

InsideHNE

A R E S O U R C E F O R D E C I S I O N M A K E R S

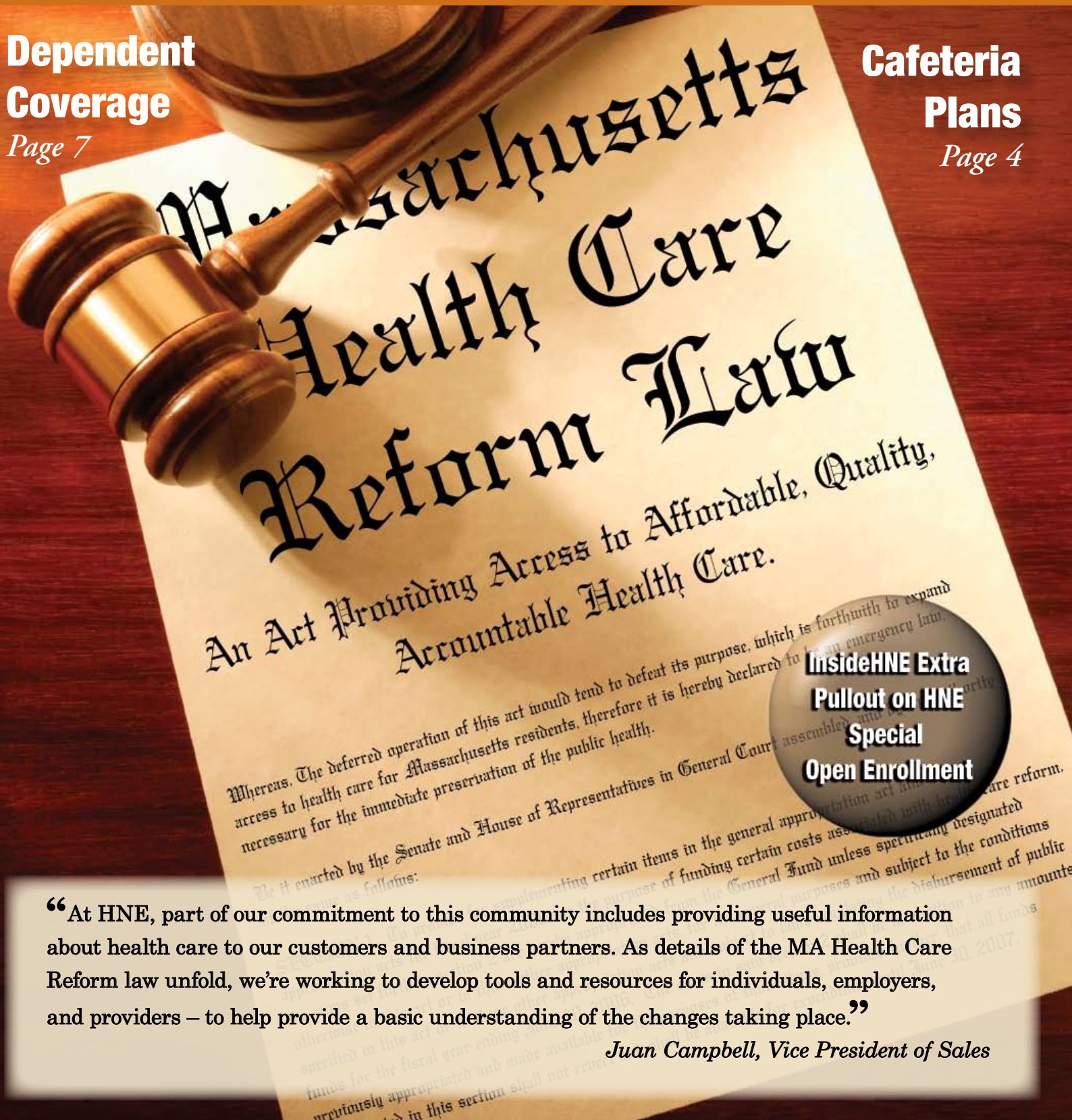
SPECIAL EDITION

Dependent Coverage

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**InsideHNE Extra
Pullout on HNE
Special
Open Enrollment**

“At HNE, part of our commitment to this community includes providing useful information about health care to our customers and business partners. As details of the MA Health Care Reform law unfold, we’re working to develop tools and resources for individuals, employers, and providers – to help provide a basic understanding of the changes taking place.”

