

New Jersey Small Employer Health Benefits Law

If Small Employers in New Jersey offer health insurance to their employees, they must meet certain requirements.

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A “small employer” is an employer with 1-50 full-time employees on business days in the preceding calendar year and with at least 1 full-time employee on the first day of the plan year. A “full-time employee,” for purposes of determining whether an employer is a “small employer,” is one who works at least 30 hours per week.

Small employers do not have to offer their employees health insurance. However, if a small employer chooses to offer health insurance they have to meet certain requirements.

The Requirements:

The first requirement of the [New Jersey Small Employer Health Benefits Law](#) (“SEH”), is called the “Participation Requirement.” Participation in the plan requires:

“[a]t least 75 percent of the full-time employees (25 hours per week or more for this element) must be covered under the small employer health benefits plan the employer is offering OR covered under one of the following: (1) any fully insured health benefits plan offered by the small employer; (2) Medicare; (3) Medicaid or NJ Family Care; (4) another group health benefits plan; (5) a spouse’s group health benefits plan; or (6) Tricare.”

Fortunately, the [SEH Buyer’s Guide](#) provides a good example of complying with the SEH Law where the small employer wants to allow only employees working 35 hours per week to get health benefits under the plan:

“For example, if an employer with 30 employees – 15 of whom work 35 hours per week and 15 of whom work 30 hours per week – wants to offer coverage only to employees working 35 hours per week, the employer may do so, but the group must meet the participation requirement (75%) based on 30 employees. Thus, at least 23 employees must be covered under the employer’s group health plan(s) OR another group health plan, Medicare, Medicaid or NJ Family Care or Tricare for the employer to meet the participation requirement.”

As a result, no law mandates that a small employer provide coverage to employees working at least 25 hours per week. Rather, the SEH Law requires that an employer must count as full-time employees, for purposes of the Participation Requirement, the individuals that work at least 25 hours per week. That does not mean that an employer must set coverage eligibility threshold to 25 hours per week. An employer just needs to make sure that 75% of its full-time employees (those working 25+ hours per week) are covered by the plan that the employer is offering or (1) any fully insured health benefits plan offered by the small employer; (2) Medicare; (3) Medicaid or NJ Family Care; (4) another group health benefits plan; (5) a spouse’s group health benefits plan; or (6) Tricare.

The second requirement is called the “Contribution Requirement.” A small employer is required to pay 10% of the total cost of a health benefits plan issued to the employer’s group. A small employer may elect to pay a greater percentage – up to 100% - but a carrier may not require the employer to pay more than 10% as a condition of issuing the small employer a small group health benefits plan.

Lastly, small business employers that offer health insurance, must offer, under certain circumstances, [health insurance continuation](#).

Takeaway: Small business employers that choose to offer health insurance must comply with the New Jersey Small Employer Health Benefits Law. If an employer has questions regarding same, please reach out to [Tracy Armstrong](#) or any other member of the [Employment Law](#) Team.

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