New Jersey Employers Must Pay Fee to Defray Costs for State Medicaid Beneficiary Employees

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During the SFY2027 budget address, Governor Sherrill proposed that companies with more than 50 employees should help defray the costs of health care for state Medicaid beneficiaries. Assemblywoman Murphy and Senator Vitale, in the General Assembly and Senate, respectively, sponsored A-5324/S-4533 (the Act) in response to the Governor's call. On June 30, 2026, the Governor signed the legislation. The Act requires employers to pay a fee for employees, or dependents of employees, who receive health benefits coverage through the state Medicaid program. The Act is effective immediately.

Application, Exemptions, and Exclusions

The Act employs a tiered fee structure based upon employee count. It sets tiered per-person fee amounts based on the number of Medicaid-covered employees as of December 31 of the applicable calendar year: $325 (50–249 employees), $525 (250–499 employees), and $725 (500+ employees), which shall be applied to each covered employee and each covered dependent.

The Act exempts from fee liability any Medicaid-covered employee or dependent with specified developmental, intellectual, or permanent physical disabilities. Certain employees are also excluded. Beginning July 1, 2027, the Act excludes certain categories from fee calculations, namely employees that have been employed fewer than 90 days (i.e., part-time, per diem, temporary, and seasonal employees), and it provides a credit/refund mechanism for fees paid before that date for employees who would later qualify for an exclusion.

Notice and Payment

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On or before March 1 of each year, the Division of Revenue and Enterprise Services (the Division), using the information provided in consultation with the New Jersey Department of Human Services, Department of Labor & Workforce Development (NJDOLWD), and Department of Treasury, shall notify an employer that the employer is required to pay the fee imposed and to file information to facilitate the processing and tracking of such payment. The notification provided by the Division shall indicate the number of employees, and employee dependents, who receive health benefits coverage through the state Medicaid program for which an employer is required to pay the fee.

Penalties, Appeals, Audits, and Investigations

The Act establishes penalties for non-payment of up to $500 per day for each day the fee assessed to an employer remains unpaid. It also authorizes the assessment of additional penalties for improper employee classification to avoid the fee, using existing state misclassification penalty authority.

It also creates an administrative appeal process through the NJDOLWD. Notably, employers must pay the assessed fee pending appeal. The Act provides for the issuance of refunds for improper assessments but does not provide for the refund of penalties.

The Act authorizes the NJDOLWD commissioner to conduct audits, examinations, and investigations of employers that have been notified of liability, including access to relevant business records.

Enforcement and Protected Information

The law states employers may not use information concerning a prospective employee's status as a state Medicaid beneficiary in decisions regarding either extending or maintaining employment. It asserts the New Jersey Civil Rights Act's enforcement mechanism may be used to protect job applicants from adverse employment decisions under the Act. It further provides that individually identifiable information about an employee, or a dependent, who receives state Medicaid program benefits will be confidential and must be safeguarded during implementation of the bill.

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What the New Law Means

The Act establishes a new fee for employees, or dependents of employees, who receive health benefits coverage through the state Medicaid program. To prepare, employers should review the Act, update operating cost forecasts, and prepare for compliance.

For additional information on the new law and compliance requirements, please contact the author or any attorney in FBT Gibbons' Lobbying and Public Policy practice group.

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