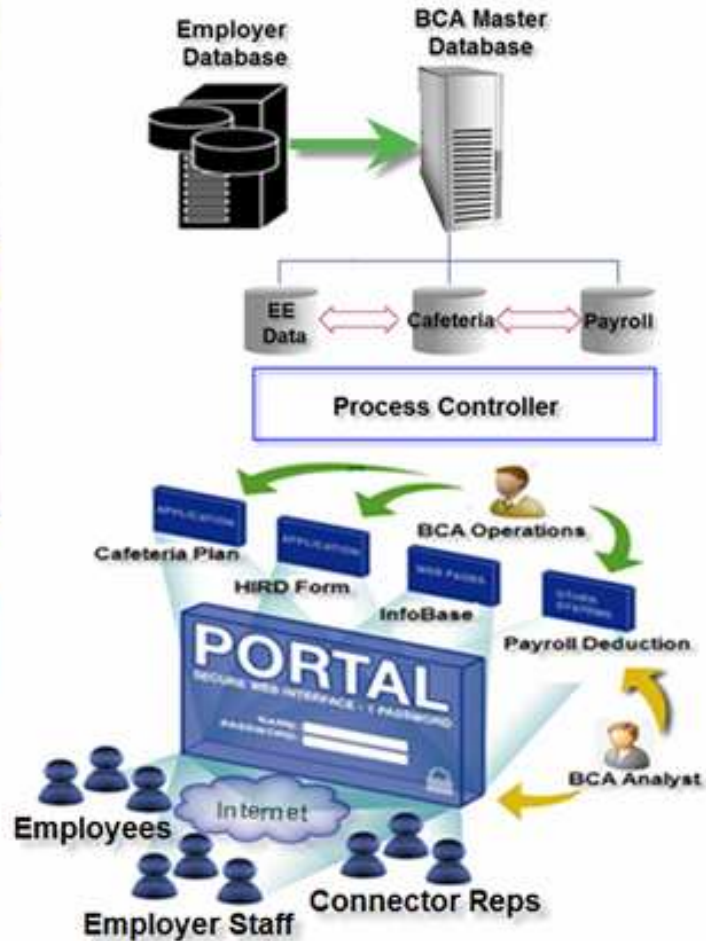


A Guide for Employers on Compliance and Administrative Support for the Massachusetts Healthcare Reform Legislation



A secure web based Platform developed exclusively to serve the compliance requirements of the new Mass Healthcare Regulations.....



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Preface: Background of Healthcare Reform:

The Commonwealth of Massachusetts has enacted new landmark health care reform legislation that is designed to provide access to affordable healthcare coverage for all Massachusetts residents. All residents are now required to have health plan coverage effective July 1, 2007 and their employers are required to assist in the process.

In order to implement significant portions of the legislation the Commonwealth created an independent public authority called The Commonwealth Health Insurance Connector Authority; commonly called the "Connector". The Connector has been charged with helping employers facilitate and support the selection of healthcare by their employees. This "shared responsibility" between the Connector and the employer creates some significant compliance requirements for employers. Any employer solution must be able to integrate with the efforts of the Connector and be able to address the ongoing requirements of employees as they join or leave employers, add or drop coverage, change their hours etc.

Compliance for employers is not a static one time event but an ongoing process that requires access to data, record keeping, document maintenance, communication and financial reconciliation with the Connector. It is this need that we serve.

While the scope of the reform is very large and complex with provisions affecting small group insurance regulations and subsidies for those eligible for "free care"; our analysis will focus primarily on those compliance and reporting requirements that impact those Massachusetts employers that have sponsored healthcare programs in place.

The Employer Compliance Requirements

Employers that are covered by the Massachusetts Health Care Reform Law must have an ongoing process in place that enables them to identify their Massachusetts employees who do not have healthcare through the employer's sponsored Health Plan. These employees with NO COVERAGE will usually fit into 2 categories:
WAIVED: eligible for the employer's sponsored Health Plan and have waived the coverage
INELIGIBLE: not eligible for the employer's sponsored Health Plan in the first instance.

The employer must provide INELIGIBLE employees with a Section 125 Cafeteria Plan including access to a pre-tax payroll deduction feature and have each employee, from whom a HIRD form is required, complete the form (HIRD Form) to satisfy the Health Care Reform Law reporting requirements.

The Employer also has certain filing/reporting requirement indicating the employer is in compliance with the Connector requirements relative to providing a Cafeteria Plan and that the employer is contributing a "fair share" toward the cost of Healthcare.

The Employee Compliance Requirements ("Individual Mandate") 2

The Act's most unique provision applies to an individual and is known as the "individual mandate. Beginning July 1, 2007, all residents of the Commonwealth must obtain and maintain a minimum level of health insurance coverage—referred to as "creditable coverage"—based on a premium schedule published each December 1 that will allow for variations for age and geographic location.

_1. Chapter 58 of the Acts of 2006, AN ACT PROVIDING ACCESS TO AFFORDABLE, QUALITY, and ACCOUNTABLE HEALTH CARE also called Massachusetts Health Care Reform Law.

2. The Act's "individual mandate" under which, beginning July 1, 2007, all residents of the Commonwealth must obtain and maintain a minimum level of health insurance, referred to as "creditable coverage

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Chapter 1. Introduction

The objective of this Discussion Outline is to examine the functionality of the Complete Comply Platform; a combination of software and services that will enable an employer to outsource all of their Mass Healthcare Legislation compliance requirements and at the same time provide useful compliant communication and pre-tax payment support to their employees that are without health insurance.

Special Focus is on our new product called ComplyPro eXpress



The Complete Comply™ solution consists of consulting, employee communications, Cafeteria Plan administration and payroll deduction support.

Central to the solution is a secure WEB Based Portal that enables communication and coordination between the employer, employees, Connector and the various insurance carriers.



Our Services Philosophy

Benefit Corporation of America specializes in offering state-of-the-art administrative solutions that are comprehensive, complete, efficient and cost effective.

Our focus is on what are commonly called "point solutions" or "point products" which refer to a product or service that provides a solution to a very specific single problem, rather than addressing all the requirements that might otherwise be met with a multipurpose or product. We have adopted this approach because employee benefit professionals often need to react quickly and inexpensively to Legislative, regulatory or marketplace change. Making the required changes to complex HRIS, payroll and benefit administration platforms is expensive, time consuming and resource constrained.

Our solutions are Comprehensive and complete. When we address a specific topic, especially one that is new and poorly defined, we build a flexible solution that can accommodate the changes that will inevitably occur. We expect the regulations to change and we will expand our services to meet the requirements, at no additional cost to our clients. With ComplyPro eXpress™ the employer will be able to satisfy all of their Compliance requirements

BCA will function as a single point outsourcer; providing the employer all of the systems, services, communication materials, forms, coordination and consulting needed to communicate with employees, the Connector and their own their internal payroll and HRIS staff. The employer will be able to satisfy all of their Compliance requirements via BCA and at the same provide support to the employees who need the coverage Our mission is to make sure our clients meet their goals, on budget and on time. Our assignments are fixed price and we deliver results, not simply software, documents etc.

What need are we serving?

Every large employer in the Commonwealth of Massachusetts has to address the tasks outlined below. Not just on a one time basis but on a continuing basis subject to strict deadlines and penalties. These tasks are complex, time consuming and frequently changing. As experts in this area of compliance, BCA will insure that the process proceeds smoothly, accurately and at a fraction of the cost of internal deployment...

