

MEMORANDUM

To: Health Connector Board of Directors
Cc: Jean Yang, Executive Director
From: Kaitlyn Kenney, Director of Policy & Research and Coordinator of National Health Care Reform
Date: March 11, 2013
Re: Calendar Year 2013 Affordability Schedule – Public Comment Summary and Adoption of Final Schedule

Health Connector staff recommends a final vote on the Health Connector's proposed Calendar Year (CY) 2013 Affordability Schedule as presented to the Health Connector Board at the February 14, 2013 Board meeting. Following the Board meeting, the Health Connector issued the proposed Affordability Schedule for public comment. The purpose of this memorandum is to summarize public comments related to the Health Connector's proposed Affordability Schedule and to then describe the recommended approach for finalizing the CY 2013 Affordability Schedule.

BACKGROUND

The Commonwealth's affordability schedule determines the application of the state individual mandate. As you know, the Board of the Health Connector is required annually to devise a schedule that describes the percentage of income an individual could be expected to contribute towards the purchase of health insurance.¹ An adult is considered able to purchase affordable health insurance if his or her monthly contribution to Employer Sponsored Insurance (ESI), subsidized insurance, or the lowest cost insurance plan available through the Health Connector does not exceed the corresponding maximum monthly premium for his or her income bracket.

The approach staff has recommended is to transition the Massachusetts affordability schedule to a progressively increasing percentage-of-income-based approach, capped at 8% of income, rather than our current fixed-dollar-value by income cohort approach. Our goal is to implement this type of schedule for calendar year (CY) 2015 to provide the Department of Revenue (DOR) with sufficient time to refine its systems and review the processes that the Internal Revenue Service (IRS) develops to effectuate the federal standard.

In the interim, we have proposed a schedule to begin phasing in this approach. The proposed CY 2013 affordability schedule would still largely rely on the current structure (*i.e.*, defining an affordability standard in dollar values by income cohorts), but would begin making downward adjustments for income cohorts that currently have a maximum allowable premium contribution representing more than 8% of income. This, coupled with the introduction of a 10% cap where the current schedule defines insurance as affordable, would serve as the first step in a three-year transition effort. The downward adjustments to the affordability standard would capture half of the change necessary to reach the 8% standard in 2014 (in those instances where the current schedule falls above this standard). The schedules we are proposing also include some modest adjustments to income bracket breaks intended to maintain consistency, in instances where the current standard is below 8%, with respect to the percentage of income one is required to contribute toward health insurance for purposes of the mandate.

¹ M.G.L. 176Q § 3.

It is important to note that the Federal Poverty Level (FPL) guidelines for 2013 were released in January, enabling the draft schedules voted on by the Board to reflect these guidelines (updated from 2012). Massachusetts then incorporates very modest Cost of Living Adjustments (COLA) to the FPL guidelines, but these numbers have not yet been finalized. The Health Connector proposes to incorporate these modest changes prior to publication of the final CY 2013 Affordability Schedule. Incorporation of these adjustments is consistent with practice in previous years and has not resulted in material changes to the Affordability Schedule; the calculation of the percentage of income one is required to pay has remained the same across all income brackets.

SUMMARY OF PUBLIC COMMENTS

The Health Connector issued the CY 2013 Affordability Schedule for public comment following the Board meeting on February 14, 2013. The Health Connector received written comments from the Affordable Care Today (ACT!!) Coalition.

The ACT!! Coalition indicated support for the maintenance of a progressive Affordability Schedule and the introduction of an affordability cap at 10% of income for those for whom insurance was previously defined as affordable. The ACT!! Coalition also concurred that this approach positions the Health Connector to begin phasing in a percentage-based approach to affordability.

Consistent with comments offered in prior years, the ACT!! Coalition expressed concern that the affordability schedule does not sufficiently account for cost-sharing beyond premiums. ACT!! expressed interest in working with the Health Connector to explore mechanisms (beyond the deductible and out-of-pocket limits included in the Minimum Creditable Coverage regulations) to address this issue.

DISCUSSION AND ANALYSIS OF COMMENTS

After review of the comments received by the Health Connector, we propose to proceed with the CY 2013 Affordability Schedule as proposed at the February 14, 2013 Board meeting. We appreciate the comments offered by the ACT!! Coalition and look forward to continued collaboration and exploration of options to more holistically capture the costs and affordability of health insurance.

CONCLUDING REMARKS

In summary, we issued a draft CY 2013 Affordability Schedule for public comment in February 2013. Upon review of the comments that we received, we recommend proceeding with the Affordability Schedule that was voted on at the February 14, 2013 Board meeting. At the Board meeting on Thursday, March 14, 2013, we will present our recommendation with regard to the final CY 2013 Affordability Schedule (below) for which we seek Board approval.

RECOMMENDED CALENDAR YEAR 2013 AFFORDABILITY SCHEDULE

CY 2013 RECOMMENDED AFFORDABILITY SCHEDULE INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,496	\$0		0.0%
100.1 - 150%	\$11,497	\$17,244	\$0	0.0%	0.0%
150.1 - 200%	\$17,245	\$22,980	\$40	2.8%	2.1%
200.1 - 250%	\$22,981	\$28,728	\$78	4.1%	3.3%
250.1 - 300%	\$28,729	\$34,476	\$118	4.9%	4.1%
300.1 - 350%	\$34,477	\$40,195	\$178	6.2%	5.3%
350.1 - 397%	\$40,196	\$45,554	\$239	7.1%	6.3%
397.1 - 450%	\$45,555	\$51,639	\$331	8.7%	7.7%
450.1 - 490%	\$51,640	\$56,273	\$359	8.3%	7.7%
Above 490%	\$56,274		10% of income		

CY 2013 RECOMMENDED AFFORDABILITY SCHEDULE COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,516	\$0		0.0%
100.1 - 150%	\$15,517	\$23,268	\$0	0.0%	0.0%
150.1 - 200%	\$23,269	\$31,020	\$80	4.1%	3.1%
200.1 - 250%	\$31,021	\$38,784	\$156	6.0%	4.8%
250.1 - 300%	\$38,785	\$46,536	\$236	7.3%	6.1%
300.1 - 365%	\$46,537	\$56,656	\$319	8.2%	6.8%
365.1 - 435%	\$56,657	\$67,448	\$403	8.5%	7.2%
435.1 - 500%	\$67,449	\$77,604	\$524	9.3%	8.1%
500.1 - 574%	\$77,605	\$89,032	\$598	9.2%	8.1%
Above 574%	\$89,033		10% of income		

CY 2013 RECOMMENDED AFFORDABILITY SCHEDULE FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,536	\$0		0.0%
100.1 - 150%	\$19,537	\$29,304	\$0	0.0%	0.0%
150.1 - 200%	\$29,305	\$39,060	\$80	3.3%	2.5%
200.1 - 250%	\$39,061	\$48,828	\$156	4.8%	3.8%
250.1 - 300%	\$48,829	\$58,596	\$236	5.8%	4.8%
300.1 - 398%	\$58,597	\$75,899	\$379	7.8%	6.0%
398.1 - 500%	\$75,900	\$97,584	\$550	8.7%	6.8%
500.1 - 581%	\$97,585	\$113,443	\$756	9.3%	8.0%
581.1 - 611%	\$113,444	\$119,270	\$862	9.1%	8.7%
Above 611%	\$119,271		10% of income		