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Massachusetts Minimum Creditable Coverage – Employer Update (2024)

What you don't know can hurt your employees

Massachusetts requires its residents to maintain a minimum level of health coverage or face a state individual mandate penalty. Taxpayers in Massachusetts must indicate if they maintained Minimum Creditable Coverage (MCC) as required by the [Massachusetts Health Care Reform Law](#) when completing their Massachusetts personal income tax returns using Schedule HC.

Massachusetts taxpayers who do not maintain MCC for themselves and their dependents throughout the year, and who do not qualify for an exception, are subject to state income tax penalties. Employers do not have to provide MCC and are not subject to any penalties for failing to do so.

This alert is relevant for all employers offering fully insured or self-insured group health plan coverage to Massachusetts residents.

Basic MCC requirements

Minimum creditable coverage is the minimum level of benefits that a Massachusetts individual must have to be considered “insured” in the State and avoid tax penalties.

The basic MCC requirements are:

- Coverage for a comprehensive set of services (e.g., doctor visits, hospital admissions, day surgery, emergency services, mental health and substance abuse, and prescription drugs);
- Doctor visits for preventive care, without a deductible;¹
- Caps on annual in-network deductible and maximum out-of-pocket spending limits for individual and family coverage, indexed annually based on the plan year start date.²

¹ Certain grandfathered plans renewing on or prior to 1/31/2024 will still be deemed MCC for calendar year 2024 even if they do not satisfy the preventive care requirement (see [Administrative Info Bulletin 04-23](#)).

² Please see [Administrative Information Bulletin 03-23](#) for 2024 and [Administrative Information Bulletin 02-24](#) for 2025.

Highlights

Overview

Massachusetts requires state residents to maintain minimum creditable coverage (MCC) or face a tax penalty.

Medical plans must meet certain requirements to qualify as MCC, including coverage for a broad range of services and caps on deductibles and out-of-pocket limits. Although many common medical plan designs do not automatically satisfy the basic MCC requirements, MCC rules provide some alternative solutions allow plans to qualify as MCC.

This alert is relevant for all employers offering fully insured or self-insured group health plan coverage to Massachusetts residents.

Employer Action

Employers do not have to provide MCC and are not subject to any penalties for failing to do so.

- Failing to offer MCC may cause issues with employees who are Massachusetts residents.
- Employers employing Massachusetts residents should communicate whether coverage is creditable or non-creditable at enrollment and the potential tax risk to employees who enroll in non-creditable coverage.

Medical plans covering Massachusetts residents must annually report whether coverage was MCC using MA Form 1099-HC by January 31st of the following calendar year.

The 2025 premium adjustment percentage slightly decreased from 2024 which, if used, would cause the indexed 2025 MCC deductible limits to be slightly lower. To prevent market disruption and an increase in penalty tax exposure for Massachusetts residents, the Health Connector Board voted to maintain the 2024 MCC deductible limits for 2025. However, the MCC out-of-pockets have decreased for 2025 to remain in line with ACA limits.

Annual MCC Limits		
Item	2024	2025
Maximum In-Network Deductible	Individual: \$2,950	Individual: \$2,950
	Family: \$5,900	Family: \$5,900
Maximum Out-of-Pocket Limit	Self-only: \$9,450	Self-only: \$9,200
	Family: \$18,900	Family: \$18,400

- No caps on total benefits for a particular illness or for a single year;
- No policy that covers only a fixed dollar amount per day or stay in the hospital (i.e., indemnity-only coverage), with the patient responsible for all other charges; and
- For policies with a separate prescription drug deductible, the separate deductibles cannot exceed the following amounts:

Annual MCC Limits		
Item	2024	2025
Maximum In-Network Prescription Drug Deductible	Individual: \$360 Family: \$720	Individual: \$360 Family: \$720

Some alternative solutions

Many major medical plan designs do not satisfy the basic MCC requirements because their in-network deductibles are too high. The MCC rules provide some alternative solutions for a plan to qualify as MCC. Unfortunately, out-of-state employers can be caught unaware of potential MCC issues, may not receive support from their insurance carrier or third-party administrator (TPA) to address them, and often are only notified of the problem after-the-fact when Massachusetts residents are assessed a penalty.

1. **High Deductible Health Plans (HDHPs)** – A federally qualified HDHP is MCC if the employer offers the HDHP in conjunction with an employer-facilitated health savings account (HSA) or a health reimbursement arrangement (HRA). The employer is not required to make employer HSA contributions so long as they offer employees the option to make pre-tax HSA contributions.
2. **HRA Buy-Down** – If the employer offers a medical plan in conjunction with an HRA, the employer’s HRA contribution can “buy down” the medical plan’s in-network deductibles to a level deemed to meet the Basic MCC Requirement deductible caps.

HRA Buy-Down Example: A medical plan’s in-network deductibles are \$3,000 for employee-only and \$6,000 for all other tiers of coverage. The employer makes an HRA contribution of \$500 for employees who enroll in employee-only coverage and \$1,000 for employees who enroll in any other tier of coverage. For MCC purposes, the medical plan has in-network deductibles of \$2,500/individual (\$3,000 - \$500) and \$5,000/family (\$6,000 - \$1,000).

