



# The ViewsLetter

## IN THIS ISSUE

- The Nation is Watching  
Massachusetts ..... 1
- About the ViewsLetter ..... 1
- Your Questions ..... 2
- Did You Know ..... 3
- Technical Corner ..... 4
- Identity Theft ..... 5
- Trend Tidbits ..... 5
- Employee Listing ..... 6

## The Nation is Watching Massachusetts

Key portions of the Massachusetts Health Care Reform Act went into effect July 1, 2007. This act may ease the burden uninsured residents place on health care providers, health care insurers and the state of Massachusetts. In a nutshell, the law requires Massachusetts residents to carry health insurance. State residents who cannot prove they have health insurance will pay a sizeable tax penalty. The requirement is likened to state laws that require individuals carry automotive insurance if they own an automobile.



The state of Massachusetts passed this law because uninsured residents were overwhelming the state's Medicaid system and its health care providers. The law seems to be a simple solution to the problem of the uninsured, but the reasons people lack health insurance can be complex. Among those reasons are the following:

- They cannot afford coverage.

- Their employers don't offer health care coverage. In this case, the process for obtaining individual health insurance can be difficult to understand.
- They have a medical condition preventing them from qualifying for affordable coverage.
- They do not consider health insurance a priority.

The Massachusetts Health Care Reform Act requires residents to carry health insurance, and it gives residents many options for securing coverage. Since many employers offer health coverage as an employment benefit, the law affects them as well.

This law applies to any company that employs 11 or more full-time equivalent employees in Massachusetts. Only employees that have been employed at least one month are considered full-time equivalent employees.

**Continued on page 2**

## About the ViewsLetter

We welcome you to the third quarterly issue in Volume Ten of the McGraw Wentworth ViewsLetter. It is our mission to be the leader in the employee group benefits brokerage and consulting industry to mid-sized organizations.

We have established the ViewsLetter as an integral part of our commitment to keep

you informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us at [www.mcgrawwentworth.com](http://www.mcgrawwentworth.com).

# The Nation is Watching Massachusetts, cont.

Employers must meet the following three requirements:

1. **Fair Share Employer Contribution:** Employers must make a fair and reasonable contribution to full time employees' health insurance coverage or contribute a fair share to the state Commonwealth Care Trust Fund. The fair share contribution to the trust will not exceed \$295 for each employee annually.

Several aspects of this requirement are not clear:

- **Meeting the full-time equivalent requirement.** The regulations do not explicitly state how to determine full-time equivalents. The only guidance employers have is the definition used for the other two requirements. To calculate full-time equivalents for those requirements, the employer divides the

total number of all payroll hours by 2,000. If the quotient is greater than 11, the employer must meet the Fair Share Employer Contribution requirement.

- **Meeting the fair share requirement.** Employers can meet one of two tests to determine whether they meet the "fair share" employer contribution:
  - ◆ **Primary Test:** If 25% or more of an employer's full-time Massachusetts employees are enrolled in the employer group health plan, the employer is deemed to make a reasonable and fair contribution. This test applies only to full-time employees working at least 35 hours a week in Massachusetts (the employee need not be a state resident).
  - ◆ **Secondary Test:** If an employer cannot pass the primary test, the employer may still pass the secondary test. To pass this test, the employer must pay at least 33% of the premium for any group health plan available to full-time employees provided they were employed at least 90 days from October 11, 2006, through September 20, 2007.
- For multi-state employers, the tests apply only to employees working in Massachusetts.

## YOUR QUESTIONS

- Q.** We just completed our plan's annual enrollment in July. One of our employee's is going through a divorce and dropped coverage on his wife at open enrollment. Because the divorce has not been finalized, we are unsure whether the wife qualifies for COBRA.
- A.** If your organization is subject to COBRA, two things must occur for COBRA to apply: a loss of coverage and a qualifying event. In this case, the wife has experienced a loss of coverage but not a qualifying event. The divorce would be considered a qualifying event but it is not yet final.

This situation is one of the very few times where there can be a gap between the loss of coverage and a qualifying event. If your employee ended his wife's coverage in anticipation of the divorce, your organization must extend COBRA to the wife at the point the divorce is final. In your situation, if your plan year begins on August 1, the wife's coverage under your plan ends on August 1. If the divorce is final on October 18, the wife becomes eligible for COBRA coverage on October 18. The maximum coverage period will be 36 months measured from October 18.

