

## MT SDEO Show Me the Money

Many people are familiar with taxes that come out of an employee's paycheck. What many people don't know is that it costs more to employ someone than just their wages. Federal law mandates that the employer pay into employee Federal Unemployment (FUTA), Social Security and Medicare, and state law governs that the employer pay into State Unemployment (SUTA) and Workers' Compensation (WC). These employer taxes are referred to as the "Employer Burden," which is paid using funds from the individual's budget above and beyond employee wages. Acumen refers to this as the *"total cost to you."*

For example, a brand-new employer has an Employer Burden rate of 1.1676. This means that for every \$1.00 paid in wages, the employer is liable for approximately 17¢ to pay employer taxes and Workers' Compensation. The actual *total cost to you* calculation is demonstrated in the table below, for an employee whose wage is set at minimum wage.

| Employee's Wage | Multiplied by | Employer Burden | Equals | Total Cost to You (Always Round Up) |
|-----------------|---------------|-----------------|--------|-------------------------------------|
| \$10.55         | X             | 1.1676          | =      | \$12.32                             |

With time, individual Employer Burden rates will typically begin to vary from year to year, based on employee turnover and whether terminated employees file unemployment claims and other factors. Acumen will monitor Employer Burden rates on your behalf and notify you when your Employer Burden changes. When it does, the pay rates for your employee(s) could potentially be impacted because Acumen's Medicaid claims cannot exceed the max billing rate as set by DDP. In other words, if your Employer Burden increases, the maximum wage that you can pay your employee(s) will decrease.

Not to worry -- paying employer taxes and Workers' Compensation is a service that Acumen is responsible to take care of on the employer's behalf.

The **Wage/Cost Table** below is provided to show examples of various wage amounts and the "total cost to you" calculations for each wage if an employer's burden rate is 1.1676. New employers can pay employees any amount between the current Montana Minimum Wage (if applicable) and the Max Wage for that service as shown in the table. **Other employers with higher burden rates should plug their own rate into the formula shown above to determine their unique total cost to you.** An Employee Rate Sheet must be submitted to Acumen to initially set up their hourly wage for each service code the employee is hired to provide, and again prior to any subsequent rate changes employers would like to make after the initial hiring. Call your MT Agent if you need help or do not know your employer burden rate.

### Wage/Cost Table

(If employer burden is 1.1676)

| Hourly Wage                | Total Cost to You |
|----------------------------|-------------------|
| <b>\$ 10.55 (Min Wage)</b> | <b>\$ 12.32</b>   |
| \$ 11.50                   | \$ 13.43          |
| \$ 15.00                   | \$ 17.51          |
| \$ 17.00                   | \$ 19.85          |
| \$ 18.00                   | \$ 21.02          |
| \$ 19.00                   | \$ 22.18          |
| <b>\$ 21.24 (Max RSP)</b>  | <b>\$ 24.80</b>   |

|                          |         |
|--------------------------|---------|
| \$ 10.13 (CWS Flat Rate) | \$11.83 |
|--------------------------|---------|

| Hourly Wage                   | Total Cost to You |
|-------------------------------|-------------------|
| \$ 23.00                      | \$ 26.86          |
| \$ 24.00                      | \$ 28.02          |
| <b>\$ 25.93 (Max PLS)</b>     | <b>\$ 30.28</b>   |
| \$ 30.00                      | \$ 35.03          |
| <b>\$ 36.47 (Max SBS)</b>     | <b>\$ 42.58</b>   |
| \$ 40.00                      | \$ 46.70          |
| <b>\$ 50.71 (Max IES/FAS)</b> | <b>\$ 59.21</b>   |

|                     |                        |
|---------------------|------------------------|
| <b>TRM Max Rate</b> | <b>\$ .61 per mile</b> |
|---------------------|------------------------|

RSP - Respite Services  
FAS - Follow Along Support  
PLS - Personal Supports Services  
CWS - Co-Worker Support-Flat Day Rate

SBS - Supports Broker Services  
IES - Individual Employment Support  
TRM - Transportation Mileage

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## Overtime (OT)

Montana Department of Labor requires that any hours worked over 40 in a work week must be paid at 1.5 times the hourly wage, which is often commonly referred to as “time and a half.” A work week starts on Sunday at 12:00 AM and ends on Saturday at 11:59 PM. Montana DDP recommends that if an employer thinks the employee will ever work more than 40 hours in any work week, that their wage be set at 66% of the employer’s max possible pay rate so the OT rate still falls within the maximum allowable billing rate as set by DDP. Acumen cannot pay wages or be reimbursed for payments that exceed the maximum DDP billing rates.

The calculation instructions below will help you to figure out what an employee’s hourly wage should be if you ever intend to schedule the employee to work more than 40 hours in a work week.

### How to determine an employee’s hourly wage if they will ever work overtime:

- **Step one:** Calculate your max pay rate by dividing the max Medicaid billing rate that applies to the specific service code by your unique Employer Burden. For this example, we will continue to demonstrate using the Employer Burden rate of 1.1676 and the max billing rate for RSP.

| Max Medicaid Billing Rate | Divided By | Employer Burden | Equals | Employer’s Unique Max Hourly Pay Rate |
|---------------------------|------------|-----------------|--------|---------------------------------------|
| \$24.80                   | /          | 1.1676          | =      | \$21.24 (always round down)           |

- **Step two:** Take the max pay rate and multiply it by .666 to reach the maximum hourly wage that you can pay an employee, if you ever intend to schedule them more than 40 hours in a work week. Make sure the calculated amount is NOT less than the current Montana Minimum Wage.
  - Example:  $\$21.24 \times .666 = \$14.15$
- **Step three:** To double check your calculations, multiply the hourly wage from step two by 1.5 to make sure you have not gone over the absolute max pay rate that they can be paid when they work overtime.
  - Example:  $\$14.15 \times 1.5 = \$21.23$

When an employee works more than 40 hours in a work week, Acumen will automatically calculate and apply the OT wage as shown in step three for the OT hours. **Acumen cannot pay higher than the maximum allowable rates as set by DDP. If the overtime wage (wage x 1.5) exceeds the max allowable rate, the excess will not be paid directly by Acumen and the employer would be responsible to pay their employee(s) for the balance of the unpaid wages.**

### How to determine the "Total Cost to You" for regular and overtime hours using the same example above:

| Employee’s Wage         | Multiplied by | Employer Burden | Equals | Total Cost to You (Always Round Up) |
|-------------------------|---------------|-----------------|--------|-------------------------------------|
| \$14.15 (regular hours) | X             | 1.1676          | =      | \$16.52 (non-OT hours)              |
| \$21.23 (overtime)      | X             | 1.1676          | =      | \$24.79 (OT hours)                  |

Please be advised that if the employer is the family member or legal guardian of the client, all employees performing respite are exempt from overtime and minimum wage laws for the respite hours. When this is the case, that employee can work more than 40 hours in a work week, but they would be paid at “straight time” rather than “time and a half.” Because of this, it is not necessary to set that employee’s regular hourly wage at 66% of your max possible pay rate. You can pay that employee up to your full max pay rate for all hours the employee works.

These exemptions must be setup by Acumen for a specific employee before the exemptions will be applied. If you are unsure whether or not your employee is (or can be) exempt from “time and a half,” please contact your MT Acumen Agent to find out.