



SBSB's Mosaic Section 125 Voluntary Program

July 2013

Dear Employer,

Thank you for contacting SBSB's Mosaic Section 125 Voluntary Program.

Recently you received a letter from the Massachusetts Health Connector informing you that your Section 125 Voluntary Plan (VP) account through the Health Connector will end on December 31, 2013 due to an amendment to Section 125 of the Internal Revenue Code made by the Affordable Care Act (ACA). This amendment prevents individuals from purchasing individual market coverage on a pre-tax basis through a government exchange such as the Health Connector. We have a solution to this problem – replicate the Health Connector's VP program through a private, nongovernmental exchange.

Why use a private exchange? Because Massachusetts law still requires you to provide your employees with a Section 125 plan option to pay for health insurance on a pre-tax basis, including employees who are not eligible for your employer-sponsored health plan. With the closing of the Health Connector's VP program it is important for your company to find a new way to comply with the MA Section 125 cafeteria plan requirement, and to avoid the potential assessment of Free Rider Surcharges.

SBSB's Mosaic Section 125 Voluntary Program will replicate most of the Health Connector's VP program, offering a broad choice of name brand non-group Massachusetts health insurance plans that may be purchased by your employees (who are not eligible for your employer-sponsored health plan), and paid for with pre-tax dollars through your Section 125 cafeteria plan.

SBSB's Mosaic Section 125 Voluntary Program is the solution to ensure:

- Your continued compliance with the MA Section 125 cafeteria plan requirement on and after January 1, 2014.
- Your employees can obtain health insurance coverage they need from carriers they know and trust, and can pay for it on a pre-tax basis.

Our knowledgeable staff will provide you and your employees with the same high level of quality service you have received as a participant in the Health Connector's VP program.

As an added benefit, Mosaic will waive all employer Monthly Transaction fees for the first year if you enroll by October 1, 2013.

The next step to a smooth transition from the Health Connector's VP program to SBSB's Mosaic Section 125 Voluntary Program is simple. Just call your SBSB Mosaic Section 125 Voluntary Program specialist at **1-888-806-1041**, email us at info@mosaicix.com, and/or return the enclosed Employer Administrative Agreement by October 1, 2013.

Enclosed is a Frequently Asked Questions (FAQ) document which will provide some valuable information as you consider your options. Let SBSB's Mosaic Section 125 Voluntary Program be the solution for you and your non-benefit eligible employees in 2014.

Sincerely,

A handwritten signature in black ink that reads "Lisa M. Carroll".

Lisa M. Carroll, *President*



SBSB's Mosaic
Section 125 Voluntary Program
Employer FAQs

1. What changes are taking effect as of January 1, 2014?

On January 1, 2014, your Voluntary Plan (VP) program account with the Health Connector will be discontinued because of a change in federal tax law. Due to an amendment to Section 125 of the Internal Revenue Code made by the Affordable Care Act (ACA), individuals may not purchase individual market coverage on a pre-tax basis through a government exchange such as the Health Connector on or after January 1, 2014.

Unless you have a replacement for the Health Connector VP program, you will not be in compliance with the MA Section 125 Plan requirement as of January 1, 2014.

Further, your employees currently enrolled through the Health Connector VP program will need to pay for that coverage with after-tax income as of January 1, 2014. The last invoice you will receive from the Health Connector for currently enrolled VP employees will be in October for December coverage. And newly-hired employees will not have the opportunity to enroll in the VP program after December 1, 2013.

2. What is the Health Connector Voluntary Plan?

The Health Connector VP program is an option available to employers subject to the MA health care reform Section 125 Plan requirement. The Health Connector VP program provides employees who are ineligible for an employer-sponsored health plan with an opportunity to enroll in an individual health insurance plan offered through the Health Connector and pay the premium on a pre-tax basis through a Section 125 plan maintained by the individual's employer. Under the VP arrangement, the employer does not contribute to the cost of coverage and is not responsible for any underpayment of premium by the employee.

3. Who currently administers my Voluntary Plan account (Section 125)?

SBSB has been the sub-contracted administrator of the Health Connector VP program since 2007.

4. What is a Section 125 Plan?

The Section 125 Plan is a plan established by an employer for its employees under federal tax law through which employees elect certain benefits. The plan permits employees to elect to pay for health plan coverage on a pre-tax basis. Pre-tax means that the health insurance premium contributions are deducted from the employee's compensation before state, federal and FICA taxes are withheld from the employee's compensation. Employers also save on their portion of FICA taxes. The tax savings could be as much as 40% of the premium cost.