3. Actuarial Equivalence – An employer may file an [MCC Certification Application](#) attesting that the plan is actuarially equivalent to a Bronze level plan available through the Massachusetts Health Connector (Massachusetts' health insurance marketplace). If approved by the Health Connector, the medical plan qualifies as MCC for that plan year and for subsequent plan years so long as there are no material plan design changes and the MCC requirements do not change. An employer must file the MCC Certification Application by or before November 1st to claim actuarial equivalence for that calendar year.³

MA Form 1099-HC and an ugly surprise

Medical plans covering Massachusetts residents are generally required to provide those individuals with [MA Form 1099-HC](#)⁴ by January 31st of the following calendar year indicating whether the coverage was (or was not) MCC. This is the insurance carrier's responsibility for fully insured coverage and may be delegated to TPAs for self-insured coverage. The employer/plan sponsor remains liable for reporting failures for self-insured coverage, although it may have indemnification rights against the TPA under a services agreement.

A letter informing an employee that their employer-sponsored medical coverage failed to satisfy the MCC requirements is usually a surprise, as the liability for non-creditable coverage falls on the individual. The employee's first call will likely be to their human resources department asking, "Why did I get this letter? Why do I have a penalty? What are you going to do about it?"

Assuming the employer did not communicate at enrollment that one or more medical plan options were non-creditable and carried potential tax risk to employees who enrolled in them, it might feel some responsibility to make the affected employees whole. If the coverage cannot qualify as MCC through one of the alternative solutions, this might involve making the affected employee(s) "whole" by providing additional taxable compensation to compensate for the penalty amount. The employer may want to consider requesting some sort of offset from the insurance carrier or TPA, depending on the facts and circumstances.

MCC requirements and certain life events

Certain life events affect how and/or when the MCC requirements apply:

- **Moving in** – New residents have until the first day of the third full month following the month in which they become a Massachusetts resident to get MCC.
- **Moving out** – The mandate applies until the last day of the last full month in which an individual claims residency in Massachusetts.
- **Growing up** – Once an individual turns 18 years old, they have a three-month grace period before the mandate applies.
- **Self-employed** – Health care premiums are tax-deductible and reduce an individual's taxable income.
- **Living abroad during the golden years** – Retired Massachusetts residents living abroad with foreign health insurance coverage should complete the Schedule HC by applying for a Certificate of Exemption or requesting an appeal on the Schedule HC.
- **Death and taxes** – The mandate applies until the last day of the last full month in which the individual was living.

³ Historically, the Health Connector has been generous with requests for extensions and late filings.

⁴ As of the date of publication of this Alert, the 2024 MA Form 1099-HC is still in [draft form](#) and a final version is not yet available on [Massachusetts's website](#).

State tax penalties for failing to maintain MCC

There is a penalty of \$50 per individual that can apply to employers for reporting failures as well as other potential fines for non-compliance with a Massachusetts state tax filing requirement. However, there is no requirement for employers to provide MCC, and employers who do not offer MCC will not be subject to any penalties for failing to do so. An employee residing in Massachusetts—not the employer—who fails to maintain MCC is subject to an income-based penalty. The penalty is scaled using the [federal poverty level \(FPL\)](#) based on family size and indexed annually. A separate penalty applies to each uncovered spouse (but not children). The 2024 [penalties](#) are as follows:

Individual Mandate Penalties for Tax Year 2024						
Individual Income Category ⁵	150.1-200% FPL	200.1-250% FPL	250.1-300% FPL	300.1-400% FPL ⁶	400.1-500% FPL	>500% FPL
Penalty	\$24/month \$288/year	\$48/month \$576/year	\$71/month \$852/year	\$109/month \$1,308/year	\$127/month \$1,524/year	\$175/month \$2,100/year
Use the chart below to determine the applicable FPL based on family size						
Family Size	150% FPL	200% FPL	250% FPL	300% FPL	400% FPL	500% FPL
1	\$21,870	\$29,160	\$36,450	\$43,740	\$58,320	\$72,900
2	\$29,580	\$39,440	\$49,300	\$59,160	\$78,880	\$98,600
3	\$37,290	\$49,720	\$62,150	\$74,580	\$99,440	\$124,300
4	\$45,000	\$60,000	\$75,000	\$90,000	\$120,000	\$150,000
5	\$52,710	\$70,280	\$87,850	\$105,420	\$140,560	\$175,700
6	\$60,420	\$80,560	\$100,700	\$120,840	\$161,120	\$201,400
7	\$68,130	\$90,840	\$113,550	\$136,260	\$181,680	\$227,100
8	\$75,840	\$101,120	\$126,400	\$151,680	\$202,240	\$252,800
For each add'l person add:	\$7,710	\$10,280	\$12,850	\$15,420	\$20,560	\$25,700

⁵ Individuals with incomes less than or equal to 150% of the Federal Poverty Level are not subject to any penalty for non-compliance.

⁶ In 2024, [Massachusetts expanded the ConnectorCare program](#) to include incomes beyond 300 percent of the federal poverty level for a two-year pilot program in the Fiscal Year 2024 state budget. Individual residents earning up to \$72,900 and families of four earning up to \$150,000 became eligible for ConnectCare, allowing 51,000 new enrollees to benefit from lower premiums, no deductibles, and essential health services. This initiative has increased total enrollment to over 260,000, significantly improving access to affordable healthcare for Massachusetts residents, particularly those affected by chronic diseases.

Additional resources

- [2024 Massachusetts HIRD Form Filing Window Approaches](#)

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