

MA EMPLOYER FREQUENTLY ASKED QUESTIONS

The information on this page may change.

Cristine Smith

SMALL GROUP SPECIALIST

EMPLOYEE BENEFITS • FINANCIAL PLANNING • PROPERTY CASUALTY
508/770-0714 ■ 800/367-2482 Ext. 201 ■ FAX 866/770-0698



A division of The HealthConsultants Group and HealthSolutions Insurance Agency, LLC

1. What are the major requirements for employers under Health Care Reform?

There are 5. One applies to employers of all sizes. The rest apply to employers of 11 or more full-time-equivalent employees.

For employers of any size:

1. Non-discrimination

Insurance companies are not permitted to contract with those employers who discriminate by contributing a lower amount to the health benefits of lower-wage employees. Health plans offered to any full-time employee must be offered to all full-time employees. NOTE: This rule does not apply to self-insured employers.

For employers of 11 or more full-time-equivalent employees:

2. Fair Share Contribution

Employers with 11 or more full-time-equivalent employees must make a “fair and reasonable” premium contribution toward health insurance for their employees, or pay up to \$295 per employee, per year into the state's Safety Net Trust Fund. (Wondering how “fair and reasonable” is defined? See below.)

3. Section 125 Plan

Employers with 11 or more full-time-equivalent employees must offer a Section 125 Plan that meets Health Connector regulations. If they don't, they may be charged for part of the “free care” that their employees or their employees' dependents use at hospitals and health centers. This is called the “Free Rider Surcharge.”

4. Employer Fair Share Contribution (FSC) Report

Employers with 11 or more full-time-equivalent employees must report whether they offer their employees a Section 125 Plan and/or health benefits. This report should be filed online with the Massachusetts Division of Unemployment Assistance quarterly, on or before the 15th of February, May, August and November.

5. Health Insurance Responsibility Disclosure (HIRD) for Employees

Employers of 11 or more full-time-equivalent employees collect this form when an employee declines to use a Section 125 Plan or declines to enroll in an employer-subsidized health plan. The Employee HIRD Form is available from the Mass. Division of Health Care Finance and Policy in English, Spanish and Portuguese. Copies previously attached.

Cristine Smith

SMALL GROUP SPECIALIST

EMPLOYEE BENEFITS • FINANCIAL PLANNING • PROPERTY CASUALTY
508/770-0714 ■ 800/367-2482 Ext. 201 ■ FAX 866/770-0698

HCGServices,LLC
Insurance solutions that work.

www.myhcg.com

A division of The HealthConsultants Group and HealthSolutions Insurance Agency, LLC www.hcg.com

2. How do I know if I have 11 or more full-time-equivalent employees?

Add up all of the payroll hours paid to your employees in a quarter and divide them by 500 to come up with your FTE number. Include the hours for only those employees who were employed for at least one calendar month during the calendar year. Include paid leave, sick time, vacation time, jury duty time, etc. You could have 11 FTEs without having 11 full-time employees.

3. What is a "fair and reasonable" contribution to health insurance benefits?

There are 2 tests:

1. "Percentage of Full-Time Employees Enrolled". At least 25% of your full-time employees is enrolled in your health insurance plan, and you are making a financial contribution to that plan.
2. "Premium Contribution Standard": You provide at least 33% of the premium cost of the individual health insurance plan offered to your full-time employees. Please note: the major carriers require a minimum of 50% per single & 33% per family.

Employers of *50 or fewer* FTEs only need to meet one of these tests to avoid the Fair Share Contribution.

Employers of *50 or more* FTEs need to meet both.

Employers who easily pass the test(s) in their report for the 1st quarter of the year will not have to file again until the next year. Others will have to report for each quarter of the year.

For these tests, a full-time employee is defined as someone who:

- Works 35 hours or more per week at a Massachusetts location, or
- Works for the number of hours required per week to be eligible for your full-timers' health benefits.

If you have two different numbers, use the lower one.

It does not matter where the employee *resides*. A full-time employee is not an independent contractor, or a seasonal or temporary employee, as defined by the Division of Unemployment Assistance.

Cristine Smith

SMALL GROUP SPECIALIST

EMPLOYEE BENEFITS • FINANCIAL PLANNING • PROPERTY CASUALTY
508/770-0714 ■ 800/367-2482 Ext. 201 ■ FAX 866/770-0698



A division of The HealthConsultants Group and HealthSolutions Insurance Agency, LLC www.myhcg.com

4. What happens to my employees if they don't get health insurance?

- Uninsured adults will now get a tax penalty for each month that they are not enrolled in a health plan.
 - The tax penalties are based on 1/2 of the monthly premium of the lowest-cost Health Connector plan available to the person.
 - The maximum tax penalty for 2010 is \$93 per month, or \$1,116 for the entire year.
 - People who were in a waiting period for a health plan or who experienced a gap in coverage receive a 63-day (max.) grace period from the tax penalties.
 - People who believe that they cannot afford insurance have 3 options for avoiding the tax penalties. They can: *apply for a Certificate of Exemption *wait to see if the 2008 state income tax forms show that they are exempt because they did not have a health insurance option that they could afford *request an appeal if the state income tax forms show that they *did* have a health insurance option that they should have been able to afford.
 - People who do not get health insurance because of sincerely-held religious beliefs can claim an exemption when they file their state income tax forms.
- NOTE: People with Medicare Part A, MassHealth (Medicaid), TRICARE or a health services card from the U.S. Veterans Administration meet the mandate. People who are serving in AmeriCorps, VISTA and other government service corps also comply with the mandate.

5. How is the Individual Mandate enforced?

The MA Dept. of Revenue enforces the mandate through the process of collecting state personal income taxes.

6. What impact will the Individual Mandate have on my business?

There is no direct impact. The Individual Mandate to carry health insurance applies to Massachusetts adults, as tax filers. The plans that an individual needs to avoid a penalty must carry benefits that meet the state's "Minimum Creditable Coverage" standards (see below). An employer will not be penalized if an employee decides to be uninsured.

Cristine Smith

SMALL GROUP SPECIALIST

EMPLOYEE BENEFITS • FINANCIAL PLANNING • PROPERTY CASUALTY
508/770-0714 ■ 800/367-2482 Ext. 201 ■ FAX 866/770-0698



A division of The HealthConsultants Group and HealthSolutions Insurance Agency, LLC www.myhcg.com

7. What is Minimum Creditable Coverage?

Minimum Creditable Coverage is the set of benefits that an individual needs to meet the state mandate to be insured. The law does not require employers to offer benefits that meet Minimum Creditable Coverage. Employees who take your health insurance benefit may hope that it will meet the Minimum Creditable Coverage standards and protect them from tax penalties, however.

The Minimum Creditable Coverage standards currently include:

- Cover prescription drugs;
- Cover regular doctor visits and check-ups before a deductible;
- Cap the deductible at \$2,000 for an individual or \$4,000 for a family each year;
- Cap out-of-pocket spending for health services at \$5,000 for an individual or \$10,000 for a family each year if you have a deductible or co-insurance;
- Have no cap on total benefits for a sickness or for each year. Lifetime limits on coverage are permitted, however.

8. What do I do when an employee declines health benefits or a Section 125 Plan?

Employers with 11 or more full-time-equivalent employees collect the Employee Health Insurance Responsibility Disclosure (HIRD) Form for each employee who declines to participate in the employer-sponsored health plan and/or Section 125 Plan. Employers retain this form for 3 years.

9. How do I establish a Section 125 Plan?

The Benefit Center, division of HCG Services can create your Section 125 Plan for you. The original set up is \$125 and each renewal is \$75.