



## **Mass Health Care Reform – 2/07 Update**

Last April 2006, the Massachusetts Legislature passed and the Governor signed far-reaching legislation which significantly changes the manner in which health care is funded and administered in the Commonwealth. The law is designed to ensure that every resident of Massachusetts will have health coverage by July 1, 2007.

This Update focuses on those areas in the law which are likely to impact or concern Benemax clients located in MA. Please contact us if you have additional questions.

### **Fair Share Assessment**

Employers who fail to make a “fair and reasonable” contribution for the health care of their employees can be assessed \$295 per employee per year. This provision applies to employers with 11 or more full-time employees. An employee is a person who is employed at a Massachusetts facility, *regardless of where the employee resides*.

An employer is considered to have made a fair and reasonable contribution and is, therefore, exempt from the assessment if it has 25% of its full-time employees enrolled in its group health plans. A full-time employee is defined for this purpose as a person who works at least 35 hours per week.

If the employer fails the 25% test, it will still be exempt so long as the employer contributes at least 33% towards the cost of an individual employee’s group health insurance premium.

The effective date of this provision is October 1, 2006.

*Virtually all Benemax clients already qualify for this exemption.*

### **Section 125 Plan**

Employers with 11 or more employees must establish a Section 125 Plan and file a copy of the plan with the Massachusetts Connector. A Section 125 plan, which is also called a Premium Only Plan (POP), allows employees to make pre-tax contributions to purchase medical coverage. The employer need not contribute under the 125 plan but it must process pre-tax payroll deductions for its employees’ premium payments.

The effective date of this provision is July 1, 2007.

*Most Benemax clients already deduct employees’ premium contributions on a pre-tax basis. If you do not currently deduct your employees’ premium contributions on a pre-tax basis, call us and we will help you implement a plan to do so.*



## **Free Rider Surcharge**

Employers with 11 or more employees who do not offer to contribute to, or arrange for the purchase of, health insurance may be assessed a surcharge if their employees access free care 5 times or more in one year, or if one employee accesses free care 3 times or more in one year, provided these claims in aggregate total \$50,000 or more.

The Division of Health Care Finance and Policy issued proposed regulations in June which indicated that any employer adopting a Section 125 plan would be exempt from this surcharge. The adoption of these regulations has been postponed but the Division has indicated that the Section 125 exemption will apply.

The effective date of this provision is July 1, 2007

*Virtually all Benemax clients already qualify for this exemption.*

## **Dependent Coverage**

The Act adds a requirement that group health policies which are issued to companies headquartered in Massachusetts must provide dependent health coverage for dependent children for up to 2 years following their loss of dependent status under the Internal Revenue Code or until they reach age 26 (if sooner). This provision replaces current provisions that limit coverage to dependent children under age 19 or under 23, 24 or 25 if they are full time students.

The effective date of this provision is January 1, 2007.

*This provision eliminates the need for annual student verification. Insurance carriers will update their policies in compliance with this provision and Benemax will update all of its systems accordingly.*

*Note: Blue Cross and Blue Shield of Massachusetts, Inc. and Health New England will continue to cover unmarried full-time student dependent children under the age of 25.*

## **Employer Reporting and Disclosure**

The Reform Act places annual reporting requirements on employers and on certain employees. The Division of Health Care Finance and Policy issued proposed regulations on data collection and transmission but the Division withdrew these regulations. The Division will issue new proposed regulations and hold public hearings in the spring of 2007. The effective date of this provision is July 1, 2007.

*We will keep you posted on developments in this area and in all other areas.*

If you are a client and have any questions or concerns regarding this memo or any other aspect of Massachusetts Health Care Reform, please call our Compliance Officer, Walter Hiltz, at -800-528-1530 extension 120 or e-mail him at [walter@benemax.com](mailto:walter@benemax.com).