Juan Campbell, Vice President of Sales

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FEEDBACK

We want to continue to provide you with tools and information to keep you informed and make it easy to do business with us. To do that, we need your continued help. Please go to hne.com and fill out our on-line survey about this newsletter. *Thank you!*

HEALTH CARE REFORM LAW

HEALTH CARE REFORM:

What does it mean to employers?

In 2006, Massachusetts passed a law commonly referred to as the Massachusetts Health Care Reform Law. The main purpose of this law is to provide health care coverage to the uninsured residents of Massachusetts. The law requires all Massachusetts residents, 18 and older, to have health insurance by July 1, 2007. In Massachusetts nearly 500,000 residents are uninsured, the cost of care is among the highest in the country, the uncompensated care pool is growing too large and at a rapid rate, and the current system is creating an economic drag for taxpayers and businesses. At HNE, we support the law's objective to reduce the number of uninsured.

The Big Picture

The legislation does a few things: it creates a new health insurance market referred to as the Commonwealth Health Insurance Connector; it imposes new charges and assessments (which can

be avoided); it changes the rules for employee health coverage; and it offers new resources such as subsidies and more funding for the Insurance Partnership.

The programs under the Connector are Commonwealth Care and Commonwealth Choice. Commonwealth Care is a subsidized program for Massachusetts residents who earn less than 300% of the Federal Poverty Level (\$29,412; more for families) and who are not currently enrolled in Medicaid or Medicare. Commonwealth Choice is for Massachusetts residents who may not have access to coverage at work. This program will also help to cover "non-traditional" workers e.g., part-time and seasonal employees, or those with multiple jobs.

What the law does

The law imposes two new charges or assessments on employers: 1) the Fair Share Assessment; and 2) the Free Rider Surcharge. Both of these charges can be avoided.

THE FAIR SHARE ASSESSMENT

The Fair Share Assessment will affect employers with 11 or more employees. Employers will be charged the Fair Share Assessment unless they make a fair and reasonable contribution to employee health premiums. An employer is deemed to be making a fair and reasonable contribution if:

- at least 25% of full-time employees are enrolled in an employer-sponsored health insurance plan, or
- the employer contributes at least 33% to the cost of individual health insurance for full-time employees.

Employers that fail to meet the requirements for the fair and reasonable contribution will pay the Employer Fair Share Assessment. The Fair Share Assessment is up to \$295 per employee per year. To demonstrate that they have met the fair and reasonable contribution

requirement, employers will need to complete the Employer Health Insurance Responsibility Disclosure (HIRD) form. The HIRD form has to be filed with the Massachusetts Division of Health Care Finance and Policy. HIRD forms will be available on the Connector website, www.mass.gov/connector.

If an employee who is eligible for coverage through the employer group declines coverage, he or she must complete the Employee HIRD Form. This form must be kept on file by the employer for three years.

Free Rider Surcharge

Employers with 11 or more employees (full or part-time) who don't offer a Section 125 plan will have to pay a "Free Rider Surcharge," or tax, if their



employees or employees' dependents receive more than \$50,000 in free care in a year. The surcharge may range from 10 percent to 100 percent of the cost of free care provided to a company's employees.

If you are an employer with more than 11 employees (full or part-time) in Massachusetts, you can avoid the free rider surcharge by adopting and maintaining a Section 125 cafeteria plan by July 1, 2007.

More information on how to set up a Section 125 plan is included in this brochure.