It is in your organization's best interest to notify the wife of the date her coverage ends and inform her that she is not yet eligible for COBRA because her coverage ends before the divorce is final. Explain any conversion rights available under the plan. Also explain that she must notify you within 60 days of the divorce decree and at that time you will extend COBRA rights as required by law.

Continued on page 3

# The Nation is Watching Massachusetts, cont.

2. **Section 125 Plan Requirement:** Employers with 11 full-time equivalent employees must have a plan that meets Section 125 requirements and Massachusetts Connector rules. The Connector is a state sponsored agency that administers much of the law. This agency sets standards for the minimum level of insurance adults must maintain, helps individuals and employers find cost-effective coverage, provides low- or no-cost insurance for income-qualified residents and works with insurance carriers to help residents obtain affordable coverage.

The Section 125 requirement compels employers to allow employees that may not be eligible for the employer-sponsored group health plan to have access to the Section 125 plan to pay for individual coverage options on a pre-tax basis. The employer must set up a voluntary plan with the Connector that will allow employees not eligible for coverage the ability to purchase their own coverage through the Connector on a pre-tax basis. This requirement does not apply to part-time employees that work less than 64 hours a month.

Employers could be charged a sizeable fine for not setting up such a plan with the Connector if the state is forced to cover an uninsured employee needing care.

Employers are opposed to the Section 125 requirement. Their vocal opposition to this requirement is being heard.

## DID YOU KNOW?

In March of 2007:

- Employers' cost for employee compensation averaged \$27.82 an hour.
- Wages and salaries averaged \$19.47 an hour, roughly 70% of the total cost.
- Benefit cost averaged \$8.35 an hour accounting for the other 30%.
- Cost for legally required benefits (Social Security, Medicare, unemployment insurance and workers' compensation) averaged \$2.21 an hour (7.9% of total compensation).
- Employer cost for paid leave benefits (vacations, holidays, sick leave and other leave) averaged \$1.96 an hour (7% of total compensation).
- Employer cost for retirement savings averaged \$1.16 an hour (4.2% of total compensation).

Source: US Department of Labor, Bureau of Labor Statistics, March 2007

The Section 125 plan requirement was initially effective July 1, 2007. However, the effective date has been pushed back to October 1, 2007. There are rumors that the Massachusetts legislature may repeal this requirement of the law.

3. **Health Insurance Responsibility Disclosures:** Employers with more than 11 full time equivalent employees must report specific information on an Employer Health Insurance Responsibility Disclosure Form. Employees that decline enrollment in the employer-sponsored plan or employers that decline to participate in the Section 125 plan must complete their own disclosure form using information valid as of July 1 of each year. They have yet to announce the due date for this form.

The employee form asks whether the employee already has other coverage and whether the employee is declining because of that coverage. It also asks about the plans the employer offers.

Employers with a Massachusetts location will need to determine whether they must take any action under the Massachusetts Health Care Reform Act.

The nation will learn more about the Massachusetts law over the next year. Several presidential candidates support a universal health care system, and many base their universal health care model on the Massachusetts health care reforms. It will be interesting to see the impact of this health care legislation on the state. Will it reduce the number of uninsured state residents? Will the health care options offered through the Connector

Continued on page 4

# Identity Theft

## Technical Corner

Many organizations are considering plans to improve their employees' health. It makes sense; numerous studies support the value of wellness plans in lowering health plan cost and managing disabilities. As organizations review the world of possibility with wellness programs, electronic communications and programs are a cost effective way to deliver key messages and offer tools to help with lifestyle change.

Believe it or not, most Americans have Internet access at work and at home. Ten years ago, home access was much more uncommon. Because most people are now comfortable working on the Internet, employers have a great opportunity to share health information inexpensively.

For example, perhaps one of your wellness initiatives is to encourage employees to lose weight. You may recommend joining Weight Watchers, but there is another weight loss option available electronically.

This option might be a great alternative to an employee that wants to work on losing weight, but has three children and finds it difficult to commit the time for Weight Watchers meetings. An interactive Website such as eDiets can serve as a weight loss coaching program. It provides diet plans, recipe resources, food tracking tools, electronic community support and discussion groups as well as a corporate services section. It is not too costly and maybe a great option for employ-

ees pressed for time or people who are more comfortable using the Internet to work on improving their health.

