

## **CLIENT ALERT: Massachusetts Employers Must Provide Proof of Health Insurance Coverage Statements to Employees and Submit DOR Reports by January 31, 2008**

*Massachusetts Employers Must Provide Proof of Health Insurance Coverage Statements To Employees AND SUBMIT DOR REPORTS By January 31, 2008*

As mandated by the Massachusetts Healthcare Reform law, most Massachusetts adult residents must have health insurance coverage by December 31, 2007. Proof of coverage is evidenced in the new "1099-HC" form, an annual statement issued to individuals showing that he/she has obtained and is covered by health insurance as of the December 31<sup>st</sup> deadline.[1] The Massachusetts Department of Revenue (the "DOR"), the agency in charge of developing the new Schedule HC attachment to the state income tax forms, has issued two new employer mandates. By January 31, 2008, Massachusetts employers must: (1) furnish 1099-HC forms to their employees to whom they provided health insurance; and (2) submit an electronic report to the DOR.[2]

The DOR has developed a list of information that must be present on each individual's 1099-HC form, which includes the following: (1) the name of the health insurance carrier or employer; (2) the name of the covered individual and the names of any covered dependents; (3) the dates of coverage; (4) the policy number; and (5) if applicable, the group policy number.[3]

It is important to note that employee social security numbers may not appear on the 1099-HC form. Since the DOR has not finalized its 1099-HC form policies, it is possible that it may implement additional information reporting requirements, prior to the January 31, 2008 due date.

In addition to providing their Massachusetts employees with proof of health insurance coverage via 1099-HC forms, employers must provide a separate report to the DOR verifying the information on the employee 1099-HC statements. The DOR anticipates that it will require such reports to be filed electronically. Beginning on January 31, 2008, employers must annually submit the 1099-HC forms and the DOR report no later than January 31 for the prior tax year.

The information contained in the 1099-HC statements and DOR reports are intended to be confidential and do not constitute public records. An employer's failure to comply with these requirements may result in a penalty to the employer of \$50 per employee, or a maximum fine of \$50,000 per year.

For additional information concerning the DOR's rules and regulations related to Massachusetts Healthcare Reform, or if you would like to discuss employer obligations under the Massachusetts Healthcare Reform Act further, please contact Jennifer Bombard or Daniel Field by telephone at (617) 523-6666, or by electronic mail at [jbombard@morganbrown.com](mailto:jbombard@morganbrown.com) or [dfield@morganbrown.com](mailto:dfield@morganbrown.com).

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[1] The 1099-HC form is intended to be used by individuals in completing their 2007 Massachusetts Resident state income tax forms, specifically the new Schedule HC attachment, to avoid losing their personal exemption (the penalty imposed on individuals who have failed to secure health insurance).

[2] Employers may contract with insurance carriers or service providers to comply with this requirement. In Massachusetts, most insurance carriers will issue this form to their subscribers and plan participants on behalf of employers; however, employers are encouraged to communicate with their carriers to ensure that all 1099-HC form and reporting obligations are met.

[3] There is no mandated or specified format for the 1099-HC form, although a sample form is available at the DOR's website at: <http://www.mass.gov/dor>.

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