



RE: New Jersey Small Employer Health (SEH) Program  
Annual Employer Certification

Dear Valued Client:

Each year your insurance carrier requests you to verify that your company is eligible to continue your New Jersey SEH Medical Plan. This annual notification is a State requirement and arrives approximately 5 months prior to your anniversary date. The following pages include information and worksheets to help you determine if your group still qualifies.

In previous years, you may have completed the Small Employer Certification as best you could or even disregarded the request all together. Recently, all carriers have become more diligent in retrieving this information and ignoring the issue will no longer be acceptable.

In response to new State and Federal regulations, some carriers have revised their forms and/or created addendums. You may also be asked to submit waivers for all eligible employees that are declining coverage. Note that you are still required to include applicable tax documentation with your submission. **ALL** employees **MUST** appear on the census provided as well as on an accepted tax form e.g., Quarterly Wage Statement (NJ WR-30; CT UC-5; NY NYS-45; PA UC-2, etc.), IRS Form Schedule C or F, IRS Schedule K-1, Form 1040 Schedule E or 1099 – Misc Tax Form, etc.. Any discrepancies must be explained i.e., recently terminated or hired (W-4 or letter from CPA may be requested).

Although it is admirable to try and handle this on your own, we are being informed of policy cancellations due to non-compliance with greater frequency over the last several months. The most common reasons for the terminations are that a submission was not received, incomplete or filled out incorrectly.

Unfortunately, we do not learn about the problem until we are close to the policy's anniversary which leaves us little time to resolve the issue. Sending a copy to our office for review **BEFORE YOU SUBMIT** the information will help avoid a policy being terminated. We will also be able to confirm receipt with the carrier and track its progression.

Thank you for your time and attention to this very important matter.

Regards,

Ed Gaelick, CLU, ChFC

## What is a Small Employer?

There are three tests that a company must meet in order to be considered a small employer for purposes of the NJ SEH Program. Your company **MUST**:

- Employ an average of at least two but no more than 50 eligible employees on business days during the preceding calendar year; **AND**
- Employ at least two eligible employees on the first day of the plan year; **AND**
- Have a majority of the eligible employees working at a location in New Jersey.

Worksheet for Determining Small Employer Status		SubTtls	Total
A1	Total <i>bona fide</i> employees in the prior calendar year of all affiliated companies		
	If the total of A1 is <b>less than 2</b> , STOP, the employer is not a small employer as defined by New Jersey law.		
A2	Employees hired on a temporary or seasonal basis		
A3	Employees with work schedules of less than 25 hours/week		
A4	Employees in the union's collectively-bargained health plan		
A5	Add rows A2, A3 and A4		
A6	Subtract row A5 from row A1 to get total eligible employees		
	If row A6 is <b>more than 50</b> , STOP, the employer is not a small employer as defined by New Jersey law If row A6 is <b>less than 2</b> , STOP, the employer is not a small employer as defined by New Jersey law. If row A6 is <b>less than 51 but more than 1</b> , PROCEED to row A7		
A7	Employees working at locations outside of New Jersey		
A8	Subtract row A7 from row A6 to get total eligible employees in New Jersey		
	If row A8 is greater than row A7, the employer is a New Jersey small employer. If row A8 is equal to or less than row A7, the employer is NOT a New Jersey small employer.		

## Who is an Eligible Employee?

For purposes of the SEH Program, an eligible employee is a bona fide employee who works for an employer 25 or more hours per week every week. Eligible employees **may include** the owner(s) (partners and proprietors) of a business **if** the owner is a bona fide employee of the business.

Eligible employees **do not include** employees who are covered as members under a union's collectively bargained welfare arrangement. **But if** the employee's union has not collectively-bargained for health coverage, *or* the employee has decided not to participate in the collectively-bargained health coverage even though eligible, *and* he or she also works 25 or more hours per week on a regular basis, *then* you must include the union employee in the count of eligible employees.

Eligible employees **do not include** non-exclusive independent contractors, employees hired on a temporary or substitute basis, or seasonal employees, regardless of the number of hours worked. Carriers have underwriting guidelines that define whether employees are temporary, seasonal or otherwise bona fide employees.

When a company is affiliated with one or more other companies, all of the companies in the affiliation are treated as one company, and all eligible employees of all affiliated companies – including employees of out-of-state affiliates – are considered in determining small employer status for purposes of the SEH Program. If, when combined, the number of eligible employees of affiliated companies is more than 50, none of the affiliated companies is eligible for small group coverage.

Worksheet for Calculating Participation		Subttls	Totals
<b>B1</b>	Total Eligible Employees		
<b>B2</b>	Total Eligible Employees multiplied by .75 ( <u>always</u> round up to the next whole number)		
<b>B3</b>	Total Eligible Employees selecting coverage under the SEH Plan offered by the employer		
<b>B4</b>	Total Eligible Employees selecting coverage under another group plan offered by the employer (excluding the employer's self-funded plans)		
<b>B5</b>	Total Eligible Employees covered through a spouse or parent's coverage, or another employer		
<b>B6</b>	Total Eligible Employees covered under Medicare, Medicaid or NJFamilyCare		
<b>B7</b>	Add rows B3, B4, B5 and B6 to determine Participating Total Eligible Employees in New Jersey		
	If the total for row B6 is <b>equal to or greater than</b> the number in row B2, the small employer meets the participation requirement. If the total for row B6 is <b>less than</b> the number in row B2, the small employer does not meet the participation requirement.		

Additional information as well as answers to frequently asked questions and examples may be found on the New Jersey Department of Banking and Insurance website:

[http://www.state.nj.us/dobi/division\\_insurance/ihcseh/sehguide/index.html](http://www.state.nj.us/dobi/division_insurance/ihcseh/sehguide/index.html)