



Providing Employee Benefits and Administration for over 50,000 Small Businesses, Associations and Chambers of Commerce

## Key points of Massachusetts Health Care Reform

All information is current as of 06/1/2009  
Some content and effective dates may be subject to change

### Individual Mandate

Updated 1/1/2009

The mandate requires that all adult residents of the state obtain health insurance. This will be confirmed on the Massachusetts state tax return. Individuals with incomes up to 150% of the Federal Poverty Level are not subject to any penalty for failure to purchase health insurance, as those at this income level are not required to pay an enrollee premium for Commonwealth Care health insurance.

Penalties for individuals with incomes from 150.1 to 300% of the Federal Poverty Level will be half of the lowest priced Commonwealth Care enrollee premium that could be charged to an individual at the corresponding income level.

Penalties for individuals with incomes more than 300% of the Federal Poverty Level will be:

- Ages 18-26: half of the lowest priced Commonwealth Choice Young Adult Plan premium; and
- Ages 27 and above: half of the lowest priced Commonwealth Choice Bronze premium, based on the Connector's prices for these plans as of January 1, 2009

	Penalties for 2009				
Individual Income FPL Category	150.1-200% of FPL	200.1-250% of FPL	250.1-300% of FPL	Above 300% of FPL Age 18-26	Above 300% of FPL Age 27+
Penalty	\$17/month \$204/year	\$35/month \$420/year	\$52/month \$624/year	\$52/month \$624/year	\$89/month \$1,068/year

Individuals who fail the mandate will have the opportunity to appeal the penalty by maintaining that their personal financial situation was such that they could not find an affordable plan.

### Subsidized Health Plans

Effective 7/1/2007

The state offers subsidized health plans (Commonwealth Care and the Insurance Partnership) to Mass residents. In order to be eligible for enrollment a subscriber must meet the following guidelines:

- Must be a US citizen/national, qualified alien or alien with special status and a Massachusetts resident for the last 6 months
- age 19 or older
- family's income must be within 300% of the FPL (Federal Poverty Level)
- Any adult family member has not been offered coverage through their current employer within the last 6 months where the employer contributes at least 20% of the family premium and 33% of an individual premium

## Dependent Coverage

*Effective 1/1/2007*

Dependent coverage under the law has been modified. A dependent is now eligible to stay enrolled on a subscriber's policy until the dependents' 26th birthday or for 2 calendar years after the loss of his or her dependent status per the IRS guidelines, whichever occurs first. Most carriers have conducted a special open enrollment period which ended on January 31, 2007. During this period subscribers were able to enroll dependents that are newly eligible for coverage per this new part of the law. If the dependent misses this open enrollment he or she will have to wait for another qualifying event.

## Small Group/Non-Group Market Merger

*Effective 7/1/2007*

### ***Pertains to employers with fewer than 51 employees***

This merger will affect all groups with fewer than 51 employees. The effect on small groups will be an average rate increase of about 2% and the effect on current non-group enrollees will be an average rate reduction of about 16%. Additionally, all group products will become available to all non-group (individual) applicants.

## Section 125 Plan Requirement

*Effective 7/1/2007*

### ***Pertains to employers with 11 or more employees***

All employers with 11 or more employees (include both Massachusetts and non-Massachusetts residents) must establish a Section 125 plan that complies with connector regulations. There isn't an employer premium contribution requirement but if their employees participate the employer must arrange for payroll deductions. Establishment of a section 125 plan allows an employer to avoid the free rider surcharge.

## Minimal Credible Coverage (MCC)

*Effective 1/1/2009*

*Effective 1/1/2009* This is the Minimum coverage requirement in order to satisfy the individual mandate. The connector board has the task of determining the benefits for the MCC plan. The benefit level parameters that are currently part of the draft regulations are as follows: Annual out-of-pocket expenses would be limited to \$5,000 for an individual and \$10,000 for a family. Plans also at a minimum would have to include coverage for some medical visits and prescription drugs. Deductibles will be capped at \$2,000 for an individual and \$4,000 for a family. In addition, health insurers would be prohibited from limiting coverage per sickness or per year and they would be barred from establishing a dollar maximum on coverage for any medical service.

## Non-Discrimination Rules

*Effective 7/1/2007*

Premium contributions: An employer may not make different premium contributions for employees based on their employee's rate of pay. In other words an employer may not contribute more toward the premium of a high paid employee than they contribute toward a lower paid employee.

