

MEMORANDUM

To: Health Connector Board of Directors
Cc: Jean Yang, Executive Director
From: Audrey Morse Gasteier, Deputy Director of Policy & Research and Director of Employer Policy
Date: March 7, 2014
Re: Calendar Year 2014 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) 2014 Affordability Schedule as presented to the Health Connector Board at the February 13, 2014 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 2014 Affordability Schedule.

BACKGROUND

The Commonwealth's affordability schedule determines the application of the state individual health insurance mandate. The Health Connector Board is required annually to devise a schedule that describes the percentage of income an individual should 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 structure of the affordability schedule defines an affordability standard for specified income brackets. Since the outset of Massachusetts health reform, the affordability schedule has been designed so that those within a given income bracket have been required to contribute the same maximum monthly premium contribution in dollar terms. This results in the affordability standard representing a declining percentage of income as income increases within the bracket. At and above about median income, health insurance of any cost has been defined as affordable. The income brackets used in the schedule are adjusted annually based on the Federal Poverty Level (FPL) guidelines released in January, and then modestly revised in March based on Massachusetts Cost of Living Adjustments (COLA).

The Affordable Care Act (ACA) also includes a health insurance coverage mandate effective in 2014, and an affordability standard to identify those subject to the mandate. Under the ACA, a taxpayer is exempt from the mandate if the required contribution for coverage exceeds 8% of household income. This flat percentage-of-income based approach contrasts with the progressive approach inherent to the Massachusetts affordability schedule (which has historically meant that higher-income individuals in Massachusetts were subject to affordability standards in excess of 8%, while lower-income individuals were subject to standards below 8%). Over the past several years, the Health Connector has worked with the Board, other state agencies and key stakeholders to determine how to best align the state and the federal individual mandates, including components related to the respective affordability schedules.

¹ M.G.L. 176Q § 3.

It is important to note that all Massachusetts residents will be subject to the federal affordability standard in 2014, in addition to the state standard. There are a small number of instances in which the state affordability schedule will be required to determine application of the state individual mandate requirement and the potential for a state penalty. For example, an individual may have health insurance that meets Minimum Essential Coverage (MEC) requirements, the federal coverage standard, but fails to meet the state's Minimum Creditable Coverage (MCC) requirements. In this scenario, the state affordability schedule would be employed to determine if that individual would be subject to the state mandate and penalty.²

SUMMARY OF PUBLIC COMMENTS

The Health Connector issued the CY 2014 Affordability Schedule for public comment following the Board meeting on February 13, 2014. The Health Connector received written comments from the Affordable Care Today (ACT!!) Coalition.

The ACT!! Coalition expressed support for the maintenance of a progressive affordability schedule that protects low-income individuals by aligning premium amounts with base ConnectorCare enrollee premiums for people at or below 300% FPL, as well as the protection of higher income residents by ensuring that they are not required to contribute more than 8% of income.

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.

Recognizing that the CY 2014 Affordability Schedule is the second step in a three-year transition process, the ACT!! Coalition has requested information about how the Affordability Schedule might be translated into percentage points for residents at or below 300% FPL in CY 2015, and has also requested further discussion regarding the possible application of the 8% of income standard to the 300 to 400% FPL in CY 2015.

Finally, the ACT!! Coalition also requested clarification as to how ACA implementation will affect the Health Connector's premium schedule for ConnectorCare, noting that there is no existing requirement in state law for the Health Connector to set a premium schedule there as was the case for Commonwealth Care.

DISCUSSION AND ANALYSIS OF COMMENTS

After review of the comments received by the Health Connector, we propose to proceed with the CY 2014 Affordability Schedule as proposed at the February 13, 2014 Board meeting. We appreciate the comments offered by the ACT!! Coalition and look forward to continued collaboration and exploration

² Massachusetts has opted to adopt a "no penalty stacking" approach to the two side-by-side mandates – meaning, if applicable, no resident would be required to pay two penalties. In any instance in which a resident owed a federal penalty and a state penalty, the state would waive any state penalty amount equal to or less than the federal amount.

of options to more holistically capture the costs and affordability of health insurance and will work to ensure that the clarifications requested regarding the ConnectorCare premiums schedule are made. We also look forward to facilitating dialogue between the Health Connector Board of Directors and other stakeholders in advance of the CY 2015 Affordability Schedule proposal to ensure all perspectives and concerns are addressed and taken into consideration.

CONCLUDING REMARKS

In summary, we issued a draft CY 2014 Affordability Schedule for public comment in February 2014. Upon review of the comments that we received, we recommend proceeding with the Affordability Schedule that was voted on at the February 13, 2014 Board meeting. At the Board meeting on Thursday, March 13, 2014, we will present our recommendation with regard to the final CY 2014 Affordability Schedule (below) for which we seek Board approval.

RECOMMENDED CALENDAR YEAR 2014 AFFORDABILITY SCHEDULE

CY 2014 Recommended Affordability Schedule					
INDIVIDUALS					
Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,670	\$0		
100.1 - 150%	\$11,671	\$17,505	\$0		
150.1 - 200%	\$17,506	\$23,340	\$40	2.7%	2.0%
200.1 - 250%	\$23,341	\$29,175	\$78	4.0%	3.2%
250.1 - 300%	\$29,176	\$35,010	\$118	4.8%	4.0%
300.1 - 350%	\$35,011	\$40,845	\$215	7.4%	6.3%
350.1 - 400%	\$40,846	\$46,680	\$266	7.8%	6.8%
Above 400%	\$46,681		8% of income/12		

CY 2014 Recommended Affordability Schedule					
COUPLES					
Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,730	\$0		
100.1 - 150%	\$15,731	\$23,595	\$0	0.0%	0.0%
150.1 - 200%	\$23,596	\$31,460	\$80	4.0%	3.0%
200.1 - 250%	\$31,461	\$39,325	\$156	5.9%	4.7%
250.1 - 300%	\$39,326	\$47,190	\$236	7.1%	5.9%
300.1 - 350%	\$47,191	\$55,055	\$315	8.0%	6.9%
350.1 - 400%	\$55,056	\$62,920	\$367	8.0%	7.0%
Above 400%	\$62,921		8% of income/12		

**CY 2014 Recommended Affordability Schedule
FAMILIES**

Annual Adjusted Gross Income			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,790	\$0		
100.1 - 150%	\$19,791	\$29,685	\$0	0.0%	0.0%
150.1 - 200%	\$29,686	\$39,580	\$80	3.2%	2.4%
200.1 - 250%	\$39,581	\$49,475	\$156	4.7%	3.7%
250.1 - 300%	\$49,476	\$59,370	\$236	5.7%	4.7%
300.1 - 350%	\$59,371	\$69,265	\$396	8.0%	6.9%
350.1 - 400%	\$69,266	\$79,160	\$437	7.6%	6.6%
Above 400%	\$79,161		8% of income/12		