What does an employer need to do? Minimum View of employer tasks

Design and Implement a Section 125 Cafeteria Plan for their employees who are not eligible for an Employer Sponsored Healthcare Plan.
Communicate and enroll eligible employees in the Cafeteria Plan
Enable Pre-tax Payroll deduction for the members of the Cafeteria Plan that request this service. Forward results and payments to the Connector.
Determine eligibility and obtain HIRD forms. (The "Health insurance Responsibility Disclosure"). Store forms for three years and make copies available to the employee and state regulatory agencies as required.
Prepare and File the required documents and communications with Massachusetts

Why consider software support?

Compliance with the new HealthCare Reform Law will require a significant amount of support in the following areas: Administration, Information Technology, legal support, employee communications, publishing, mailing and distribution etc. It will also require coordination among the Connector, Carriers, the employer and employees. It is a perfect application to be outsourced, rather than appended to current procedures, for several reasons:

Timeliness of the mandates.., with requirements to take effect on July 1, 2007, there is not much time to design, test and implement HRIS and other internal administrative solutions. A developed outsourced approach is faster.

Specialized nature of the procedures... The procedures only have relevance to a small population and cannot be re-used for other purposes.

Changing Nature of the Mandates... We expect that the requirements will be refined on a regular basis; requiring frequent system and procedural change.

Cost... A shared facility, serving many clients can leverage the technology and the experience of many clients, lowering the overall cost for all.

Quality... The Connector, a key player in this transaction, will have limited bandwidth to deal with individual employers. BCA can serve as the client facing liaison for this interaction.

Our product, ComplyPRO eXpress is software and services subscription that you access over the internet

ComplyPRO eXpress is designed to enable an employer to easily and inexpensively comply with all of the healthcare reform laws and requirements in Massachusetts. Our product is available by subscription, either by paying a month of \$20 or by paying \$195 annually in advance.

The only additional cost is when we send an Enrollment and Compliance Kit to an employee at your request. These are only sent to those employees that do not have your company sponsored Health Insurance. There is a \$25 Per Employee Fee for managing this compliance effort.

(Note: This fee includes preparing multiple Kits, postage, follow up notice, scanning forms and storage as required Massachusetts Health Care Reform bill (Chapter 58 of the Acts of 2006) to insure participant compliance).

You can choose between two different approaches to compliance:

- Software Only or
- Software plus Concierge Support

ComplyPRO eXpress, the basic self service subscription, provides everything you need to bring your organization in compliance. If you are comfortable with using software and can follow the instructions the rest of the work is done by software.

On the other hand if you wish to have the use of a personal Compliance Assistant you can take advantage of our Concierge Service and add this valuable support service to the basic package. The cost is \$30 per month in addition to the base subscription rate of \$20 per month.

Our clients have two concerns: what do we need to do to be in compliance and how much will it cost? Employer compliance is complex and time consuming. It requires the performance of a number of tasks such as creation of a Cafeteria Plan, management of employee data, determining employee eligibility, publication of employee materials reporting to the Mass Connector, collecting HIRD forms etc

As to cost, using ComplyPRO eXpress, is very inexpensive;

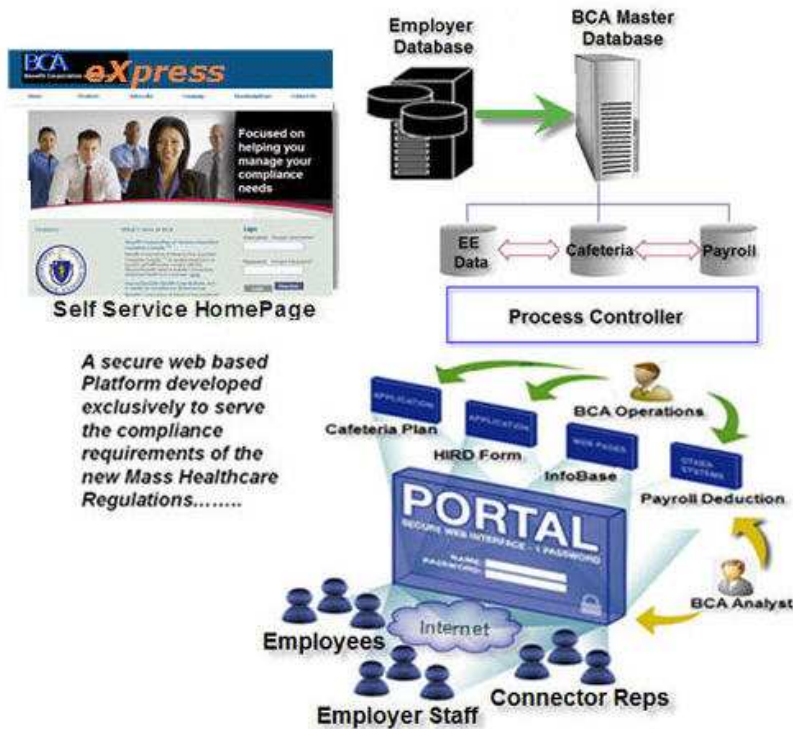
the basic subscription costs less than \$1 per day.

On the other hand penalties for non-compliance are significant and could possibly bankrupt a firm.

How can we maintain these exceptionally low prices?

We can provide these extraordinary low prices because we have completely automated the Massachusetts process. In order to organize and perform these tasks efficiently we have developed The Complete Comply™ Platform, a software system especially designed to manage multi-state compliance.

All our clients use the same Complete Comply Platform



We publish the employee Kits that you request
 You never have to create, mail, scan or store a HIRD Form. We do it all at our facility based on the data that you provide using the software. Enter the employee data via the portal and the system does the rest.

Here is the Employee Kit

With either approach, software only or using the Concierge you have access to the Employee Communications publishing platform where you never have to see or handle a HIRD form. All forms are printed in our facility, mailed to each employee with a post paid return envelope and when received are scanned and stored with the employees record. Each employee receives a personalized Kit, with complete information and a HIRD form that must be returned. The cost of this Kit is in addition to annual fee and is charged as the Kits are requested.



Connector Requirements:
 Communications and eligibility, we will provide a data feed of all of your eligible employees and their eligibility dates to the Massachusetts Connector as required by law.

Reporting:
 The software will provide web access to the Portal that enables activity based reports. You will be able to see the employee data you entered, the HIRD forms sent and received from the employee as a scanned image.

Annual Enrolment:
 As required by the Federal Cafeteria Plan rules, each eligible employee will be given the opportunity to enroll or waive Sec. 125 plan. BCA will provide each employee with the enrollment materials as well as the HIRD forms that must be by the employer.

What will it cost?

Since each employer is different, with different resources; our pricing is determined based on the service level that the client wishes to have. We offer software based Self Service Model where you will have the full support of BCA and satisfaction is guaranteed 100%. If for any reason you are not 100% satisfied your payment will be returned, no question asked.

The Self Service Model

ComplyPro eXpress™ software is a cost effective approach where our Self Service Software can be used to accomplish full compliance.. There is some more effort on your behalf, it is self-service, but the process can be done successfully and you will have access to an online help analyst that can guide you through the process.

Self Service MONTHLY Cost:\$ 20 per month
Or
Self Service ANNUAL Cost:\$ 195 per year
Plus
Individual Employee Kit Processing Cost\$ 25.00 per employee Kit.

