

Compliance Bulletin

Employer Medicaid Fees: An Emerging State Trend

To help fund rising Medicaid costs, a growing number of states are looking to employers to help absorb a larger share of the financial burden. States such as Colorado, Oregon and Washington have each introduced legislation that would assess fees on large employers with employees enrolled in Medicaid, though none of these bills have been signed into law. California has enacted a measure directing state officials to study similar options, and Connecticut's governor has proposed a comparable employer assessment, though it has not yet been introduced as formal legislation.

New Jersey became the first state to enact such a fee, and its experience may shape other states' approach.

Key Requirements: New Jersey

Effective July 1, 2026, New Jersey's [Assembly Bill \(AB\) 5324](#) requires large employers to pay a fee when their workers receive health benefits coverage through the state's Medicaid program. Under AB 5324, the fee scales with the number of employees (and dependents) that are enrolled in Medicaid:

- The fee for employers with **50-249 employees** on Medicaid is \$325 per enrolled individual;
- The fee for employers with **250-499 employees** on Medicaid is \$525 per enrolled individual; and
- The fee for employers with **500 or more employees** on Medicaid is \$725 per enrolled individual.

Independent contractors and employees and dependents with developmental, intellectual or permanent physical disabilities are excluded. Starting in July 2027, part-time, per diem, seasonal and temporary workers are also exempt.

Implementation and Legal Challenge

The New Jersey Division of Revenue and Enterprise Services will notify covered employers by March 1 of each year whether they owe a payment, with all payments due by April 15. However, a coalition of business groups has already sued to block enforcement of the law, **and any ruling could reshape or eliminate employer obligations before the first fees are due**. Employers should monitor the pending litigation, as its resolution may inform how similar measures are evaluated in other jurisdictions.

What to Watch

As part of their ongoing compliance planning, employers should continue to monitor developments in this area, particularly:

- The pending litigation over AB 5324, as its resolution may inform how similar measures are evaluated and implemented in other states;
- The underlying fiscal pressure driving this trend: As a result of reduced federal Medicaid funding, states are absorbing a greater share of program costs, and this may continue to inform state-level policy discussions regardless of the outcome in New Jersey; and
- Whether additional states adopt similar employer assessments, which depends on several factors, including upcoming elections.