CAFETERIA PLANS: OFFERING COVERAGE ON A PRE-TAX BASIS

A Section 125 plan is a plan set up by an employer that allows employees to pay for health insurance on a pre-tax basis. Section 125 refers to the section of the Internal Revenue Service tax code that governs these plans. To set up a cafeteria plan, the employer must:

- Establish and maintain a written plan document
- Distribute a Summary Plan Description to plan participants
- Comply with ERISA non-discrimination requirements

The requirements are complex, so we encourage you to seek appropriate professional advice. Services are available to assist with initial plan set-up, preparation of plan documents, and ongoing maintenance.

We recommend you contact one of the following for more information:

- Tax advisor or accountant
- Your payroll administrator, attorney, or Insurance Broker
- MA Business Association (800) 696-8167, mbamembership.com
- The Small Business Service Bureau, (800) 343-0939, sbsb.com
- Employers' Association (877) 662-6444 (413) 789-6400, eane.org
- The Connector 1-877-MA-ENROLL or 1-877-623-7773 mass.gov/connector

Benefit of offering Section 125 plan

- Employers save on social security (FICA) taxes. These savings generally offset the administrative costs of set-up after the first employee signs up.
- Savings on state and federal

taxes and federal FICA withholding taxes can effectively lower the cost of health insurance by 15 percent to over 50 percent.

- You will not have to pay the "Free Rider Surcharge." See page 3, "Potential Payment Responsibilities."
- Employees save on federal, state and FICA taxes because amounts they pay for health insurance premiums effectively lower the amount of income on which they are taxed.
- Take home pay will increase for employees who currently are paying for health insurance individually.



NONDISCRIMINATION PROVISIONS

The law prohibits health insurers from entering into contracts for health insurance with any employer that does not offer health insurance to all full-time employees or that discriminates in health insurance premium contributions.

This means that if you want to provide health insurance for your employees on a fully-funded basis (that is, the risk and costs for health care services your employees receive are assumed by a third party payer), you must agree:

- To offer health insurance to all full-time employees who live in Massachusetts; and
- Not to make a lower health insurance premium contribution to employees who earn lower wages (computed hourly or annually) than the health insurance premium contribution



you make for other employees who receive an equal or greater total hourly or annual salary.

Health plans, such as HNE, will require employers to certify their compliance with this provision.

Employers may establish:

- Different percentage contributions for different plan choices.
- A fixed dollar amount as a contribution to premium for all employees regardless of salary.
- Greater contribution levels for persons who participate in company-sponsored

health and wellness programs.

- Different contribution percentages for employees covered by collective bargaining agreements.

Exemptions

- The employer is not required to offer coverage to retirees, or to part-time, temporary, or seasonal employees.
- ASO or self-funded employers (that is, the risk and costs for health care services that employees receive are assumed by the employer) are not subject to these requirements.

FILING AND REPORTING REQUIREMENTS

In order for the state to monitor which employers are in compliance with these new laws, a number of new reporting requirements have been imposed.

Cafeteria Plan Filing

Employers with more than 10 employees must file their Section 125 plan with the Commonwealth Health Insurance Connector (the “Connector”) by July 1, 2007.

“The law requires all Massachusetts residents over the age of 18 to have health insurance coverage or pay a penalty.”

Statements of Creditable Coverage

The law requires all Massachusetts residents over the age of 18 to have health insurance coverage or pay a penalty. In order for the state to

monitor who has health insurance coverage, employers, or someone with whom the employer contracts (like a service provider or insurance carrier) must provide individuals covered through their group with a written statement verifying their coverage. Beginning in 2008, you are required to provide this statement annually on or before January 31 of each year and to file a separate report verifying the statement to the Commissioner of Revenue.



DEPENDENT COVERAGE

If you currently offer health insurance to your employees

and their dependents, the law requires health insurers to allow those dependents to remain covered longer.