The Concierge Level Service Model

An outsourced approach where our expert Analyst will work directly with your organization to define your needs and then put together a plan to accomplish compliance. The responsibility for managing the compliance effort is directed to BCA in the same way as your accountant would prepare your tax return. BCA will provide all of the services and the materials necessary for full compliance.

Full Service Concierge . \$ 30 Monthly (Which is added to the basic subscription of \$20 to total \$50 a Month)



Both models use the BCA publishing platform where you never have to see or handle a HIRD form. All forms are printed in our facility, mailed to each employee with a post paid return envelope and when received are scanned and stored with the employees record.

Each employee receives a personalized Kit, with complete information and a HIRD form to be returned. The cost of this Kit is in addition to the annual fee and is charge as the Kits are requested.

Chapter 2. What must the employer do to be in Compliance?

To satisfy these new mandates employers must develop a compliance process to identify those Massachusetts employees that are subject to the new regulations. The employers must then implement and operate at a minimum:

A Section 125 Cafeteria Plan, to include procedures for enrollment, communications and administration.

A compliance process to publish, collect and store the Employee Health Insurance Disclosure Form ("HIRD") mandated by the law.

A payroll deduction facility and a communications process with the Massachusetts State Connector to exchange data on eligibility, payroll deductions, status under corporate plans etc.

What are the requirements for an employer?

For larger employers there are essentially four requirements.

The first requirement mandates the employer adopt a Cafeteria Plan. This will require an employer create a plan; make it available to eligible employees for their enrollment or waiver.

The second requirement mandates that the employer to obtain a form from each employee "without" health coverage will require identifying the employee, preparing a form for them and collecting and storing the forms. Both of these mandates will require some form of administrative procedure, record keeping, reporting and communication with individual employees

The third Requirement 3, the Fair Share is a calculation that is applied to the overall census and will require some reporting and administration on an annual basis. In general it will not be applicable to larger employers with a sponsored employer subsidized health plan. Requirement 4, the Free Rider subsidy only applies to employers without a Cafeteria Section 125 plan.

Employer Requirements

	Requirement	Comment	Statutory Provision	Massachusetts General Laws Chapter/Section
1.	The cafeteria plan requirement	Employer must create and maintain a Sec. 125 plan that allows certain employees make Pre-Tax payroll deductions.	Act § 48	c. 151F
2	The "health insurance responsibility disclosure" (or "HIRD") form	Employer is required to obtain form from each employee "without" health coverage. Additionally the employer file a form relative to the details of their compliance with the law.	Act § 42 Technical Corrections Act § 25; Ch. 450 § 7	c. 118G, §§ 6B, 6C
3.	Fair share contribution requirement	Payment liability applies primarily to employers that do not have a broad based employer paid healthcare	Act §§ 47 and 134	c. 149, §§ 187, 188
4	The free rider Surcharge	Applies to employers who do not comply with regulations to establish a Section 125 Plan. re. the Connector regulations. The surcharge is assessed on "state-funded health services" incurred by employees.	Act §§ 32, 33, 35 through 40, 44 and 46 Technical Corrections Act § 22; Ch. 450 § 2	c. 118G, §§ 1, 2, 3, 5, 6, 6D½, 18B (c. 118G, §§ 18 and 18A repealed)

Chapter 3. Services that BCA will provide

1. Development of an annual client specific Massachusetts Compliance Plan outlining all of the employer's responsibilities under the new mandates.
2. Creation or amendment of a Section 125 Cafeteria Plan and Enrollment of all eligible employees. Complete Comply™ includes all Federal and State required Cafeteria Plan testing.
3. Preparation of a Database of individual employee data elements so that each Massachusetts employee can be examined to determine how they must comply with the mandates.
4. Preparation of all employee communications to include preparation, distribution and collection of the Cafeteria Enrollment Form, Employee HIRD form
5. Each employee has access to a secure Complete Comply™ portal providing secure access, information, a point of contact, etc. Additionally we will also provide support for employee questions via a toll free 800 number to the Connector and Interactive Voice
6. Preparation of the required Employer HIRD document; ready for employer to submit.
7. Enable Payroll deduction for Cafeteria plan members. Complete Comply™ includes a complete payroll deduction management feature, including communications with the Connector.
8. Other Services: BCA will provide the consulting and required Legal review of the entire process necessary to support our administrative role.

Detail of Services provided by BCA

1. Compliance Plan

BCA will develop a client specific Massachusetts Compliance Plan outlining all of the employer's responsibilities under the new mandates.

What is a Compliance Plan?

A Compliance Plan is a written detailed roadmap that outlines the activities that must be performed and the deadlines that must be met to insure compliance. It includes all of the legal, regulatory and administrative components that must be taken into account. The Plan will include the responsibilities that BCA and the employer must satisfy.

Important to consider is that compliance for employers is not a static one-time event but an ongoing process that requires access to data, record keeping, document preparation maintenance, communication and financial reconciliation with the state's Connector.

2. Cafeteria Plan Management

BCA helps employer to establish a Sec. 125 Cafeteria plan consistent with existing Internal Revenue Code requirements and the new Connector regulations requiring that a compliant plan must allow employees to pay for health premiums through the Cafeteria plan (known as a "Premium Only Plan") and offer access to at least one medical care coverage option.

Document Preparation and/or Review

BCA will assist the employer in adopting a Plan Document as well as an Adoption Agreement. If the employer already has a plan, BCA will review it for compliance and if necessary suggest the form of an amendment.

Enrollment of all eligible employees

The most important facet of the Cafeteria Plan is determining who is eligible and then preparing personalized enrollment kits for each member. These kits are mailed to their homes and the employee can then enroll via the attached form or over the WEB, via the Complete Comply™ Platform.

Discrimination Testing

The Internal Revenue Service (IRS) requires that cafeteria plans pass a series of discrimination tests each year. These tests are designed to show that eligibility and plan benefits are applied fairly and consistently, which in turn allows the plan sponsor to avoid unfavorable tax consequences. The IRS requires that plan eligibility be fair, consistent, and reasonable. Eligibility tests show that eligibility is not limited to or weighted in favor of key or highly compensated employees. A variety of discrimination tests can be performed to show plan compliance.

Utilization Tests Concentration and Benefits tests show that comparable benefits are utilized by a fair number of employees at all compensation levels and in all positions.
Eligibility Tests Cafeteria plans may not exclude non-highly compensated employees from participating in favor of highly compensated or key employees.

3. Preparation of a Database of individual employee data elements so that each employee can be examined to comply with the mandates.

Based on the employee data provided by the employer, BCA creates the BCA Master Database that contains a record for each employee with basic information such as Employee ID, Demographics, address, work status (FT, PT etc.), hours, Medical Plan status etc. The Master file will also contain their current Cafeteria Plan status as well as an image of the Employee HIRD form they submit.

BCA Processes the BCA Master Database 24/7 to insure compliance

BCA Operations will process the individual employee data on a 24/7 basis and make sure that all compliance requirements are met on an ongoing basis while determining what actions must be taken for each employee, as noted below.

