Massachusetts Health Care Reform Act of 2006

Market: All

The Massachusetts Health Care Reform Act, which became law on April 12, 2006, requires Massachusetts residents to have health insurance and penalizes those who do not obtain health care coverage. This legislation mandates that Massachusetts residents age 18 and older obtain and maintain health insurance that meets a minimum creditable coverage standard, as defined by Massachusetts law, by December 31, 2007. As a result, those CareFirst BlueCross BlueShield (CareFirst) members living in Massachusetts will face tax penalties if they are unable to demonstrate a “creditable” status for their health care coverage.

Please note that Massachusetts has deemed that anyone with health care coverage in 2007 and 2008 has creditable coverage for the purposes of filing their income tax return as long as they maintain their current coverage, with no breaks in coverage over 63 days. Additionally, guidelines for the minimum creditable coverage standards will change for tax year 2009. Therefore, an assessment will need to be completed annually beginning with tax year 2009 to determine if the health care coverage offered meets the minimum requirements for creditable coverage as established by Massachusetts law.

Employer groups are responsible for providing a written notice to their employees/retirees living in Massachusetts regarding the status of their current health care product no later than January 31, 2008 and annually thereafter. Employer groups are also responsible for assessing whether or not the current health benefits that are provided to their employees/retirees meet the minimum creditable coverage standard.

Impacted employees/retirees residing in Massachusetts will need the MA-1099 Health Care Coverage information to complete their 2007 state income tax returns, along with the “creditable coverage” status of their health care coverage. If an employee/retiree is unable to demonstrate “creditable coverage,” he/she may lose personal exemption when filing 2007 state personal income taxes.

To prevent potential tax penalties, CareFirst encourages employers to send their impacted employees/retirees residing in Massachusetts the MA-1099 HC information by January 31, 2008. Employers with only a few Massachusetts employees/retirees may wish to use the template MA -1099 form attached to create and print the statement.
Attached for your reference are materials being sent to our group administrators, including a letter to the group administrators with a list of additional resources, a sample letter for their employees residing in Massachusetts, and a template MA-1099 form. The MA-1099 form will also be available on the Employers & Benefit Managers section of www.carefirst.com.

While employer groups are responsible for notifying their impacted employees/retirees on an annual basis, this is a one-time communication to employer groups from CareFirst.

If you have any questions, please contact your Broker Sales Representative.

Shekar Subramaniam
Associate Vice President, Broker Sales
Dear Group Administrator:

This letter is provided for informational purposes only. It should not be considered legal advice or relied upon as such. Please consult with your legal counsel on the Massachusetts Health Care Reform Act of 2006 and its underlying laws and regulations in order to determine applicability, if any, of the law to your organization.

Our enrollment records indicate that you have current employees and/or retirees residing in Massachusetts that are impacted by this legislation. The Massachusetts Department of Revenue has been charged with implementing the Massachusetts Health Care Reform Act. This letter has information about requirements that may impact you as an employer, in addition to the impact for your employees and retirees that reside in Massachusetts.

Chapter 324 of the Acts of 2006: An Act Relative to Health Care Access contains the following requirement:

Chapter 62C Section 8 of the General Laws:

B. (a) An employer or other sponsor of an employment-sponsored health plan shall (i) provide, or contract with service providers or insurance carriers to provide, a written statement, annually on or before January 31 of each year, to each subscriber or covered individual residing in the commonwealth to whom it provided creditable coverage, as defined in chapter 111M, in the previous calendar year and (ii) provide a separate report verifying the statement to the commissioner.

Individual (Employee/Retiree) Impacts

The legislation requires that all Massachusetts residents age 18 or older obtain and maintain health insurance coverage that meets a minimum creditable coverage standard defined in CMR 956.500. In order to avoid a tax penalty, individuals must complete a health care schedule on their state income tax returns beginning with tax year 2007 using MA-1099 HC statement information received from their employers. Affordability exemptions may be available to individuals.

- more -
Those who cannot show that they have health insurance or do not meet guidelines to claim an exemption will lose the tax benefit of their personal exemption on their 2007 Massachusetts income tax return. This tax benefit is currently $219 for an individual taxpayer. Non-compliance penalties will increase for the 2008 tax year.

**Employer Impacts**

Employer responsibilities include but are NOT limited to the following:

- Provide written notice to employees or retirees, to include dependent information, regarding the status of their current health care product no later than January 31, 2008 and annually thereafter. A sample copy of the MA 1099-HC is enclosed. For those employers that only have a few impacted employees/retirees, the template MA 1099-HC form in the “Employer and Benefit Managers” section of [www.carefirst.com](http://www.carefirst.com) can be used to create and print each statement.

  - There is no standardized MA 1099-HC form format. The form may vary depending upon each employer; however the information fields must be consistent and must convey the information to the taxpayer that individuals need to transcribe over to the Schedule HC when filing their individual tax returns.

- Assess whether or not the current health benefits provided meet the minimum creditable coverage standard.

  - Massachusetts has deemed all health care coverage as creditable for the calendar/tax years 2007 and 2008. An assessment will need to be completed annually beginning with tax year 2009 per CMR 956.5.00.