Health insurers now are

required to continue a dependent's coverage for two years after he/she loses IRS dependent status, or until the dependent reaches the age of 26, whichever comes first.

IRS dependent status

- In order to be an actual dependent, the person must be claimed on the subscriber's federal

income tax return, except that: (1) a child of divorced/separated spouses may be claimed by either the subscriber or the

ex-spouse; and (2) a child of a married couple who file separate federal income tax returns may be claimed by either the subscriber or his spouse.



- An individual is considered to have lost dependent status under the Internal Revenue Code if he or she is not listed as a dependent on anyone else's tax return.
- To determine the two year period of coverage for those who lost IRS dependent status, the two year period starts to run at the end of the calendar year in

which the person was last claimed as a dependent. Thus, a person last claimed as a dependent for tax year 2005 will be eligible for coverage through December 31, 2007.

It is possible for a person to lose IRS dependent status, move back into his or her parents' home and qualify as a dependent, and then move out and lose IRS dependent status again. In this case, the person is eligible for two years of coverage from the date of the latest loss of IRS dependent status, or until the child reaches 26, whichever comes first.



RESOURCES AVAILABLE TO YOU

Connector Coverage for Small Groups

The Connector is a new state agency formed to help individuals and small employers access health insurance. Since the new law combines the small group (e.g., small businesses) and nongroup (individual) markets, small groups as well individuals may use the Connector.

As a small group (1-50 employees) your organization can participate in the Connector if you agree:

- not to offer any separate or competing group health plan with the same or substantially the

“The Connector is a new state agency formed to help individuals and small employers access health insurance.”

same benefits as those provided through the Connector

- not to change criteria for eligibility, enrollment and participation in the Connector and the amounts of the employer contribution, if any, at any time other than the period designated by the Connector
- to participate in a payroll deduction program for the payment of the health benefit plan premium payments

- to make records and information available to verify that the employer is in compliance

with federal and state laws relating to group health insurance plans.

Employer/Employee Subsidies (Insurance Partnership):

The IP is a program that helps small employers (1-50) employees pay for health insurance for their employees. This insurance reimbursement program will consist of three programs:

- 1. Employee subsidy program:**
This program will help employees reduce or eliminate their own premium contribution for a plan toward which the employer contributes at least 50% of the premium.
- 2. Self-employed single individual and self-employed husband and wife subsidy**
- 3. Employer health care incentive program:**
This program will reduce the cost to employers of providing or maintaining

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“RESOURCES AVAILABLE TO YOU”

(Continued from page 8)

insurance for their eligible low-income employees. The employer has to pay at least 50% of the premium cost. The amount of payments for each employer will be (a) \$400 for each eligible employee (b) \$800 for each eligible employee with double coverage and (c) \$1000 for each eligible employee with family coverage

For more information on any of these subsidies, contact the Insurance Partnership at:

In State: 800-399-8285

Out of State: 781-830-8282

or insurancepartnership.org

For more information about any of these key topics

- Visit the Commonwealth Health Insurance Connector website at www.mass.gov/connector.
- Visit the Division of Health Care Finance & Policy website at www.mass.gov/dhcfp.

STATE UNVEILS HEALTH PLANS FOR UNINSURED

By DAN RING, dring@repub.com

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A state authority today approved five health plans for sale to uninsured individuals in Western Massachusetts who earn too much to qualify for low-income subsidized insurance.

The “Commonwealth Choice” plans in Western Massachusetts will be available from Neighborhood Health Plan in Boston, Blue Cross Blue Shield of Massachusetts in Boston, Harvard Pilgrim in Wellesley, Health New England in Springfield and ConnectiCare in Farmington, Conn. People can buy the plans on May 1 and they become effective on July 1.

James M. Kessler, Vice President and General

Counsel for Health New England, said he was pleased to receive “the seal of approval” of the Commonwealth Health Insurance Connector Authority.

“We’re optimistic, but only time will tell,” Kessler said. “We’re just happy people without insurance are getting it.”



