

The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Boston, MA 02108



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Dear Massachusetts Employer:

The goal of Massachusetts health care reform is to make quality, affordable health care available to every resident. To achieve this, employers, health insurers, state government and the health care community are working together in an unprecedented effort to expand the choices available to uninsured individuals.

On July 1, 2007, most Massachusetts residents age 18 and older will be required to have health insurance. The law also places certain responsibilities on employers to ensure that health insurance is accessible to as many individuals as possible.

The new law will affect businesses in different ways depending on their size. In general, businesses with fewer than 11 employees are exempt from most requirements of the law. However, their employees who live in Massachusetts are still required to have health insurance.

The Commonwealth Health Connector was created to help connect individuals, families and businesses (especially those with 50 or fewer employees) to a broad choice of affordable, high quality health insurance plans. The Health Connector's Commonwealth Choice program is now available to non-group individuals and families. In addition, employers who plan to offer health plans, without an employer contribution, to part-time, temporary and other employees can set up tax-advantaged Section 125 plans and pay enrollee premium contributions to the Health Connector.

Beginning later this summer, small employers who wish to contribute toward their employees' group health coverage can purchase health insurance through the Health Connector, or they can purchase through existing channels.

Here are key requirements of the new law that affect employers:

Section 125 Plans

Businesses with 11 or more full-time equivalent employees must offer **Section 125 plans** to enable their employees to purchase health insurance on a pre-tax basis. Those who do not will face a potential surcharge if their employees (or dependents of their employees) make significant use of the state's Uncompensated Care Pool. This is called the **Free Rider Surcharge**.

Section 125 plans offer benefits for both the employer and the employee. Through a Section 125 plan, the employee is able to pay for health insurance on a pre-tax basis that is not subject to federal or state taxes. On average, Section 125 plans reduce the cost of health insurance to employees in Massachusetts by 41 percent. Private employers also save 7.65 percent in FICA taxes. The Health Connector will offer more detailed information on Section 125 plans and help employers offer a choice of health plans under Section 125.

Fair Share Assessment

Employers with 11 or more full-time equivalent employees are required to offer employees a qualified health plan and make a fair and reasonable contribution to it. Failure to do so will subject employers to a Fair Share Assessment of up to \$295 per employee, per year. There are two tests to determine if an employer will be subject to this assessment. *An employer who satisfies either test will NOT be subject to the assessment.*

Primary Test: At least 25 percent of the employer's full-time employees are enrolled in the employer's group health insurance; or

Secondary Test: The employer offers to contribute at least 33 percent toward the cost of an individual health plan for full-time employees who have been employed more than 90 consecutive days in the year.

Health Insurance Responsibility Disclosure (HIRD) Forms

To demonstrate compliance with Section 125 and Fair Share requirements, employers with 11 or more employees must file a Health Insurance Responsibility Disclosure Form (HIRD) and must collect employee HIRD forms as well. The employer's HIRD form is to be filed annually with the state Division of Health Care Finance and Policy. The employee forms are to be collected by the employer and maintained for a period of three years for those employees who refuse the employer's insurance offering or Section 125 plan.

Non Discrimination Provision

Another provision requires insurance carriers to sell licensed health insurance products only to employers who offer insurance to all full-time employees and who do not require higher premium contributions from lower wage, full-time employees than they do from higher wage, full-time employees.

For more information, including an Employer Handbook and answers to frequently asked questions, please visit the Health Connector's website at www.MAhealthconnector.org. Employers may also e-mail questions to the Health Connector's Public Information Unit at Connector@state.ma.us.

The Health Connector will offer a broad range of quality plans from which you and your employees may choose, and we can relieve you of much of the administrative burden of purchasing employee health insurance. We look forward to working with you to serve your health insurance needs and those of your employees.

Sincerely,

Jon Kingsdale
Executive Director