- Is the employee Eligible for the "individual mandate"?
- Does employee participate/or waive participation in the employer's coverage?
- Is the employee eligible to purchase coverage from the Connector?
- Is the employee Eligible to participate in the Employers new Cafeteria Sec. 125 Plan?
- Have they elected/waived to be a member of the new Cafeteria Plan?
- Must they complete a HIRD form?
- The Process Controller
- The Process Controller is the BRAIN of the Complete Comply Platform. The entire behavior of the Platform is controlled by the Process Controller.



Business strategies are not static. They change often and the associated business processes change along with them. Because of these changes, it is necessary to remain agile when realizing and modifying business processes in order to serve the client needs. . Business rules engines can make that flexibility possible.

The Process Controller is a parametric Business Rules Engine that has the flexibility to deal with all of the client specific requirements; and change then instantly as the situation demands. In other words , based on client parameters, the system will create the desired system behaviors.

The Process Controller is the repository for the Client specific business rules, processes, messages and workflow. It also contains the passwords for access, document formats and payroll deduction communications and client specific formats.

Additional Feature Connector Connectivity

This data in the BCA Master will enable BCA to create a database will be used to inform the CONNECTOR call center of the employee's eligibility, first to buy from the connector and then to indicate whether the employee is eligible for the employers Cafeteria Plan and can request Pre-Tax deductions. This eliminates confusion and having to send census data to the Connector.

4. Preparation of all employee communications

To include preparation, distribution and collection of the Cafeteria Enrollment Form, Employee HIRD form. Cafeteria Plan Enrollment
Employee must complete enrollment form or enroll online. They will receive a plan description.

HIRD Requirement

Employees that are subject to the individual mandate must sign an Employee HIRD form

- If the employee does not have employer sponsored healthcare because they have declined to participate/waived participation in the employer plan.
- If the employee does not have employer sponsored healthcare because they are not eligible and they decline the employer's offer to arrange for insurance (through the Connector with pre-tax dollars).
- Employers are required to provide the employee HIRD form for the employee's signature. The Employer must retain the signed HIRD form for a period of three years. If the employee does not comply with the employer's request to return the signed form, the employer is required to Document its efforts to obtain the form and maintain the documentation for three years. The form must be signed the earlier of 15 days after the close of the open enrollment period for the employer's health insurance, or July 1 of each year.

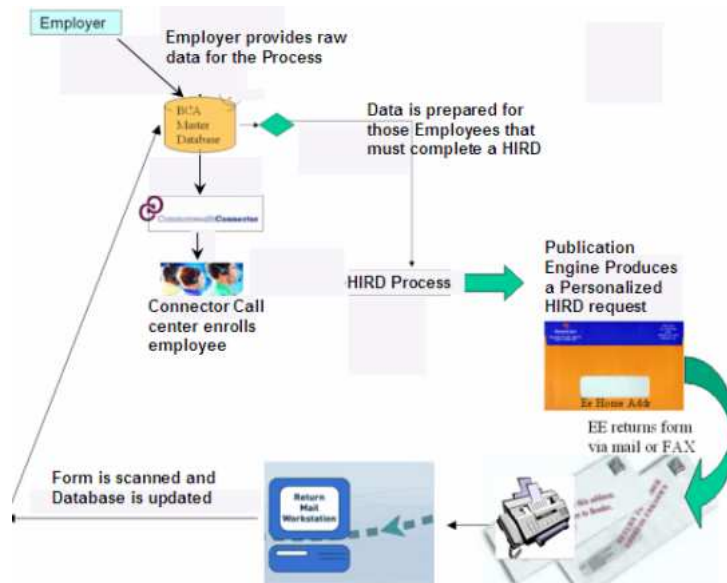
The Employee HIRD Form contains the Employer name and the following:

- The employee's name, whether the Employee has alternative insurance coverage
- An acknowledgement that the employee is aware of the individual mandate and the penalties for failure to comply with the individual mandate.

The HIRD Publication and Collection Process

The focus of this process is to obtain the signed HIRD forms that the employer must obtain and store to comply with the requirements of the Health Reform law. After first determining who is eligible to complete the HIRD

form the system will send a notice to the employee with instructions to return it by return mail or via a fax. In some cases the process can be electronic with an email going to the employee with instructions to come to a website to complete the form. Alternatively the employee can call an 800 number, answer a few questions and complete the process over the phone. The Process supports redundant attempts to reach employees in the case of non-compliance.



5. Support for employee questions via toll free phone, email and portal.

Call center staff will assist employees in answering eligibility questions about the Cafeteria Plan and will provide referral to the Connector. They will also reference Payroll deduction issues.

6. Preparation of the Employer HIRD form

BCA will assist the employer in completing this declaration concerning the Fair Share and other Health Plan information required by the Commonwealth of Mass.

7. Enable Payroll deduction for Cafeteria members

The Payroll deduction Process

The purpose of this process is to enable the employee to obtain a pre-tax deduction. The Connector will support a premium aggregation service designed to allow the Connector approved Insurance Carriers to utilize a single payroll deduction slot at the employer. Essentially medical coverage billing is a many to many relationship with several payroll systems, each with many payroll frequencies required to communicate with multiple carriers. Consolidated billing from the Connector eliminates the burden on Human Resource and Payroll departments to deal with separate bills.

1. The Connector will send a request for a payroll deduction amount to the employer. This amount will be driven by the carrier request as presented to the Connector.
2. Payroll processes the deductions and reports the results back to Connector. The employer sends the amounts so deducted as one dollar amount to the CONNECTOR.
3. Connector then reconciles the results and sends the outcome and specific directions to the Carriers.



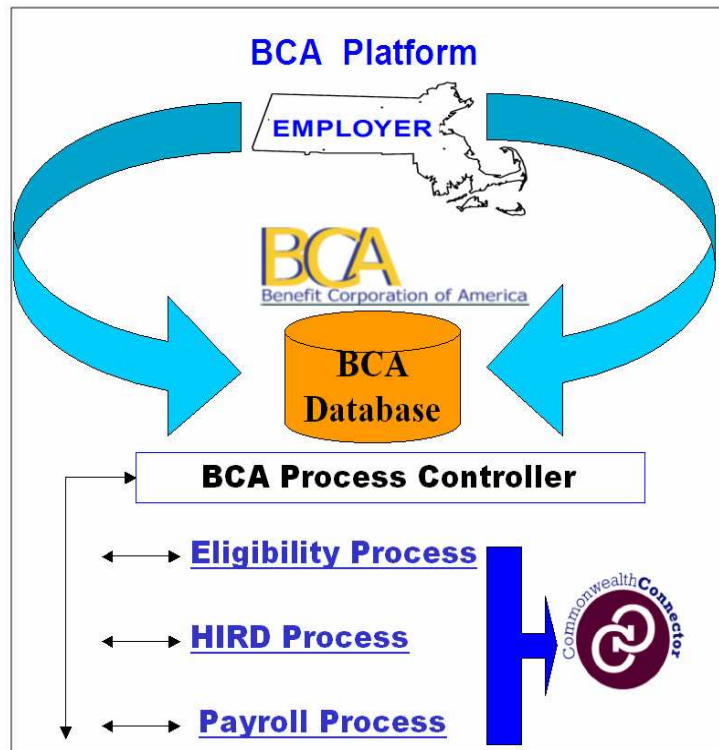
8. Other Services: BCA provides consulting and required Legal review

We expect that new issues will emerge and that different clients will have diverse requirements. Our commitment to you is to see you successfully through compliance, what ever effort it may require. We take a long term view of our client relationships and believe that we will be compensated fairly for our efforts based on our performance.

