

Health Care Reform in Massachusetts

Presentation to members of:



June 28, 2007

By:

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Agenda

- ❖ **Brief background**
- ❖ **Concept of Shared Responsibility**
 - **Individuals**
 - **Government**
 - **Employers**
- ❖ **Closer exploration of the employer's role and obligations and status of regulations**

Factors Impacting Passage

- ❖ **Federal Medicaid waiver expiring on July 1, 2006**
 - Potential loss of \$385 M
- ❖ **Two pending ballot initiatives**
 - Constitutional amendment guaranteeing access
 - New employer payroll tax
- ❖ **Commitment of Governor, Senate President & House Speaker to expanding health care coverage**

The Uninsured in Massachusetts

Total Commonwealth Population		6,200,000
Insured (94%)		5,830,000
Uninsured (6%)		<u>370,000</u>
<100% FPL	Medicaid Eligible but Not Enrolled	70,000
0-300% FPL	Eligible for Subsidized Insurance	140,000
>300% FPL	Affordable Private Insurance	160,000

New Law Focuses on “Shared Responsibility”

❖ Individuals

- Effective July 1, 2007, all Mass. residents age 18 or more are required to have health insurance – no period of more than 63 days without coverage
 - For 2007 only, coverage on or before Dec. 31 results in compliance for the year
 - As of January 1, 2009 coverage must meet “minimum creditable coverage” standards
- Mandate is contingent on availability of “affordable products”
- Penalties for non-compliance — loss of personal tax exemption in first year; financial penalties increase significantly in subsequent years

Individual Mandate – Overview (cont.)

- ❖ Generally, individuals who are offered coverage through an employer are expected to enroll in that coverage. Some Exceptions:
 - Those who are granted a waiver based on the “affordability” of the employer plan
 - Those whose employer contribute less than 33% of the cost of individual coverage.
 - Those whose employer plan fails to meet the minimum creditable coverage standard

Individual Mandate

- ❖ **Employers are not responsible for enforcement of the individual mandate.**

Minimum Creditable Coverage

- ❖ **Prior to January 1, 2009 = virtually any coverage that is legal in Massachusetts**
- ❖ **On and after January 1, 2009 = Comprehensive Insurance, including Rx**
(plan anniversary dates starting 2/1/08 for employer-sponsored plans)
 - Rx coverage
 - No higher than \$2,000/\$4,000 annual deductible
 - No higher than \$5,000/\$10,000 annual out-of-pocket
 - Some preventive visits not subject to deductible
 - No annual, per illness & fee schedule limits
 - Federally qualified plans with HSA will meet MCC requirements
 - Split-funded plans will meet MCC provided the net impact on employees is no less favorable than MCC guidelines.

Affordability Schedule and Regulations

- ❖ **Flexible enforcement**
 - Accounting for individual circumstances
 - Robust appeals process
- ❖ **Require Participation in Commonwealth Care**
- ❖ **For the rest, keep it simple**
 - Excuse lower-income brackets
 - Assume affordability for upper-income brackets
 - Progressive sliding scale of premium contributions

Regulations finalized on June 5, 2007 - Affordability now based on adjusted gross income to be more reflective of disposable income.

2007 Affordability Schedule - Individuals

Annual Adjusted Gross Income Range		Monthly Premium
Starting Point	End Point	
\$0	\$15,315 (150% FPL)	\$0
\$15,316	\$20,420	\$35
\$20,421	\$25,525	\$70
\$25,526	\$30,630	\$105
\$30,631	\$35,000	\$150
\$35,001	\$40,000	\$200
\$40,001	\$50,000	\$300
>\$50,000		Affordable

**2007 Affordability Schedule –
Married Couples With No Dependents**

Annual Adjusted Gross Family Income Range		Monthly Premium
Starting Point	End Point	
\$0	\$20,535	\$0
\$20,536	\$27,380	\$70
\$27,381	\$34,225	\$140
\$34,226	\$41,070	\$210
\$41,071	\$50,000	\$270
\$50,001	\$60,000	\$360
\$60,001	\$80,000	\$500
>\$80,000		Affordable

**2007 Affordability Schedule – Includes
Single Head of Household or Married Couple with Dependent(s)**

Annual Adjusted Gross Family Income Range		Monthly Premium
Starting Point	End Point	
\$0	\$25,755	\$0
\$25,756	\$34,340	\$70
\$34,341	\$42,925	\$140
\$42,926	\$51,510	\$210
\$51,511	\$70,000	\$320
\$70,001	\$90,000	\$500
\$90,001	\$110,000	\$720
>\$110,000		Affordable

Affordability Waivers

- ❖ **Process not yet fully defined**
 - Triggered through Department of Revenue – state income tax return info.
 - Waiver decisions rest with Connector
 - Will consider individual circumstances as well as income
 - Decisions can be appealed

New Law Focuses on “Shared Responsibility”

