



**CHECKWRITERS
PAYROLL**

333 Elm Street
West Springfield, MA 01089

413.734.1351
888.243.2555
413.736.2328 fax

For Massachusetts Employers

Information provided by Commonwealth Connector

Last updated: Wednesday, February 14, 2007

Note: The information below is subject to revision as health care reform implementation continues and new regulations are promulgated. Please check back often.

1. What are the new requirements for employers?

Fair Share Contribution

Employers with 11 or more full-time equivalent employees that do not make a “fair and reasonable” premium contribution for their employees’ health insurance will be subject to pay a Fair Share Contribution. The Fair Share Contribution will be no more than \$295 per employee per year. This amount is pro-rated for part-time employees. Liability for the Fair Share Contribution is based on data from October 1, 2006 to September 30, 2007.

Section 125 Plan/Free Rider Surcharge

Employers with more than 10 employees must adopt and maintain a Section 125 plan that meets the regulations of the Connector. A Section 125 plan allows employees to pay for health insurance coverage on a pre-tax basis, and is not subject to state and federal taxes or federal FICA withholding taxes. A Section 125 plan can benefit both the employer and the employee since they both will have lower payroll-related taxes. The requirement goes into effect on July 1, 2007.

Employers with more than 10 employees that do not offer a Section 125 plan that meets the regulations of the Connector to all employees and that have employees or dependents who receive “state-funded health services” may be subject to the Free Rider Surcharge. Here, “state-

funded health services” refers to health services that are paid for by the state through the Uncompensated Care Trust Fund (also known as the “free care pool”) or the Health Safety Net Trust Fund. The amount of the Free Rider Surcharge will vary based upon the number of employees, the utilization of the “free care pool” or the Health Care Safety Net, total state funded costs, and the percentage of employees enrolled in the employer’s health plan. The Free Rider Surcharge goes into effect on July 1, 2007.

Health Insurance Responsibility Disclosure (HIRD)

Employers with more than ten employees are required to complete an Employer Health Insurance Responsibility Disclosure (HIRD) Form. On this form, employers will report information such as: does the employer offer its employees a Section 125 plan that meets the regulations of the Commonwealth Connector? The Division of Health Care Finance & Policy (DHCFP) will issue regulations about the HIRD form, to be effective on July 1, 2007.

2. What is a “fair and reasonable” premium contribution for the purposes of determining the Fair Share contribution?

An employer will make a “fair and reasonable” premium contribution if it passes either of the following tests:

Primary test: at least 25% of full-time (35 hours or more per week) employees are enrolled in the employer’s health insurance plan and the employer is making a financial contribution to it.

Secondary test: the employer offered to pay at least 33% of the premium cost of its health insurance plan offered to all full-time employees who are employed at least 90 days during the period of October 1, 2006 to September 30, 2007.

3. If an employer offers more than a 33 percent premium contribution to one group of full-time employees, but less than 33 percent to another group of full-time employees, does it pass the secondary test?

No. The employer must offer at least 33 percent to all full-time employees who were employed at least 90 days during the period from October 1, 2006 to September 30, 2007 in order to pass the secondary test.

4. What are the rules for multi-state employers with Massachusetts locations?

The employer must perform the primary and secondary Fair Share tests for all employees at Massachusetts locations, whether or not they are Massachusetts residents.

5. If an employer does not make a “fair and reasonable” contribution to its employees’ health insurance premiums, what happens?

The employer must pay an assessment of up to \$295 per employee, per year. The Division of Unemployment Assistance (DUA) will issue rules about the determination of the contribution, as well as how to make required payments.

6. If employees don’t have health insurance, what consequences will they face as individuals?

The health care reform law created a requirement that all Massachusetts residents age 18 and over (with some exceptions) obtain and maintain health insurance that meets minimum coverage requirements beginning July 1, 2007. This is known as the individual mandate.

With some exceptions, individuals who cannot show proof of health insurance coverage that meets the standard of minimum creditable coverage by Dec. 31, 2007, will lose their personal income tax exemption when filing their 2007 income taxes.

Failure to meet the individual mandate in 2008 will result in a fine for each month the individual does not have coverage. The fine will equal 50 percent of the least costly, available insurance premium that meets the standard for minimum creditable coverage.

7. Who will oversee enforcement of the individual mandate?

The Department of Revenue will enforce the individual mandate through the state personal income tax collection process.

8. Will employers be subject to penalties if their employees refuse health insurance?

No. If employees refuse employer-sponsored health insurance, the employer will not be held responsible.

9. What will an employer be required to do if an employee declines employer-sponsored health insurance?

Employers with more than ten employees must collect and retain for three years an Employee Health Insurance Responsibility Disclosure Form (HIRD) for each employee who declines the employer-sponsored health plan. These forms will be developed by the Division of Health Care Finance and Policy (DHCFP) and, once developed, will be available on the Connector’s website

HEALTH CARE REFORM CHECKLIST OF REQUIREMENTS

REQUIREMENT	EMPLOYER SIZE		
	10 ee(s) or less	11 to 50 ee(s)	51 ee(s) or more
Subject to the requirements of the law	No	Yes	Yes
Can purchase health plans via the Connector	Yes	Yes	No
Eligible for Insurance Partnership to include annual incomes up to 300% FPL	Yes	Yes	No
Establish a Section 125 plan by 7/1/2007	No	Yes	Yes
Must make "fair and reasonable" contribution to premiums or pay a "Fair Share Assessment" (up to \$295/employee/year	No	Yes	Yes
Must file Employer HIRD form	No	Yes	Yes
Must get employees who decline coverage to sign an Employee HIRD form and keep on file for 3 years	No	Yes	Yes
May not discriminate in premium contributions for full time employees (applies to fully funded employers only).	Yes	Yes	Yes
Dependents/Young Adults allowed on parent's insurance for two years after loss of dependent status under IRS rules or to age 26, whichever is first (applies to fully funded employers only).	Yes	Yes	Yes