



Massachusetts Health Care Reform Client Update May 1, 2007

The following are answers to some of the Frequently Asked Questions that we have received from our clients.

What is the new definition for “dependent children” under the Mass Health Care Reform Act?

Effective January 1, 2007, group health policies issued in Massachusetts must cover dependent children for 2 years following the loss of dependent status under the Internal Revenue Code, or until they reach age 26, whichever is earlier. The two year period begins on the January 1st immediately following the last tax year in which the child was claimed as a dependent.

All the carriers who insure Benemax clients have adopted and implemented the new definition.

How can I satisfy the requirement to make a fair and reasonable contribution for my employees in order to avoid the Fair Share Assessment?

The Fair Share Assessment is a penalty (\$295 per employee for 2007) for employers who fail to make a “fair and reasonable” contribution for their employees’ healthcare. The assessment applies to employers with 11 or more full-time employees. Full-time is defined as 35 hours per week. An employer is exempt from the assessment if 25% of its full-time employees are enrolled in its group health plan. It is also exempt if the employer offers to contribute at least 33% towards the cost of an individual’s group health insurance premium.

Virtually all Benemax clients satisfy not just one, but both tests.

If I have a Section 125 premium deduction plan, am I exempt from the Free Rider Surcharge?

Yes. The Free Rider Surcharge applies to employers with 11 or more full-time employees who fail to contribute to, or arrange for, the purchase of health insurance by their employees. By offering pre-tax deductions under a Section 125 plan, an employer is “arranging for the purchase of health insurance” by its employees and is, therefore, exempt. The employer need not contribute towards the coverage; the requirement is that the employee be able to use pre-tax contributions to purchase his own coverage.

Most Benemax clients with 11 or more employees utilize a section 125 plan for pre-tax contributions.



Can Benemax help me with a Section 125 Plan?

Yes. Benemax is revising its Section 125 plan document to satisfy regulations under the Mass Health Care Reform Act. The Connector Authority, the agency responsible for the implementation of Health Care Reform, has issued emergency regulations and is working on the adoption of a final set of regulations.

Once this process is complete, we will be able to assist clients who need a plan as well as those who need to amend and restate their present plan.

All Benemax clients will be invited to adopt or amend their Section 125 plan well before the July 1 deadline.

Where do I file a copy of my Section 125 Plan?

The Act requires that all employers file a copy of their plan document with the Connector. The Connector has not yet issued instructions on how or where to file a copy of the document.

Benemax will notify our clients as soon as this information is available and we will assist our clients with the filing process to the extent desired (and allowed by law).

Do I have to have all of my employees sign an annual disclosure statement in order to satisfy the Health Insurance Responsibility Disclosure requirements?

No. The original disclosure requirements were significantly reduced by legislation in December. Now, only employees who do *not* elect your group health coverage and do *not* elect to use your section 125 plan for pre-tax payments for their own coverage are required to complete and sign the annual statement.

How will the non-discrimination and equal contribution rules affect my plan?

Effective July 1, 2007, group health policies issued in Massachusetts must cover all full-time employees and the employer may not discriminate in its contribution in favor of other equally or higher paid employees. These rules apply only to policies that carriers enter into with employers on or after July 1, 2007.

The Division of Insurance has adopted a definition of full-time employee as an employee who is scheduled or expected to work at least 35 hours per week.

Benemax clients whose definition of eligibility is greater than 35 hours (e.g. 37.5 or 40) will have to change their definition in order to satisfy the new requirement.

Under the non-discriminatory contribution rules, an employer must make the same percentage contribution or the same dollar contribution for all full-time employees. The employer can make a greater contribution level for employees with increased lengths



of service and for those who participate in health and wellness programs. The employer can also have a different contribution level for dependent coverage as long as the contribution level is the same for all dependents.

In advance of each client's effective or renewal date, Benemax will make sure that eligibility requirements and contribution strategies are in compliance with these rules.

Will the Connector be offering insurance policies directly to individuals and small groups?

Yes. The Connector has already been offering coverage to individuals who (by reason of income) qualify for state subsidized coverage.

As of May 1, The Connector has begun offering coverage to all individuals and small groups, regardless of income. Consumers can purchase these policies with an effective date of July 1, 2007 (or later), the date by which every Massachusetts resident is required to be covered by a health benefit plan.

The Connector's aim in marketing these plans is to make certain that all individuals and groups have access to a health benefit plan by July 1, the mandatory coverage date. To that end, all Massachusetts employers will shortly be receiving a notice from The Connector announcing the availability of these plans.

How do the plans offered by The Connector compare to coverage I can buy from Benemax, from another insurance broker or from insurance carriers directly?

Blue Cross Blue Shield, Harvard Pilgrim and Tufts Health Plan (among others) have designed plans that will be marketed through The Connector. These same plan designs, insured by these same carriers, are all available through Benemax and other brokers and directly from the insurance carriers themselves. There is no cost advantage to the customer for purchasing insurance from The Connector and no one is required to purchase coverage through The Connector or its subcontractor (Small Business Service Bureau).

Furthermore, Benemax clients enjoy a suite of service not available from The Connector including customized plan design, concierge-level customer service, compliance assistance, online benefit management, no cost second opinions from Harvard Medical School faculty, etc.

If you have any questions or concerns regarding these FAQ's, or any other aspect of the Massachusetts Health Care Reform Act, please contact your Benemax Account Executive or our Compliance Officer, Walter G. Hiltz (800-528-1530 x 120).