- In general, businesses with fewer than 11 employees are exempt from the following requirements of the law:

  - Offer [Section 125 plans](#) to enable their employees to purchase health insurance on a pre-tax basis.

  - Offer employees a qualified health plan and make a fair and reasonable contribution to it.

  - File the [Employer HIRD report](#) indicating whether or not the employer offers a Section 125 Plan and/or health benefits to its employees annually by November 15th.

  - Collect an [Employee HIRD form](#) from any employees who either decline to use a Section 125 Plan to pay for their health coverage, or decline to enroll in employer-sponsored health insurance.

We have included a sample letter that you may wish to use to communicate this important information to your employees/retirees residing in Massachusetts. Please consult with your legal counsel to determine if the content is applicable for your employer group prior to distribution. Additionally, to assist you with determining any requirements of the law that may apply to you, we have provided several internet websites at the end of this letter.

Sincerely,

Michael J. Felber
Senior Vice President, Sales

ACC1115
Additional Resources

The following internet websites may provide helpful information:

**Template 2007 MA 1099 –HC Form**

**Chapter 58 of the Acts of 2006: An Act Providing Access to Affordable, Quality, Accountable Health Care**
http://www.mass.gov/legis/laws/seslaw06/sl060058.htm

**Chapter 324 of the Acts of 2006: An Act Relative to Health Care Access**
http://www.mass.gov/legis/laws/seslaw06/sl060324.htm

**Chapter 450 of the Acts of 2006: An Act Further Regulating Health Care Access**
http://www.mass.gov/legis/laws/seslaw06/sl060450.htm

**General Laws of Massachusetts: Chapter 111M. INDIVIDUAL HEALTH COVERAGE**
http://www.mass.gov/legis/laws/mgl/gl-111m-toc.htm

**General Laws of Massachusetts: Chapter 62c**

**Massachusetts Department of Revenue Health Care Information**

**956 CMR 5.00 - Minimum Creditable Coverage Standard**
http://www.mahealthconnector.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Health%2520Care%2520Reform/Regulations/documents/956%2520CMR%25205.00%2520Final%2520060507.pdf
Re: 2007 Massachusetts State Tax Information and Your Health Insurance Coverage

Dear [insert employer group name] Employee:

In April 2006, the State of Massachusetts passed health care reform legislation requiring residents to obtain health insurance coverage. As a result, beginning July 1, 2007, Massachusetts residents age 18 or older must carry health insurance that meets certain minimum standards known as “creditable coverage.”

The purpose of this letter is to notify you that those individuals who do not meet this “creditable coverage” requirement by December 31, 2007 will lose their personal exemption when filing their 2007 state personal income taxes. Please note that Massachusetts has deemed that anyone with health care coverage in 2007 and 2008 has creditable coverage for the purposes of filing income tax returns, as long as the individual maintains his/her current coverage, with no breaks in coverage over 63 days. This means that your current coverage, through [insert employer group name] with [insert carrier name] is considered creditable.

Enclosed you will find a MA 1099 form containing the information that you and/or your dependents will need to complete the health care schedule when filing your 2007 Massachusetts state personal tax forms. In 2008, the tax penalties will increase for individuals who fail to maintain creditable coverage. As a result, a penalty of up to one-half of the minimum creditable coverage insurance premium may be assessed for each month.

You will receive another notice in January 2009 for your 2008 state income tax return filing and annually thereafter. Please remember that even though your current health care plan is creditable for 2007 and 2008, there is no guarantee that it will remain creditable for 2009. A determination regarding the creditable status of your health care coverage, in comparison to the Massachusetts minimum standard for the calendar year 2009, will be communicated to you at a later date.

If you or your dependents fail to maintain your current coverage, resources are available to help you obtain coverage that meets the minimum standards required by the Massachusetts health care reform legislation. Please note that affordability or hardship tax penalty exemptions may be available from the Commonwealth Connector. For more information, you can visit http://www.mahealthconnector.org.

Should you have any questions or concerns regarding the content of this letter please call [insert name] at [insert phone number].

Sincerely,

[add signature]
<table>
<thead>
<tr>
<th>Name of insurance company or administrator</th>
<th>ID number of insurance co. or administrator</th>
<th>Corrected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of subscriber</td>
<td>Date of birth</td>
<td>Subscriber number</td>
</tr>
<tr>
<td>Street address</td>
<td>City/Town</td>
<td>State</td>
</tr>
<tr>
<td>Coverage effective date</td>
<td>Coverage through date</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of dependent</th>
<th>Date of birth</th>
<th>Subscriber number</th>
<th>Coverage effective date</th>
<th>Coverage through date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of dependent</td>
<td>Date of birth</td>
<td>Subscriber number</td>
<td>Coverage effective date</td>
<td>Coverage through date</td>
</tr>
<tr>
<td>Name of dependent</td>
<td>Date of birth</td>
<td>Subscriber number</td>
<td>Coverage effective date</td>
<td>Coverage through date</td>
</tr>
<tr>
<td>Name of dependent</td>
<td>Date of birth</td>
<td>Subscriber number</td>
<td>Coverage effective date</td>
<td>Coverage through date</td>
</tr>
</tbody>
</table>