Exceptions to this rule;

- Longevity - employers may contribute different amounts based on longevity. The ability to do so must be in a formal written document such as an employee handbook.
- Self Insured - This rule pertains to fully insured groups only.
- Non residents - Employers may contribute different amounts for non-Massachusetts residents.
- Health and wellness programs - Employers may be able to establish a policy whereby they are able to contribute different amounts based on their employee's health and wellness program participation. This particular part of the exceptions to the rule will be finalized shortly.

Classing out employees: An employer may not restrict enrollment into their group health plan based on an employee's class. As an example: In some rare cases, employers offer coverage only to full time managers and not to full time hourly workers. **This is prohibited.**

## Connector Certified Health Plans

An assortment of carriers and plans will be available to small employers and individuals. The 3 types of coverage:

- Commonwealth Choice Plans: available to small employers (fewer than 51 employees) and individuals. Most major carriers offer these plans through MBA as well as the Connector.
- Commonwealth Care Plans: subsidized plans are available to individuals that make within 300% of the federal poverty level. These plans are not available to employers.
- Young Adult Plans: available to individuals between 19 and 26 years old who do not have access to employer sponsored plans.

## HIRD (Health Insurance Responsibility Disclosure) forms

*Updated 1/1/2009*

***Pertains to employers with 11 or more employees***

The Employee HIRD forms will be used to enforce the individual mandate, the fair share contribution and the free rider assessment. All employers with 11 or more employees will be required to file quarterly with the D.U.A. (see "Fair Share Filing" below) It is the employer's obligation to provide their employees with an employee HIRD form. The employer must collect and keep the signed employee HIRD form for 3 years. Employers must have their health care eligible employees who are choosing to waive coverage complete the form within:

- 15 days of date of hire
- 15 days after the close of the groups' open enrollment period
- 15 days after employees' termination of participation in the employers plan

Health care eligible employees must complete a HIRD form if they refuse an employers offer of:

- Employer sponsored health insurance
- Arrangement to purchase health insurance (have a section 125)

When completing the form the employee must indicate whether they have other health insurance and they must confirm that they are aware of the individual mandate.

## Free Rider Surcharge

Effective 7/1/2007

### ***Pertains to employers with 11 or more employees***

Employers may be assessed a surcharge of the state funded health care costs of their employees if the cost of providing care is \$50,000 or more in a hospital fiscal year.

A state funded employee is:

An employee or dependent of such employee with more than 3 state-funded admissions during a fiscal year

-Or-

An employee or dependent of an employee of an employer whose employees or dependents make 5 or more state funded visits in a fiscal year.

In order to be in compliance and avoid the surcharge an employer with 11 or more employees must:

- Enact and maintain a connector compliant section 125 plan.

## Fair Share Contribution

Updated 1/1/2009

Employers may be charged up to \$295 per full time employee. In order for an employer to be in compliance they must either:

- Have 25% or more of their full time employees enrolled in their group health plan
- Offer to pay at least 33% of the premium cost for all full time employees

**-or-**

Employers of 50 or fewer full-time-equivalent employees (FTEs) continue to comply by passing just one of the two Fair Share compliance tests.

Employers of more than 50 FTEs, having at least 75 percent of "full-time" employees enrolled in their group health plan results in automatic compliance. Having fewer than 75% of full-time employees enrolled in the employer-sponsored plan means the employer must now pass both Fair Share compliance tests in order to avoid being subject to a financial penalty.

## Fair Share Filing

The Division of Unemployment Assistance (DUA) requires some employers to complete a quarterly online Fair Share filing. For employers required to file quarterly, the 45-day Fair Share filing period follows the end of the quarter. For example, the filing time for the quarter of July through September is October 1st through November 15th. If you have questions about your organization's filing status, contact the DUA Fair Share Contribution Unit at (617) 626-6080.

**Note:** Employers that easily passed the Fair Share test for the quarter ending December 31, 2008 and received a waiver from the DUA, are not required to file again until the period following the quarter ending December 31, 2009. Employers may voluntarily choose to file quarterly.

For more information on health care reform please visit [www.hsinsurance.com](http://www.hsinsurance.com) or contact us at 877-777-4414

[www.hsinsurance.com](http://www.hsinsurance.com)

781-848-4950 • 877-777-4414 • 781-848-7020 Fax  
Home Office: 135 Wood Rd • Braintree, MA 02184