The plans offered through the Connector are open to individuals and to small businesses with 50 or fewer employees.

The plans are available for people who earn more than 300 percent of the poverty level, or \$29,400 for an individual, \$39,600 for a family of two and \$60,000 for a family of four.

Basic coverage for an average uninsured individual in the four

(Continued on page 10)

“STATE UNVEILS HEALTH PLANS FOR UNINSURED”

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counties of Western Massachusetts, including prescription drugs, include monthly premiums of \$153.79 from Neighborhood Health, \$256.48 from Blue Cross Blue Shield, \$289.43 from Harvard Pilgrim, \$237.59 from Health New England and \$245.74 from ConnectiCare, said Richard R. Powers, spokesman for the Connector Authority. If purchased on a pre-tax basis, the costs of the plans can drop by 25 to 40 percent depending on income.

Annual deductibles for individuals in the five plans range from \$0 to \$2,000.

The average uninsured individual is 37 years old.

John E. McDonough, executive director of Health Care for All in Boston, said today he was disappointed in the costs of the policies approved by the Connector Authority.

The plans might cost too much for some individuals who earn up to \$50,000 a

year, depending on their financial circumstances, he said.

“We were hoping the insurers would come up with new policies that really provided a greater value for the consumer,” McDonough said.

The plans offer a set of choices, but with clear trade-offs, he said. Premiums are lower in plans with higher deductibles and co-payments, or the premiums are higher with lower deductibles and co-payments, he said.

Board members voted unanimously today to approve seven health plans, including the five for Western Massachusetts.

“This marks a huge milestone in the implementation of health care reform,” said Leslie A. Kirwan, Secretary for Administration and Finance and chairwoman of the authority board. The plans offer a broad choice of benefits with different co-payments,

premiums and deductibles.

Of the five basic plans to be offered in Western Massachusetts, for example, Health New England offers a free routine vision exam, while the other four carriers require co-payments.

Visits to physicians for preventive care include co-payments that range from \$0 to \$25. Visits for medical care are subject to annual deductibles in two of the plans, while all five require \$25 copayments, though in two the co-payments come after the deductibles.

All residents of Massachusetts are required to purchase health insurance by Dec. 31, Powers said.



HEALTH CARE REFORM CHECKLIST OF REQUIREMENTS

Requirement	See page	Employer Size		
		10 employees or less	11 to 50 employees	51 employees or more
Subject to requirements of the law		No	Yes	Yes
Can purchase health plans via the Connector	page 8	Yes	Yes	No
Eligible for Insurance Partnership to include annual incomes up to 300% FPL	page 8	Yes	Yes	No
Establish a Section 125 plan by 7/1/2007	page 4	No	Yes	Yes
Must make “fair and reasonable” contribution to premiums or pay a “Fair Share Assessment” (up to \$295/employee/year)	page 3	No	Yes	Yes
Must file Employer HIRD form	page 3	No	Yes	Yes
Must get employees who decline coverage to sign an Employee HIRD form and keep on file for 3 years.	page 3	No	Yes	Yes
May not discriminate in premium contributions for full time employees (applies to fully funded employers only).	page 5	Yes	Yes	Yes
Dependents/Young Adults allowed on parent’s insurance for two years after loss of dependent status under IRS rules or to age 26, whichever is first (applies to fully funded employers only).	page 7	Yes	Yes	Yes

InsideHNE Extra

A R E S O U R C E F O R E M P L O Y E R S & B R O K E R S

March 2007

How CAN WE HELP?SM

Health Care Reform: HNE Offers Optional Special Open Enrollment

Massachusetts residents are required to have health insurance coverage by July 1, 2007. Individuals without coverage will face financial penalties. To help your employees meet this coverage requirement, Health New England is amending its plan to allow your company, if you so choose, to offer a limited special enrollment period. During this special enrollment period, employees who are Massachusetts residents and who declined coverage during their group's regular open enrollment will be allowed to elect HNE coverage. This special open enrollment period will take place between May 1, 2007 and June 30, 2007, for an effective coverage date of July 1, 2007.