5. Why do I need to find a replacement for the Health Connector VP program?

Under MA law, employers with 11 or more full-time equivalent employees must make a Section 125 Plan (a "cafeteria plan") option available to all employees to pay for health insurance on a pre-tax basis, even for employees that are not eligible for the employer's group health plan. This requirement went into effect in 2007 under Massachusetts General Laws, chapter 151F and MA regulation 956 CRM 4.00.

Even though changes to federal tax law prevent the operation of the Health Connector VP program, Massachusetts law still requires employers to provide employees with a Section 125 Plan option to pay for health insurance on a pre-tax basis. With the closing of the Health Connector's VP program it is important for your company to find a new way to comply with the MA Section 125 Plan requirement in order to avoid the potential assessment of Free Rider Surcharges.

6. What is the penalty under MA law if I do not comply with the MA Section 125 Plan requirement?

Employers may be subject to the Free Rider Surcharge. This surcharge penalty is assessed for health care costs paid by MA for any employees (or their dependents) who were not offered participation in the employer's Section 125 Plan. Penalties vary by employer size and increase in amount based on the number of times the employer is surcharged.

7. What is Mosaic Insurance Exchange, Inc.?

Mosaic Insurance Exchange is a private, full service employee benefit exchange incorporated in Massachusetts in 1973. We have a strong track record in implementing and operating online shopping experiences in high security environments for health, dental, and life insurance carriers across the country. Our integrated B2B solution combines customer centric sales,

administration and support services for small and large employers, employees, and brokers.

Mosaic Insurance Exchange is affiliated with Small Business Service Bureau, Inc., (SBSB) the sub-contracted administrator of the Massachusetts Health Connector's Commonwealth Choice program since 2007. We were the first in the country to participate in a public-private partnership to design and operate an online health insurance exchange.

Today, we have applied our experience and best practices to offer a health insurance exchange including online and call center enrollment support, easy renewal options, account management services, premium billing and aggregation, and one invoice for companies to simplify administration and bookkeeping. Mosaic Insurance Exchange combines the best of today's technology solutions with a strong customer service approach.

8. What is the Mosaic Section 125 Voluntary Program?

SBSB's Mosaic Section 125 Voluntary Program will be administered through Mosaic Insurance Exchange, offering you a private exchange solution to ensure your compliance with the MA Section 125 Plan requirement. It will replicate most of the Health Connector's VP program, offering a broad choice of name brand non-group Massachusetts health insurance plans that may be purchased by your employees on their own, and paid for with pre-tax dollars through your Section 125 cafeteria plan. You will experience the same high level of quality service you have received as a member of the Health Connector's VP program, with minimal disruption to management of your account.

The Mosaic Section 125 Voluntary Program will be available this Fall (2013) for a January 1, 2014 coverage effective date. Participating health plans have filed their products and rates with the Massachusetts Division of Insurance. Once approved, the plans will be available for shopping through SBSB's private Mosaic Insurance Exchange.

9. Will my employee be able to pay for their health insurance with pre-tax dollars? What about the data my company sends every month electronically?

SBSB's Mosaic Section 125 Voluntary Program will continue to send one premium invoice to your company, making it easier for you to coordinate payroll deductions for your employees to secure health insurance coverage with pre-tax dollars. You will still experience the convenience of one common bill and streamlined administration.

Companies sending electronic information (such as census files) to SBSB as part of their Health Connector VP program may continue this process without interruption through SBSB's Mosaic Section 125 Voluntary Program.

(more)

10. What other services does the Mosaic Insurance Exchange offer employers?

We offer toll-free live enrollment assistance for your employees, one combined premium billing statement to employers, electronic census upload available for larger employers, electronic premium remittance, renewal alternatives at your anniversary, ongoing enrollment and account management services, and personal visits by a member of our team for larger-size companies.

11. What will this cost my company?

There is an Annual Compliance fee of \$200 for participating employers. The Monthly Transaction fee is only \$19.95 for electronic census transmissions (in good order), regardless of how many employees you have.

SBSB's Mosaic Section 125 Voluntary Program will waive all Monthly Transaction fees for the first year if you enroll by October 1, 2013.

12. What are my next steps?

We will walk you through the next steps to ensure that you can comply with MA requirements.

We can begin once you sign the Mosaic Employer Administrative Agreement and submit the Annual Compliance Fee.

You will likely need to amend your current Section 125 plan by December 31, 2013, by removing references to the Health Connector and Commonwealth Choice plans, and designating Mosaic and its health plan offerings in their place. Once you have made the necessary plan changes, you will also need to communicate that to your employees. SBSB's Mosaic Section 125 Voluntary Program will assist you in meeting these requirements.

**To start establishing your new
Section 125 Program for January 1, 2014,
contact our dedicated Section 125 specialists
at 1-888-806-1041
or email us at info@mosaicix.com**

554 MAIN STREET, WORCESTER, MA 01608 PHONE (888) 806-1041