Chapter 4. How does BCA help the employer to comply

The BCA Master Database The BCA platform will receive periodic data feeds from the employer. The content of this data enables the Platform to determine the eligibility status of each individual employee. That is, what compliance requirements apply to the individual at this time? (NB: Eligibility for a given employee can change often during a covered period).

- Each employee will have a record in the BCA database so that their activity and participation in the Cafeteria Plan and their HIRD form requirements can be tracked over time.
- The BCA Process Controller will act upon each record to perform the functions required for administration and compliance.
- The initial Eligibility Process will determine what processes are required to be performed for each employee. It is the key process performed by the BCA Platform since the outcome will determine the compliance and administration requirements that apply to the employee.
- Process Controller determines how employees are affected by Healthcare Reform
- Employees can be eligible for one provision of the Act, such as the “individual mandate” and not eligible for the other provisions. Only a detailed examination off the data and facts of each situation can determine what provisions apply to a specific employee. In general an employer needs to determine eligibility separately for each requirement. The determinations that are necessary are:



Is the employee Eligible for the individual mandate?

Do they have or have they waived participation in the employer's coverage?

Is the employee Eligible to purchase coverage from the Connector?

Is the employee Eligible to participate in the Employers new Cafeteria Sec. 125 Plan?

Have they elected/waived to be a member of the new Cafeteria Plan?

Must they complete a HIRD form?

The Function of the Process Controller in more detail

The analysis to be applied to each employee to determine their “eligibility” can be quite complex because eligibility is defined by demographics, age, residency, hours worked, service, etc. Additionally the employee's choices, whether they have any healthcare coverage, whether they join the employers Cafeteria plan also affect their eligibility status. Further each employee may change their status as they age, move, make new elections etc.

The complex and changing elements that determine eligibility for a certain provision are the primary data stored on the BCA Platform and acted upon by the BCA Process Controller. The eligibility requirements (i.e. eligible to be required to comply with the mandate(s)) must be applied to each employee to determine their “eligibility”. In general an employer needs to determine eligibility from several standpoints.

Eligibility for the “individual mandate”

Eligibility to participate in the Employers Cafeteria Sec. 125 Plan

Eligibility to purchase coverage from the Connector

Determining Eligibility for the individual mandate

This is the broadest category and will generally include all Massachusetts employees who are considered a Massachusetts “resident” and also classified as “eligible for” or “subject to” the Individual Mandate based on their age and financial status. (I.e. it has been determined that coverage is “affordable” for them.)

Determining Eligibility for the Employers Cafeteria Sec. 125 Plan

These requirements will be different for each employer based upon their requirements. For example the 125 Plan may exclude all employees eligible for the employer’s primary Cafeteria Plan and can exclude certain employees based on the Mass statute. These exclusions are important because, if an employee is not eligible for the Cafeteria Plan, the employer will not need to offer them the pre-tax payroll feature. See Appendix A: Cafeteria Plan Eligibility Exclusions

Determining Eligibility to purchase coverage from the Connector

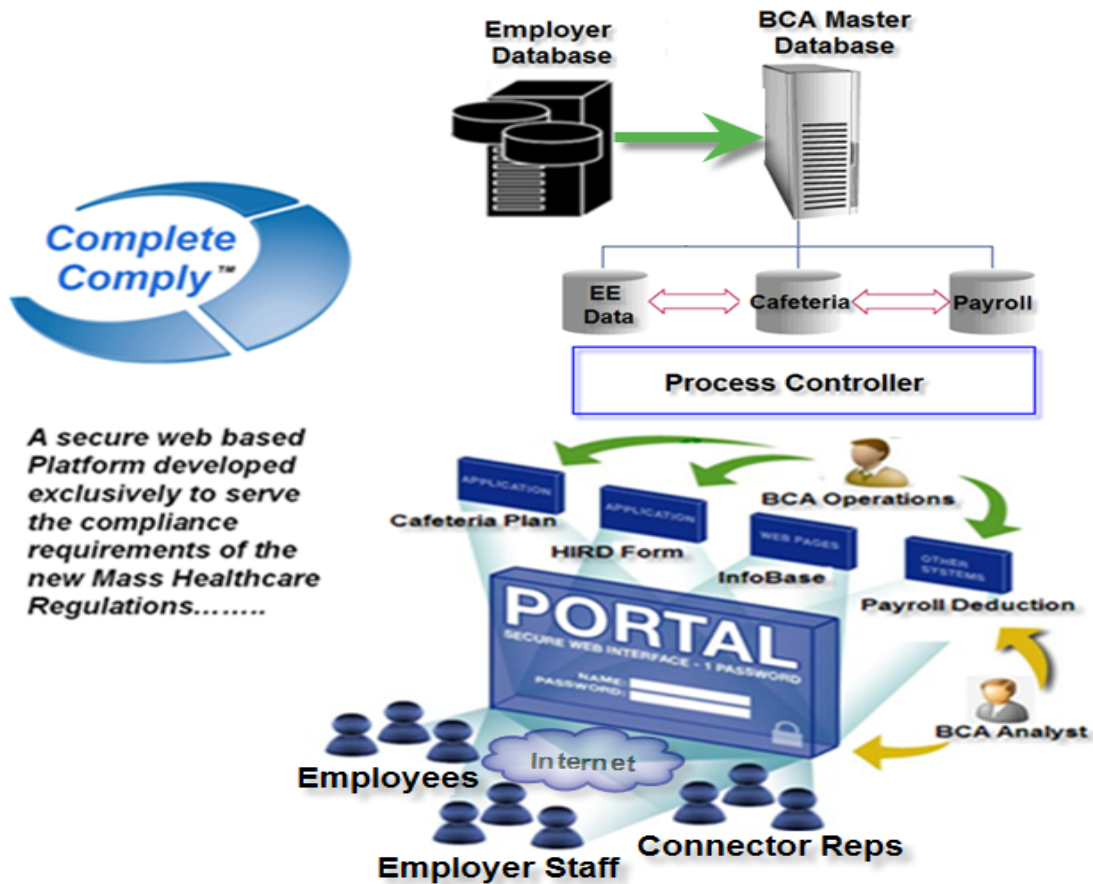
Under M.G.L. c. 176Q, § 4, the Connector may only offer health benefit plans to “Eligible individuals” to mean “an individual who is a resident of the commonwealth [and who] is not offered subsidized health insurance by an employer...” Excluded from this group will be any employees that participate in employer sponsored

The Act’s individual mandate is set out in M.G.L. c. 111M, § 2(a), which provides, in pertinent part—individuals age 18 and over shall obtain and maintain creditable coverage so long as it is deemed affordable under the schedule set by the board of the connector, established by chapter 176Q applies to residents of the commonwealth; or (2) individuals who become residents of the commonwealth

The Act defines the term “resident” broadly to include the following persons:

- (1) Obtained a property tax exemption in real property located in Massachusetts;
- (2) Filed a Massachusetts resident income tax return
- (3) obtained a Massachusetts rental deduction;
- (4) Declared Massachusetts as his or her principal residence;
- (5) Obtained homeowner’s liability insurance on a Mass principal residence;
- (6) Filed a certificate of residency and identified his place of residence in a city or town in the Commonwealth (in order to comply with a Massachusetts residency ordinance for governmental employment);
- (7) Paid in-state tuition rates to attend (or to have a child attend) a state sponsored college, community college or university;
- (8) Applied for and received public assistance from the Commonwealth;
- (9) Has a child or dependent enrolled in a public school in Massachusetts(unless the cost is paid for by the individual, or his or her child or dependent, or by another education jurisdiction;
- (10) Is registered to vote in the Commonwealth;
- (11) Obtained any benefit, exemption, deduction, entitlement, license, permit or privilege by claiming principal residence
- (12) Is a resident under any other written criteria under which the Commissioner of Revenue may determine residency

How the Platform Operates



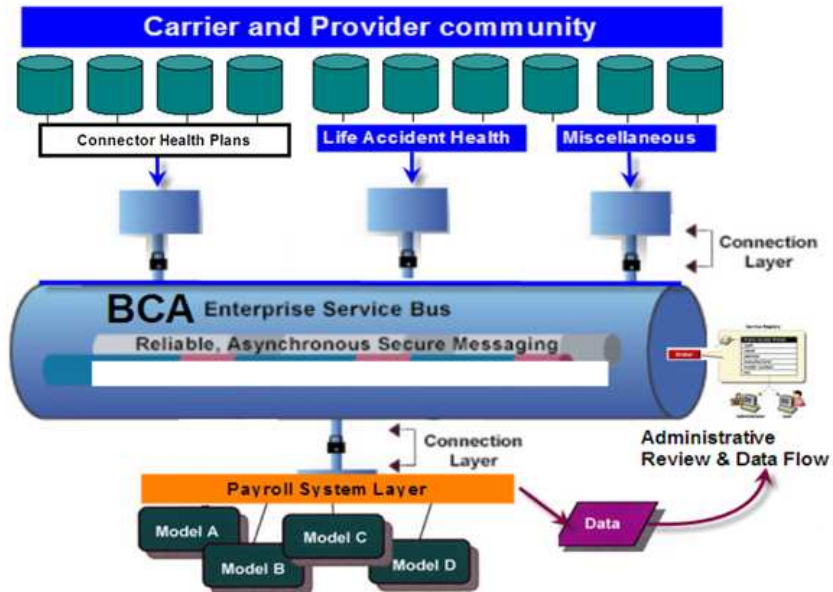
1. Employer Provides Eligibility File. All employees on file are input via the intake process. The file contains basic information such as Demographics, Health Plan status and or Plan selected, EE work status (FT, PT etc.) hours etc.
2. BCA Creates the Client specific BCA master file. BCA Operations runs client specific Process Controller to determine compliance requirements for each employee including eligibility for the Cafeteria Plan and determines the compliance requirements for each employee.
3. BCA Operations enrolls employee in Cafeteria Plan. Eligible employees receive AN Enrollment Kit with all forms required. Employee can enroll via form, on the Web or over an Interactive Voice Response system.
4. BCA provides data to the HIRD Process. Each employee required to sign and return a HIRD will be solicited. The employees must sign the Employee HIRD form and return it to BCA for scanning, storage and reporting.
5. BCA enables Connector to query Eligibility Status via portal. BCA provides "eligibility to buy" certification and whether the employee is eligible for the payroll deduction feature to the Connector.
6. Connector enrolls employee in Health Plan. Call center enrolls employee and forwards any required data to the appropriate carrier. Carrier responds with Payroll deduction request.
7. Connector requests Payroll deduction via BCA. On a regular/monthly basis, the Connector requests the payroll amount for each employee requesting pre-tax payroll from the carrier and routes the request to employer.
8. Employer deducts Pre-Tax via Cafeteria Plan, informs Connector of payroll detail.
9. BCA Informs Connector of Premium payment by employee. Money is wired to Connector by the employer; Connector notifies Carrier and Connector forwards payment to the appropriate carrier.

Chapter 5. The Payroll deduction Process

The purpose of this process is to enable the employee to obtain a pre-tax deduction. The employer can choose to handle payroll deductions directly or have BCA facilitate the process.

Comply™ Platform Interface

This model illustrates the BCA capacity to integrate many payroll inputs into many payroll outputs as required by the employer payroll function



Chapter 6. Conclusion

Compliance with the new HealthCare Reform Law will require a significant amount of Administration, communications among the Connector, Carriers, the employer and employees. The primary responsibility of the employer is twofold:

First they must design, implement and enroll eligible employees in a Section 125 Cafeteria Plan.

Second, they must identify and communicate with all of their employees that are covered by the new regulations.

- The employer must have each identified employee fill out a HIRD form, indicating they are aware of their responsibility to have coverage and providing other details such as their current coverage, whether they have joined the employers Cafeteria Plan etc.
- It is a perfect application to be outsourced rather than appended to current procedures because of several reasons:
 - Cost. A shared facility, serving many clients can leverage the technology and the experience of many clients, lowering the overall cost for all.
 - Quality... The Connector, a key player in this transaction, will have limited bandwidth to deal with individual employers. BCA can serve as the client facing liaison for this interaction.
 - Mandate Deadlines..., with some requirements taking effect on July 1, 2007 there is no time to design, test and implement HRIS and other internal administrative solutions. A developed outsourced approach is faster.
 - Specialized nature of the procedures... The procedures only have relevance to a small population and cannot be re-used for other purposes.
 - Changing Nature of the Mandates... We expect that the requirements will be refined on a regular basis; requiring frequent system and procedural change.
 - BCA will function as a single point outsourcer; providing the employer all of the systems, services, materials, coordination and consulting needed to communicate with employees, the Connector and their own their internal payroll and HRIS staff. The employer will be able to satisfy all of their Compliance requirements via BCA and at the same provide support to the employees who need the coverage.

Appendix A: Cafeteria Plan Eligibility Exclusions may be applied as follows:

Employees who are less than 18 years of age;
Part-time Employees working, on average, fewer than 64 hours per month for employer;
Employees who are considered wait staff, service employees or service bartenders (as defined in M.G.L. c. 149, section 152A) and who earn, on average, less than \$400 in monthly payroll wages;
Student Employees who are employed as interns or as cooperative education student workers; and
Temporary Employees; Seasonal Employees who are international workers with either a U.S. J-1 student visa, or U.S. H2B visa and who are also enrolled in travel health insurance.

Appendix B: Detailed employer requirements

For larger employers there are essentially four requirements.

The first requirement mandates the employer adopt a Cafeteria Plan. This will require an employer create a plan; make it available to eligible employees for their enrollment or waiver.

The second requirement mandates that the employer to obtain a form from each employee “without” health coverage will require identifying the employee, preparing a form for them and collecting and storing the forms. Both of these mandates will require some form of administrative procedure, record keeping, reporting and communication with individual employees

The third Requirement 3, the Fair Share is a calculation that is applied to the overall census and will require some reporting and administration on an annual basis. In general it will not be applicable to larger employers with a sponsored employer subsidized health plan. Requirement 4, the Free Rider subsidy only applies to employers without a 125 plan.

