MassHealth to prevent the need for such a legislative measure at all? There have been several options discussed, such as tightening eligibility requirements and allowing fewer prescription drugs to be authorized, which may save \$115 million per year. A five-year ban on further insurance mandates, and restoring a provision that prevented MA residents from enrolling in MassHealth if their employer offered a cost-effective option, are also out there for consideration.

The bottom line is that the bad fee is gone and the alternative is being considered for less financial impact to employers. Governor Baker is also looking at all options to stop the ballooning cost of MassHealth with nothing set in stone, and by the time 60 days rolls around who knows what could be. But for now, this is where the process stands, and it is better than where it began.

In closing, full thanks to the Boston Globe website, as well as The Associated Press, for information that was used in this newsletter. Excelsior to all.

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