- ❖ **Government**
 - Expanded Medicaid for children up to 300% of Federal poverty level (FPL)
 - Increased Medicaid reimbursement rates for hospitals and doctors;
 - Subsidies to purchase health insurance for individuals below 300% of the federal poverty level
 - Collect and publish cost and quality information on providers

New Law Focuses on "Shared Responsibility"

The government: Commonwealth Health Insurance Connector

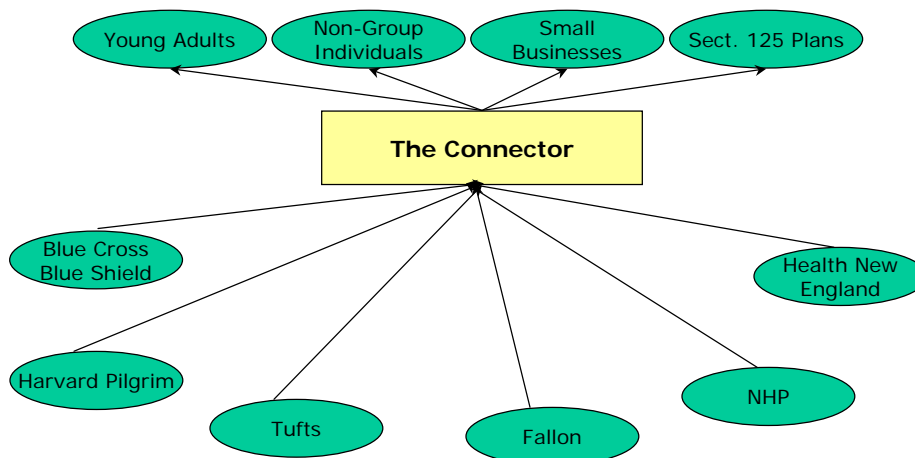
REGULATORY

- ❖ Commonwealth Care benefits & premiums
- ❖ S. 125 Regulations
- ❖ MCC Regulations
- ❖ Affordability Schedule
- ❖ Waivers & Appeals

ENTERPRISE

- ❖ Enroll for Commonwealth Care
- ❖ Seal of Approval for Commonwealth Choice
- ❖ Sell CommChoice health insurance to:
 - Individuals
 - Non-group employees
 - Small employers – 50 or fewer employees

Commonwealth Choice



New Law Focuses on “Shared Responsibility”

- ❖ **Employers – 11 or more FTEs – Insured and Self-insured – Primary Responsibilities**
 - Make a “fair and reasonable” contribution toward health insurance for employees or pay “Fair Share Assessment” of up to \$295 per employee per year
 - Mandatory offer of Section 125 Premium Only Plan, or risk paying “Free Rider” surcharge – could be \$\$\$\$\$\$\$
 - Administration of Health Insurance Responsibility Disclosure (HIRD) forms
 - “Health 1099s” – reporting to Department of Revenue names and dates of coverage during tax year – copy to employees

Insured Plans Written in Massachusetts Only

- ❖ **Effective January 1, 2007, all insured group health plans must cover eligible dependents to age 26 or until Dec. 31st two years following loss of IRS dependent status – whichever comes first.**
- ❖ **Effective July 1, 2007, carriers are prohibited from entering into a group health insurance contract with an employer who:**
 - ❖ Does not offer the plan to all full-time employees who live in Mass., or
 - ❖ Discriminates in favor of higher-paid employees in contributions toward the cost of coverage.

**Self-insured plans are not subject to these requirement.
Insured plans written in other states are not subject to these requirements.**

Fair and Reasonable Contribution

Employer of 11 or more FTE employees must provide “fair and reasonable” premium contribution or owe a Fair Share Assessment of up to \$295 per employee, per year. Compliance is determined by passing one of two tests:

1. At least 25 % of full-time employees are enrolled in employer-sponsored health insurance, or

OR

2. Employer offers to contribute at least 33% toward the cost of an individual health plan for its full-time employees who have been employed more than 90 days in the year.

Fair Share determination period 10/1/06 – 9/30/07, and every Oct. 1st – Sept. 30th thereafter

Fair and Reasonable Contribution (cont.)

- ❖ **Online process for verifying compliance**
 - Currently being developed by Division of Unemployment Assistance
 - Penalties collected through the Unemployment system
- ❖ **An A.I.M. concern – potential requirement to conduct Primary Test before being allowed to conduct the Secondary Test.**
 - Pilot group of 20 A.I.M. members will “test-run” the process
 - A few openings remain – contact if interested

Fair Share determination period 10/1/06 – 9/30/07, and every Oct. 1st – Sept. 30th thereafter

**Fair Share Contribution
The Primary Test
10/1 – 9/30**

$$\frac{\text{Total Payroll Hours for all ENROLLED FT Employees}}{\text{Total Payroll Hours for ALL FT Employees}} = \square$$

“Payroll Hours” includes all hours paid, including regular, overtime, vacation and holidays, paid FMLA or other leave, STD, LTD, jury duty, etc.