Employer Requirements

	Requirement	Comment	Statutory Provision	Massachusetts General Laws Chapter/Section
1.	The cafeteria plan requirement	Employer must create and maintain a Sec. 125 plan that allows certain employees make Pre-Tax payroll deductions.	Act § 48	c. 151F
2	The “health insurance responsibility disclosure” (or “HIRD”) form	Employer is required to obtain form from each employee “without” health coverage. Additionally the employer file a form relative to the details of their compliance with the law.	Act § 42 Technical Corrections Act § 25; Ch. 450 § 7	c. 118G, §§ 6B, 6C
3.	Fair share contribution requirement	Payment liability applies primarily to employers that do not have a broad based employer paid healthcare	Act §§ 47 and 134	c. 149, §§ 187, 188
4	The free rider Surcharge	Applies to employers who do not comply with the requirements to establish a Section 125 plan meeting the Connector regulations of the law. The surcharge is assessed on the “state-funded health services” incurred by employees.	Act §§ 32, 33, 35 through 40, 44 and 46 Technical Corrections Act § 22; Ch. 450 § 2	c. 118G, §§ 1, 2, 3, 5, 6, 6D½, 18B (c. 118G, §§ 18 and 18A repealed)

What are the requirements for an individual?

The Act’s most unique provision applies to an individual and is known as the “individual mandate” under which, beginning July 1, 2007, all residents of the Commonwealth must obtain and maintain a minimum level of health insurance coverage—referred to as “creditable coverage”—based on a premium schedule published each December 1 that will allow for variations for age and geographic location.

What must an employer do to comply with requirements of Healthcare Reform?

From an administrative standpoint the first two requirements, the creation of a payroll deduction ONLY Cafeteria Plan the collection of the employee Health Insurance Responsibility Disclosure “HIRD” will require the exchange of data, record keeping, collecting and storing forms and reporting as well as communications with the employees on a regular basis.

The other requirements, the “fair share and free rider” require some calculations and data analysis but are minor in their administrative requirements and are primarily designed for employers that do not provide employer sponsored healthcare nor have a Section 125 Plan. These requirements will be satisfied by an annual review and filing on behalf of the employer.

How will these various requirements be defined and monitored?

In order to implement significant portions of the legislation the Commonwealth created an independent public authority called The Commonwealth Health Insurance Connector Authority; commonly called the "Connector". The Connector is defining and administering elements of the reform that will require compliance and certain administrative support by employers in the Commonwealth.

The Commonwealth of Massachusetts Department of Revenue will enforce the Act's Individual mandate. Residents will be required to confirm that they have health insurance Coverage on their 2007 state income tax forms filed in 2008, and coverage will be verified Through a database of insurance coverage for all individuals.

Individuals who fail to comply with the individual mandate in 2007 (and do not otherwise qualify under a waiver or exemption) are faced with the loss of their personal exemption. For 2008 and beyond, failure to comply results in the imposition of a penalty of up to 50% of the monthly "minimum insurance premium for creditable coverage" for each month without coverage. The penalty is first satisfied by forfeiture of any available tax refunds (subject to higher statutory priority claims on use of refunds), and, if that is insufficient, a direct assessment on the affected individual for the balance.

Employer Requirements in Detail

Step 1. Establish a Cafeteria Plan

- The employer must first establish a Sec. 125 Cafeteria plan that is consistent with existing Internal Revenue Code requirements for Section 125 Cafeteria Plans and the new Connector regulations requiring that a compliant plan must allow employees to pay for health insurance premiums through the plan (known as a "premium only plan") and offer access to at least one medical care coverage option. The Plan must have a written document that includes:
 - A specific description of each of the benefits available under the plan, and the time periods during which benefits are provided.
 - The plan's eligibility rules regarding participation.
 - Procedures governing participant elections under the plan, including the time periods during which elections may be made and for which the elections are effective, as well as the extent to which elections are irrevocable.
 - The manner in which employer contributions may be made to the plan, such as by a salary reduction agreement or non-elective employer contribution.
 - The maximum amount of elective employer contributions available to any participant under the plan.
 - The plan year on which the plan operates.
- If an employee is not eligible to be a member of the employers Cafeteria Plan or they waive participation; they cannot use the payroll pre-tax feature. Consequently even though they can purchase a Connector plan they cannot have the employer deduct the premium. The Connector call center must be aware of this so they do not set the employee up as a payroll deduct client.

Step 2. Determination of the employees affected by Healthcare Reform.

The analysis to be applied to each employee to determine their "eligibility" can be quite complex because eligibility is defined by demographics, age, residency, hours worked, service, etc. Additionally the employee's choices, whether they have any healthcare coverage, whether they join the employers Cafeteria plan also affect their eligibility status. Further each employee may change their status as they age, move, make new elections etc.

The complex and changing elements that determine eligibility for a certain provision are the primary data stored on the BCA Platform and acted upon by the BCA Process Controller. The eligibility requirements (i.e. eligible to be required to comply with the mandate(s)) must be applied to each employee to determine their "eligibility". In general an employer needs to determine eligibility from several standpoints.

- Eligibility for the "individual mandate"
- Eligibility to participate in the Employers Cafeteria Sec. 125 Plan
- Eligibility to purchase coverage from the Connector

Determining Eligibility for the individual mandate

This is the broadest category and will generally include all Massachusetts employees who are considered a Massachusetts “resident” and also classified as “eligible for” or “subject to” the Individual Mandate based on their age and financial status. (I.e. it has been determined that coverage is “affordable” for them.)

The Act’s individual mandate is set out in M.G.L. c. 111M, § 2(a), which provides, in pertinent part—individuals age 18 and over shall obtain and maintain creditable coverage so long as it is deemed affordable under the schedule set by the board of the connector, established by chapter 176Q applies to residents of the commonwealth; or (2) individuals who become residents of the commonwealth

The Act defines the term “resident” broadly to include the following persons:

1. Obtained a property tax exemption in real property located in Massachusetts;
2. Filed a Massachusetts resident income tax return
3. obtained a Massachusetts rental deduction;
4. Declared Massachusetts as his or her principal residence;
5. Obtained homeowner’s liability insurance on a Mass principal residence;
6. Filed a certificate of residency and identified his place of residence in a city or town in the Commonwealth (in order to comply with a Massachusetts residency ordinance for governmental employment);
7. Paid in-state tuition rates to attend (or to have a child attend) a state sponsored college, community college or university;
8. Applied for and received public assistance from the Commonwealth;
9. Has a child or dependent enrolled in a public school in Massachusetts(unless the cost is paid for by the individual, or his or her child or dependent, or by another education jurisdiction;
10. Is registered to vote in the Commonwealth;
11. Obtained any benefit, exemption, deduction, entitlement, license, permit or privilege by claiming principal residence
12. Is a resident under any other written criteria under which the Commissioner of Revenue may determine residency

Determining Eligibility for the Employers Cafeteria Sec. 125 Plan

These requirements will be different for each employer based upon their requirements. For example the 125 Plan may exclude all employees eligible for the employer’s primary Cafeteria Plan and can exclude certain employees based on the Mass statute. These exclusions are important because, if an employee is not eligible for the Cafeteria Plan, the employer will not need to offer them the pre-tax payroll feature.

Determining Eligibility to purchase coverage from the Connector

Under M.G.L. c. 176Q, § 4, the Connector may only offer health benefit plans to “Eligible individuals” to mean “an individual who is a resident of the commonwealth [and who] is not offered subsidized health insurance by an employer...” Excluded from this group will be any employees that participate in employer sponsored health insurance.

Determine How Eligibility affects the administrative requirements

Once the employee’s eligibility for a process has been determined in Step 1, the employer will have to determine which requirement(s) apply to the employee and take steps to fulfill the requirement.

