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HEALTH CARE REFORM ANSWERS FOR MASSACHUSETTS BUSINESSES

Massachusetts businesses have a significant role to play in the implementation of the state's landmark health care reform law. Here are some frequently asked questions and answers to guide businesses through the process.

Q. What is the fair share contribution?

A. It is an assessment that certain employers will pay if they choose not to make a "fair and reasonable" contribution to their employees' health plans, representing the average cost of free care for the uninsured.

Q. How much is the assessment?

A. It will be up to \$295 per employee per year.

Q. Does it apply to all businesses in Massachusetts?

A. It applies to those with 11 or more full-time equivalent employees.

Q. I have both part-time and full-time workers. Do all of them count in the calculation?

A. Yes. Take the number of hours during the year that each of your full-time and part-time employees work (capped at 2,000 hours per employee) and divide that number by 2,000. If the result is 11 or more, the fair share contribution applies to you. Independent contractors are not counted.

Q. What is a full-time employee?

A. Someone who works 35 hours or more per week. Independent contractors, seasonal employees (employment does not exceed 16 weeks) and temporary employees (those who work for 12 consecutive weeks or less) are not included.

Q. What is considered a "fair and reasonable" contribution?

A. You make a "fair and reasonable contribution" if either of the following occurs: (1) at least 25 percent of your full-time employees participate in your health plan; or (2) you offer to contribute at least 33 percent of the premium cost (for single coverage) to all full-timers employed more than 90 days.

Q. When does this take effect?

A. The option to either make a fair and reasonable contribution toward insurance or contribute the average cost per employee of free care (\$295) has been in effect since last fall. Liability for your contribution is based on data from Oct. 1 through Sept. 30 every year. The Division of Unemployment Assistance will soon publish a schedule for paying the Fair Share Assessment..

Q. I've heard a lot of talk about Section 125 plans. What are they?

A. These plans allow your employees to purchase health insurance through payroll deduction on a pre-tax basis. The typical employer saves 7.65 percent on FICA and employees save, on average, 41 percent of their premium payments through reduced federal and state taxes.

Q. What businesses must offer Section 125 plans to their employees?

A. Companies with 11 or more full-time equivalent employees, using the same calculation as described above. Take the numbers of hours that your employees work and divide by 2000. Because of the savings involved, we think it would be a good idea for all Massachusetts companies to offer Section 125 plans.

Q. Are there any exceptions?

A. Yes. The employer is not required to adopt a Section 125 plan if the employer pays the full monthly cost of medical coverage for all its employees (and all covered dependents if dependent coverage is available under the plan), except those employees (such as part-time workers with fewer than 64 hours per month, employees participating in a Taft-Hartley fund and temporary employees) that are otherwise permitted to be excluded under the Connector regulation.

Q. When does this requirement go into effect?

A. July 1.

Q. How do I go about setting one up?

A. You should visit the Health Connector website at www.MAhealthconnector.org where there is a valuable handbook to help you through the process. You may also want to consult with a broker, benefits lawyer, payroll vendor and/or an accountant.

Q. What is the penalty if I don't comply?

A. The penalty, known as the free rider surcharge, can be quite significant. If one or more of your employees or their dependents utilize at least \$50,000 of uncompensated care, you will probably have to pay a portion of that bill if you have not offered your employee(s) a pre-tax option under your Section 125 plan. The surcharge will be based upon a variety of factors, including the number of employees, how much their state-funded services cost and the percentage of employees enrolled in your health plan. Be safe rather than sorry and start a Section 125 plan at your business.

Q. How will you be verifying information?

A. This will be done through the Health Insurance Responsibility Disclosure (HIRD) forms. There will be one to be completed and submitted to the state by the employers and one to be completed by certain employees to be retained by the employer for three years.

Q. What type of information will the state be looking for from employees?

A. The Division of Health Care Finance and Policy (DHCFP) will want to know if the employees declined to enroll in an employer-sponsored health plan and/or the employer's Section 125 plan.

Q. Who will provide this form to employees?

A. The employer.

Q. How will employers get the HIRD form?

A. The form is currently available on the Health Connector website at www.MAhealthconnector.org as well as the DHCFP website, www.mass.gov/dhcfp.

Q. When will employer HIRD forms be available?

A. Employer HIRD forms won't have to be filed until Nov. 15. The Division of Unemployment Assistance will collect the employer HIRD information as part of the employer's Fair Share Contribution worksheet.

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