However, if you have a Section 125 Cafeteria Plan for your employees (which enables your employees to pay for their health premiums with pre-tax dollars), there is one additional consideration: federal regulations do not permit employees in Section 125 plans to enroll outside of the group's open enrollment unless there is a change in the employee's status, which is not the case here. ***Therefore, if you have a Section 125 Plan, employees who enroll during this special enrollment period must enroll outside of the Section 125 Plan. In other words, they must pay for their health premiums with after tax dollars until the time of your next open enrollment period.*** (Employees in companies without Section 125 Plans also pay their premium share with after tax dollars.)

If you choose to take advantage of this special open enrollment period, we suggest that you give one of the following notices to those employees who did not elect coverage when they first became eligible. One notice is for employers with Section 125 Plans, and the other is for employers *without* such plans. This special enrollment period requires an amendment to the Explanation of Coverage, so Health New England will be amending Section 8 of the Explanation of Coverage as set forth below.

You do not need to take any special action to take advantage of this special enrollment; if you submit an enrollment application for an employee eligible for this special enrollment, please write **“special open enrollment”** in the Reason Section on the Enrollment Form.

(Continued on next page)

**For more information about HNE products and programs,
call us at 413-233-3395 or toll free at 800-842-4464.**



Suggested Notice For Employers With Section 125 Plans

Massachusetts law now requires every Massachusetts resident to have health insurance coverage by July 1, 2007. Individuals who do not have coverage will be subject to financial penalties. To help employees meet this coverage requirement, Health New England is amending its Plan to allow employees who declined coverage during their group's open enrollment to elect coverage during a one-time special enrollment, which will take place between May 1, 2007 and June 30, 2007, for an effective date of coverage of July 1, 2007.

Your employer has a type of employee benefit plan called a Section 125 plan. These plans allow employees to pay for health insurance premiums with "pre-tax" dollars. That means that any amount that you pay for your health insurance premium is excluded from your income for tax purposes. This reduces your taxable income and therefore the overall amount you must pay in taxes. However, in order to get this tax benefit, the Section 125 rules must be followed. These rules do not permit an employee to enroll in the employer's health plan outside of open enrollment unless the employee's status has changed, which is not the case here. ***Thus, if you enroll in HNE now, during this special enrollment period, you will not get the tax benefits of the Section 125 plan until your group's next plan year begins. Until that time, your premiums must be paid with "after tax" dollars. Once your group's next plan year begins, you can participate in the section 125 plan and pay your premiums with "pre-tax" dollars.***

Suggested Notice for Employers That Do NOT Have Section 125 Plans

Massachusetts law now requires every Massachusetts resident to have health insurance coverage by July 1, 2007. Individuals who do not have coverage will be subject to tax penalties. To help employees meet this coverage requirement, Health New England is amending its Plan so that employers may allow employees who decline coverage during their group's open enrollment to elect coverage during a one-time special enrollment, which will take place between May 1, 2007 and June 30, 2007. Coverage will take effect on July 1, 2007.

This notice is not intended as legal or tax advice. Please consult with you company attorney or tax advisor for specific advice about how this Special Enrollment will affect your company.

HNE Plans Receive “Connector Seal Of Approval” From State Individual Health Insurance Plan Sign-ups Begin May 1

The Commonwealth Health Insurance Connector Authority has granted the Connector Seal of Approval to five HNE plans for sale in Western Massachusetts. The Connector is the new state agency created by the Massachusetts Health Care Reform Law. The law, passed in 2006, requires all Massachusetts residents to have health insurance starting July 1, 2007.

Four of the HNE plans range from basic to premier coverage. A fifth plan will be offered exclusively for residents 19-26 years old who are categorized by the law as young adults.