HIRD Requirement

Employees that are subject to the individual mandate must sign an Employee HIRD form

If the employee does not have employer sponsored healthcare; because they are not eligible, or

If the employee does not have employer sponsored healthcare because they are not eligible and they decline the employer’s offer to arrange for insurance (through the Connector with pre-tax dollars) ,or

If the employee does not have employer sponsored healthcare because they have declined to participate in the employer plan.

Employers are required to provide the employee HIRD form for the employee’s signature. The

Employer must retain the signed HIRD form for a period of three years. If the employee does

Not comply with the employer’s request to return the signed form, the employer is required to

Document its efforts to obtain the form and maintain the documentation for three years. The form must be signed the earlier of 15 days after the close of the open enrollment period for the employer's health insurance, or July 1 of each year.

The Employee HIRD Form must contain the name of the Employer and the following information:

- The employee's name
- Whether the Employee has alternative insurance coverage
- An acknowledgement that the employee is aware of the individual mandate and the Penalties for failure to comply with the individual mandate.

Cafeteria Plan Requirement

For employees that are subject to the individual mandate and

- If an employee is eligible for the Cafeteria Plan the employer must offer them the Cafeteria Plan.
- If the employee becomes a member of the plan and requests payroll deductions on a pre-tax basis the employer must honor the request.
- If the employee waives participation they must report this on the HIRD and they are not eligible for pre-tax payroll deduction.

- If an employee is not eligible to be a member of the employers Cafeteria Plan or they waive participation; they cannot use the payroll pre-tax feature. Consequently even though they can purchase a Connector plan they cannot have the employer deduct the premium. The Connector call center must be aware of this so they do not set the employee up as a payroll deduct client.
- **CONNECTOR Coverage Requirement**
- Under M.G.L. c. 176Q, § 4, the Connector may only offer health benefit plans to
- "Eligible individuals," 24 M.G.L. c. 176Q, § 1 defines the terms "eligible individual" to mean "an individual who is a resident of the commonwealth [and who] is not offered subsidized health insurance by an employer with more than 50 employees". If an employee is offered subsidized health insurance by an employer" the employee **CANNOT BUY COVERAGE FROM THE CONNECTOR**. From an administrative viewpoint the Connector call center must be made aware of this fact so that they do not enroll the employee.

- **Appendix C: BCA creates employee Master File**

Based on the data provided by the employer, the Employer Eligibility File, all employees on the file with basic information such as Demographics, Plan selected, and EE work statue (FT, PT etc.) hours, Medical Plan status are added to the Master Database. The Master file will contain a record for each employee and will have indicators that denote their current status.

Data Elements on the BCA Master

BCA creates a file to assist in preparation of the Fair Share and Free Rider Surcharge Determinations

POSITION	FIELD NAME	PIC	FIELD DESCRIPTION
1	Transaction Code	x(1)	'E' for an Employee record.
2-8	Customer Number	9(7)	'9999999'
9-19	Employee's SS#	9(11)	Employee's SSN (right justified - leading zeros).
20-39	Employee ID#	X(20)	Employee's internal ID #. If not applicable, space
40-59	Employee Last Name	x(20)	Left justified.
60-71	Employee First Name	x(12)	Left justified.
72	Employee Middle Initial	x(1)	Requested but not required.
73-80	Employee Birth Date	9(8)	MMDDYYYY format.
81	EE's Marital Status	x(1)	'M', 'S', or 'U' - optional field
82	Employee's Gender	x(1)	'M', 'F', or 'U' - optional field
83-84	Employee Work Type	x(2)	FT, PT, etc...
85-92	Employment date	9(8)	MMDDYYYY format.
93-103	EE's Annual Salary	9(9)v99	Zero fill
104-111	EE's HRS work per Month	9(8)	Zero fill
112	Employee Status Code	x(1)	A, T, R, L, D
113-120	Status Code Effective Date	9(8)	MMDDYYYY format.
121-160	Email Address	x(40)	Left Justified.
161	Medical Plan Eligibility	x(1)	Y=Eligible, N=Not eligible
162	Medical Plan Participation Code	x(1)	Y=Eligible, N=Not eligible
163-170	Medical Plan Effective Date	x(8)	MMDDYYYY format.
171-202	Care of Address	x(32)	Left justified.
203-234	Street Address	x(32)	Left justified.
235-255	City	x(21)	Left justified.
256-257	State	x(2)	This field should contain the postal abbreviation the state (left justified).
258-266	Zip code	x(9)	This field should contain the five or nine digit zip with no punctuation (left justified).
267-eof	Other Medical Plan Coverage		

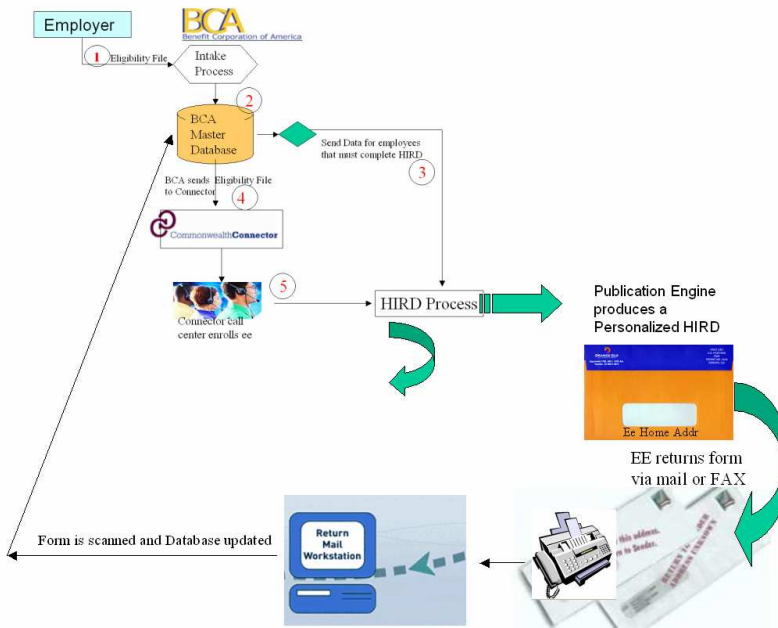
This data in the BCA Master will enable BCA to create a Calculation file that contains the data needed to perform the required coverage calculations (Fair share contribution requirement and the free rider surcharge) if necessary for the client. The data can also be used to produce the census data to be presented on the Employer HIRD form such as Number of full-time employees, Number of part-time employees, covered employees, waived coverage etc.

BCA provides Eligibility Connectivity to the Connector

This data in the BCA Master will enable BCA to create a database will be used to inform the CONNECTOR of the employee's eligibility, first to buy from the connector and then to indicate whether the employee is eligible for the employers Cafeteria Plan and can request Pre-Tax deductions.

The BCA HIRD Process

The focus of this process is to obtain the signed HIRD forms that the employer must obtain and store to comply with the requirements of the Health Reform law. After first determining who is eligible to complete the HIRD form the system will send a notice to the employee with instructions to return it by return mail or via a fax. In



some cases the process can be electronic with an email going to the employee with instructions to come to a website to complete the form. Alternatively the employee can call an 800 number, answer a few questions and thereby complete the process over the phone. The process can be repeated or can use alternative electronic methods to lower costs. The Process can have redundant attempts to reach employees in the case of non-compliance.

The Basic Employee Kit ...Mail and Fax HIRD material is below.