This program is just one example of the many wellness opportunities available electronically to help individuals make important lifestyle changes. Other wellness opportunities available electronically include:

- National Association for Health & Fitness: <http://www.physicalfitness.org/nehf.html>.
- USDA Food & Nutrition service: <http://teammnutrition.usda.gov/library.html>.
- National Wellness Organization: <http://www.nationalwellness.org/pdf/2007hoc.pdf>.
- Infinite Wellness Solutions: [http://www.infinitemwellnesssolutions.com/free\\_wellness.html](http://www.infinitemwellnesssolutions.com/free_wellness.html).

You can incorporate a wealth of Internet information into your organization's wellness plan to help employees improve their health. **MW**

be affordable? Will Massachusetts have the funds to subsidize insurance options for its low income residents in the long term?

The implementation of this law is highlighting a significant problem in our current health care delivery system. Many uninsured residents have secured health coverage as required by law, only to find they cannot schedule an appointment with a primary care physician approved by their new insurance plan. Massachusetts, like most other areas of this country, is suffering from a critical shortage of primary care physicians. Many primary care doctors have closed their practices to new patients. If an individual is able to make an appointment with a doctor, the wait can be as long as seven weeks. Solving the problem of the uninsured may just be the tip of the iceberg; the shortage of primary care physicians may hamper the ability of patients to receive basic care.

Many view the Massachusetts reform as a test of a unique universal health care option which is not a state-administered health care plan, but rather a method for providing affordable health care coverage for state residents. **MW**

## Identity Theft

It is not too difficult to find victims of identity theft. In fact, it has probably happened to one of your employees. A survey recently published by Javelin Strategy & Research and the Better Business Bureau indicates that 8.9 million adults had their identities stolen in 2006.

Continued on page 5

## Identity Theft, cont.

With the increase of electronically managed transactions from credit cards to banking, identity theft has become a growing concern among adults. Until a few years ago, we had no laws requiring organizations to let you know your data had been compromised. A California law changed that for California residents, and now it is more common for organizations to inform the public when data is potentially compromised.

People have become more concerned about data theft as the sheer amount of electronic data available has skyrocketed; however, most studies indicate very little electronic data is stolen. The majority of identity theft involves documents lifted from garbage.

In addition, the dollar value of identity theft has increased over the years. In 2003, the mean amount for each victim was \$5,249; in 2006 it was \$6,383. These amounts are no small matter for many people.

What's more, the financial loss is only part of the problem identity theft creates. Victims must contact credit and banking organizations as well as check medical records depending on how the information has been misused.

The amount of time victims spend recovering their identities has increased. The mean time for resolving identity fraud was 33 hours in 2003, and it increased to 40 hours in 2006. Unfortunately, most of the time employees spend to recover their identities is on their employer's clock.

For this reason, many employers are offering insurance against identity theft. As the prevalence of identity theft has increased, more and more vendors are making this option available. Some legal plans, EAPs, and stand alone vendors provide the coverage as well. Employers can either pay for this inexpensive coverage themselves or allow employees to purchase it voluntarily.

Identity theft coverage focuses primarily on monitoring credit applications to spot any fraudulent applications quickly and stop any further credit abuse. Most people do not find out their identity has been stolen until a creditor contacts them because payments are overdue.

The longer the theft goes unnoticed, the greater the losses. When the identity theft is not discovered early on, the average loss can be close to \$20,000 - and it takes longer to recover and correct credit and bank records.

Identity theft vendors offer a service to help employees recover their names and credit standing. This is why some employers pay for the coverage because it saves employee's time. Working with the vendor, the employee typically spends less than an hour to resolve identity theft issues.

Identity theft will continue to be a concern for everyone. Employees whose identities have been stolen would certainly appreciate coverage that monitors credit applications and helps undo the damage of identity theft. Your organization may want to review your benefit options and consider offering identity theft protection. **MW**

### TREND TIDBITS

- \$ PPO plans are expected to see an 11.2% increase over the next 12 months without any employer plan changes.
- \$ HMO plans are expected to see a 10.9% increase over the next 12 months without any employer plan changes.
- \$ POS plans are expected to see a 10.8% increase over the next 12 months without any employer plan changes.
- \$ CDHP plans are expected to see a 10.7% increase over the next 12 months without any employer plan changes.
- \$ General pharmacy costs are expected to increase 9.5%, which is down from 12.2% just one year ago.
- \$ Specialty pharmacy costs are expected to increase 15.1%, which is down from 17% just one year ago.

Source: Aon's Health Care Trends Survey, June 2007

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