“The HNE Connector plans give people real options for their coverage,” said Peter Straley, President and CEO of HNE. “For some, a low premium cost will meet their needs, while others will see a plan with no deductible payments as a better choice. Our plans will cover those ranges.”

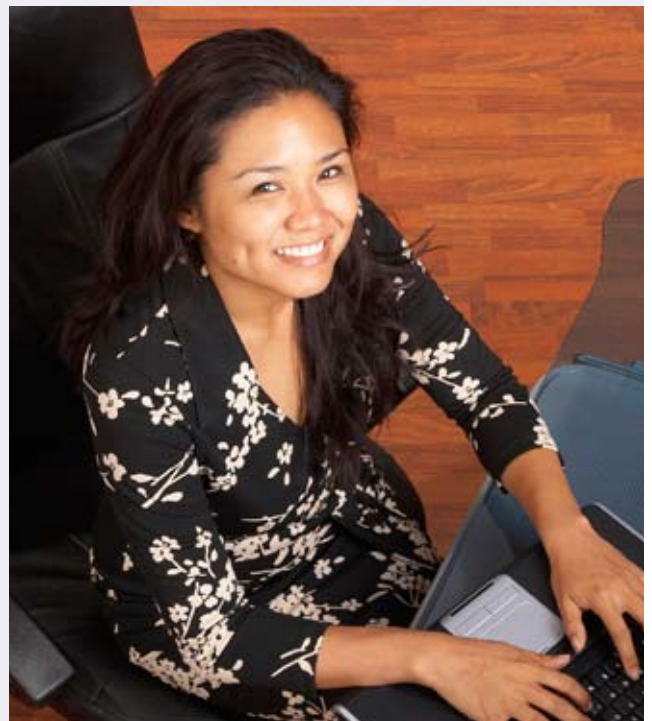
HNE will offer plans in all three categories defined by the Connector: “Basic” plans with low monthly premiums and higher out-of-pocket costs for covered services; “Value” plans with middle range premiums and out-of-pocket costs; and “Premier” plans with higher monthly premiums and lower out-of-pocket costs.

Here is a summary of HNE plans being offered through the Connector:

HNE Wise^{Plus}—This *Basic* plan has a deductible of \$2,000 for individuals (\$4,000 family). Because this plan is a federally qualified High Deductible Health Plan (HDHP) members can contribute pre-tax dollars into a health savings account (HSA). Money in the HSA can be carried over from year to year, or used to pay for qualified medical expenses.

HNE Essential^{Max}—This *Value* plan has a \$1,000 individual (\$2,000 family) deductible. Doctor’s office visits and prescription drugs are not subject to the deductible. For all other medical covered services, members must pay the first \$1,000 in medical expenses. As with other HMO plans, members pay a copayment for covered services.

HNE Principle Alliance — This *Value* plan emphasizes the doctor/patient relationship as a partnership in managing care. Preventive care is the primary focus with this plan. Members pay a modest copayment for covered services, and there is no deductible to meet.



HNE Health^{Max}— This *Premier* level plan offers a generous level of health benefits. Members have access to HNE’s broad HMO network and there is no deductible for covered services.

MyHNE—This plan is available for Young Adults. It carries a \$2,000 individual deductible. Coverage is limited to \$100,000 of medical expenses per year.

In addition, most of HNE’s Connector approved plans cover preventive care at no out-of-pocket cost to the member.

“One piece of advice we give everyone is to make an informed decision before you select your plan. What you pay for the monthly premium is an important consideration, but it’s not the only one. Members should also look at out-of-pocket costs which will vary from modest copayments to several thousand dollars, depending on the plan”, said Straley. “People will be confused in the beginning and will seek out advice. Because HNE is located right here in Western Mass. we are very accessible. Our associates are here to work with individuals and employers to help them determine which plans are right for them.”

For more information about HNE’s Plans, please go to hne.com or contact HNE’s Sales Department at (413) 787-4000.