Section 125 Plan / Free Rider Surcharge

- ❖ **Employers of 11 or more FTEs must establish a Section 125 Premium Only Plan by July 1, 2007.**
 - **Must cover all employees – those who are eligible for group coverage and those who are not**
 - **Employer will process pre-tax deductions for employees who purchase coverage outside the employer’s plan(s).**
 - **May amend existing Sect. 125 document**
 - **Some attorneys recommend having separate plans**
 - **Plan documents must be filed with Connector – guidelines not yet issued**
- ❖ **Employers that fail to comply, face risk of “Free Rider Surcharge”**
 - **Potentially liable for \$\$\$\$\$\$\$\$\$\$ for use of uncompensated care pool by employees and/or dependents**

Processing of Pre-tax Deductions

... What we know at this point

- ❖ Importance, and implications of, “naming” the covered health plan
- ❖ Sub-Connector administrative processes
- ❖ Web site: www.MAhealthconnector.org

Health Insurance Responsibility Disclosure (HIRD) Forms

- ❖ The Employer HIRD form must be filed annually with the Division of Health Care Finance and Policy.
 - Expected to be online process – at same time as Fair Share testing is done
 - Collects variety of info. about employer
 - Verifies compliance with Sect. 125 requirement
 - Captures info. about cost of plan(s) offered by employer

Regulations adopted June 20, 2007 on emergency basis – subject to change following public hearing and comment period.

Health Insurance Responsibility Disclosure (HIRD) Forms (cont.)

- ❖ The ***Employee*** HIRD form must be maintained by the employer for 3 years.
 - Employees who waive group health insurance
 - Employees who waive participation in a Section 125 plan
 - If no **signed** waivers for decisions made prior to July 1 for coverage in 2007, must get HIRD forms signed retroactively
 - Otherwise, required for all waivers on/after July 1, 2007
 - Captures information on “affordability” of employee contribution requirement – used for waiver requests based on affordability
 - Copy of signed form must be given to the employee
 - Employee doesn’t complete and return the form – employer must document good faith efforts to obtain and keep documentation for three years.

Self-Insured Plans: “Health 1099”

- ❖ **Department of Revenue must receive information on who has coverage during year and dates of coverage**
- ❖ **Employer responsibility according to the statute**
 - Insured plans written in Massachusetts – carriers have agreed to issue “Health 1099” forms
 - Insured plans written outside Mass. – employer responsibility
 - Self-insured plans – employer responsibility

Employer Obligations and Status of Regulations

- ❖ **Fair Share Contribution - regulations finalized September 2006**
 - Complementary DUA regulations not yet finalized
- ❖ **Section 125 Plans – finalized June 5, 2007**
- ❖ **Free Rider Surcharge – adopted on emergency basis June 20, 2007**
- ❖ **Health Insurance Responsibility Disclosure (HIRD) – adopted on emergency basis June 20, 2007**
- ❖ **Health 1099s**
 - No regulations or administrative guidance at this point
- ❖ **Mass. insured Plans Only**
 - Expanded dependent eligibility – DOI bulletin finalized January 2007
 - Nondiscrimination in offer of coverage and premium contribution – DOI bulletin finalized April 2007

Potential Impact

- ❖ **Financial**
 - Additional employees may enroll in your plan(s).
- ❖ **Administrative**
 - HIRD forms
 - Section 125 implementation
 - Fair Share Contribution – annual testing process
 - Processing of pre-tax deductions for non-group-eligible employees
- ❖ **Employee education – not an obligation under the law**
 - Some obligation comes through offer of Sect. 125 Plan
 - What role do you want, or need, to have?



How to Stay Informed

❖ **Connector Web Site:**
www.MAhealthconnector.org

- News
- FAQs – updated regularly
 - Employers
 - Individuals
 - Brokers
 - General Information
- Links to other sources of information
- Downloadable resources
 - Sect. 125 Employers' Handbook
 - Employer Brochure
 - Others



How to Stay Informed - Everyone

❖ **Division of Health Care Finance and Policy Web site**

www.mass.gov/dhcfp

- News
- Regulation documents – Fair Share, Free Rider, HIRD
- Health Care Quality and Cost Information

❖ **Division of Insurance Web site**

www.state.ma.us/doi/

- Regulatory bulletins

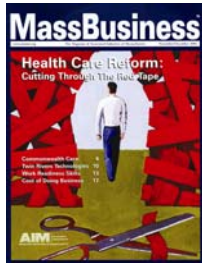
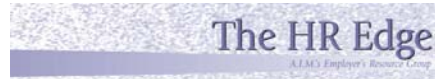


How to Stay Informed – A.I.M. Members



*Action*Update

LEGISLATIVE BULLETIN



info@aimnet.org

Toll-free HR Hotline

HR Roundtables

Thank You

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