



Broker Advisory

Massachusetts law requires that residents have health coverage that meets minimum standards

With all the changes in health insurance these days, it can be hard for employers to know what kind of health plan is best for their employees. For brokers working with businesses that employ Massachusetts residents age 18 or older, it is important to understand that employees are required to have health coverage that meets certain Massachusetts standards or else the employees may have to pay a state tax penalty. This requirement is part of Massachusetts state law.

As a broker advising Massachusetts employers about benefits for their employees, you should be aware of specific state standards for employees that are still in effect. This guide is intended to help you ensure that the employers you work with are offering coverage to their employees that meets Massachusetts requirements so that they have important consumer health coverage protections and can avoid state penalties.

Massachusetts Employees' Responsibility to Have Comprehensive Coverage

Massachusetts law requires adult residents to carry health coverage that meets "Minimum Creditable Coverage" (MCC) standards designed to provide access to a broad range of health care services, including preventive health care, without facing severe financial losses as a result of serious illness or injury.

MCC is the type of coverage a Massachusetts resident must have so that they are not penalized under the state's individual mandate law. MCC standards help ensure that more people have the coverage they need, at a lower cost, since it is spread across all people, not just those who need and use particular services.

In addition to Massachusetts law, federal law contains a similar requirement that individuals obtain coverage that meets certain standards. While there is no longer a federal penalty beginning in 2019, please know that Massachusetts residents can still face a state penalty for not having coverage that meets MCC requirements.

Remember...

State residents still have a responsibility to have health coverage that meets certain standards under Massachusetts law, even though similar federal requirements are changing.

Frequently Asked Questions

What kinds of health insurance are considered MCC?

The Massachusetts Health Connector (a state agency) has issued regulations to define key benefits that a plan must provide to be considered MCC. These benefits encompass a broad range of services, and they apply to all members covered by the plan:

- Ambulatory services, including outpatient, day surgery and related anesthesia
- Diagnostic imaging and screening procedures, including x-rays
- Emergency services
- Hospitalization
- Maternity and newborn care, including pre- and post-natal care
- Medical/surgical care, including preventive and primary care
- Mental health and substance abuse services
- Prescription drugs
- Radiation therapy and chemotherapy

Does MCC include any requirements for cost sharing?

Yes, MCC regulations prohibit annual benefit limits on core services and limit the amount a member would have to pay out-of-pocket for care. MCC-compliant plans cap deductibles for individual coverage and family coverage (at \$2,000 for individual coverage and \$4,000 for family coverage, with potential separate prescription drug deductibles). However, carriers may also offer differing deductible options that meet MCC as long as the plan's overall actuarial value exceeds 60 percent or it is paired with a Health Reimbursement Account (HRA) that makes available to employees the difference between the \$2,000 and \$4,000 deductibles required by MCC and the plan's deductible amount. An employer could also choose a federally qualified high deductible health plan if the employer makes available a Health Savings Account (HSA) for employees or funds an HRA for employees.

The maximum out-of-pocket amount for a compliant plan may not exceed the maximum defined by the U.S. Department of Health and Human Services each year. In 2018, the maximum out of pocket allowed in an MCC-compliant plan is \$7,350 for an individual and \$14,700 for a family plan.

How can a broker know if a health plan meets MCC?

All Massachusetts health insurance carriers must include a clear indication of whether a Massachusetts-approved plan meets MCC. Currently, most health plans sold in Massachusetts meet MCC. The Massachusetts Division of Insurance (DOI) requires that symbols (noted below) be placed prominently on an important plan document, such as the first page of the policy, certificate, or schedule of benefits, that an insured receives.



If the insured health plan **meets MCC** standards:

This health plan meets **Minimum Creditable Coverage standards** and **will satisfy** the individual mandate that you have health insurance. Please see page # for additional information.



If the plan **does not meet MCC** standards:

This health plan, alone, **does not meet Minimum Creditable Coverage standards** and **will not satisfy** the individual mandate that you have health insurance. Please see page # for additional information.

You should watch for these symbols. If a checkmark is missing, you should check with the insurance carrier to make sure that the plan meets MCC.

Also, employees of an employer offering a group plan will receive a Form 1099-HC annually from their employer or their carrier in January or February showing the months that the employees and any dependents had MCC in the previous year. They will use this form to complete their state income tax returns and determine if they owe a penalty for not having MCC. If the plan provided to employees does not meet MCC, this will be reported on the 1099-HC, and employees will face a tax penalty for that year.

Are there examples of plans that do not/may not be as likely to meet MCC requirements?

There are certain types of plans that may be especially unlikely to meet MCC requirements. Brokers should be especially cautious if considering selling plan that is a:

Short-term plan

“Short-term limited duration plans” may not satisfy MCC standards. For example, they may have annual caps on benefits. These plans may look similar to typical health insurance for individuals or small businesses, but are exempt from federal Essential Health Benefit requirements, which require plans to cover core benefits like hospitalization, mental health services, and prescription drugs. Even though these plans are subject to state laws, including that they be available regardless of someone’s health status or “pre-existing conditions,” some unscrupulous actors may try to sell limited benefit plans that do not meet state requirements.

Association health plan

Some actors may try to encourage brokers to offer plans through an association health plan. It is important for brokers to know that association health plan coverage may not meet Massachusetts’s MCC standards¹ and may have different rules and practices from a typical health plan for individuals or small businesses. If you are in doubt about whether an association plan meets MCC and other state requirements, please contact the Massachusetts Health Connector and/or DOI.

Discount plan

Some companies may try encourage brokers to sell discount plans/cards, but be aware that these plans are not insurance and do not pay anything toward workers’ medical claims. Instead, they allow for a discount on the cost of some of medical treatment. Having a discount health plan does not satisfy the Massachusetts requirement to have health insurance. Discount plans may promise big savings, but enrollees may end up with no savings and no way to get their money back.

What happens if one of my employer clients offers a plan that doesn’t meet MCC?

If an employer offers a plan that does not meet MCC standards and any of its employees in Massachusetts take up that coverage, those employees could be subject to a tax penalty under Massachusetts state law. In 2018, these penalties can be up to \$119/month or \$1,428/year for an individual. It is important for an employer to understand whether a plan meets MCC standards and make sure their employees know before it is offered to them.

If employees enroll in a plan that doesn’t meet MCC, they will receive a Form 1099-HC that identifies the months during which the employee had non-MCC coverage and the months during which the employee had MCC coverage. The Form 1099-HC is the form Massachusetts resident employees use to help them complete their Massachusetts income tax return. If they didn’t have MCC and don’t qualify for an exemption, they may owe a tax penalty.

As a plan sponsor, employers (and their brokers) can also request that the Health Connector review the plan and determine if it can be considered MCC if the broker or employer is unsure.

¹Some association plans may comply with all of Massachusetts’s requirements (MCC and other consumer protections)—for example, Massachusetts allows select small group purchasing cooperatives to offer discounts, but these are distinct from Association Health Plans (AHPs).

Where can I get more information about MCC?

For information about what qualifies as MCC and requirements for employees to enroll in MCC to avoid a tax penalty, you can **contact the Massachusetts Health Connector at 617-933-3030** or visit the Health Connector’s website at **www.mahealthconnector.org/minimum-creditable-coverage**. For information about health insurance in general, please contact the **Division of Insurance at 617-521-7794**. If you have questions about your current coverage, you can contact your insurance carrier or your employer’s benefits coordinator.