



Topics Related to the Individual Mandate for Calendar Year 2025 (VOTE)

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Overview

Today's presentation will propose for the Board's consideration annual updates for 2025 related to two components of the Commonwealth's individual mandate: an affordability schedule and Minimum Creditable Coverage deductible limits.

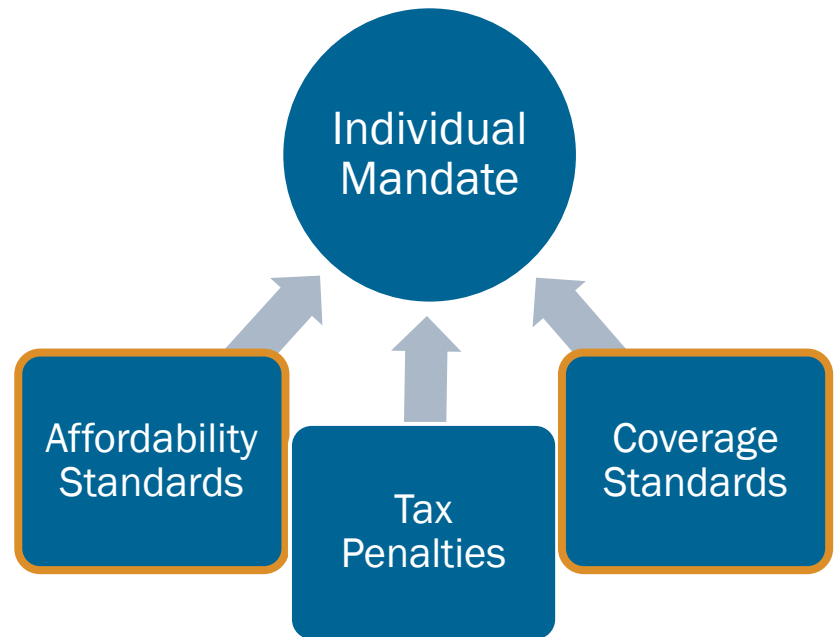
- **2025 Affordability Schedule**
 - Affordability schedule refresher
 - Proposed approach for 2025

- **2025 Deductible Limits within Minimum Creditable Coverage (MCC)**
 - Minimum Creditable Coverage deductible limit refresher
 - Proposed approach for 2025

Background

Since 2007, Massachusetts has required adults to maintain health insurance, and the “individual mandate” remains an important tool in promoting market stability today.

- Massachusetts chose to keep its individual mandate in place as the ACA brought a similar policy to the rest of the nation in 2014
- The federal individual mandate penalty is no longer being assessed as of tax year 2019, but the state mandate remains in place
- The Commonwealth’s individual mandate has a wide reach and is applicable to approximately 5 million Massachusetts residents
- The Health Connector Board is responsible for a number of policy aspects of the individual mandate, including affordability standards, Minimum Creditable Coverage (MCC) standards, and hardship exemption criteria
- Today’s discussion will focus on annual updates to the **affordability** and **coverage standards** for 2025





Affordability Schedule for Calendar Year 2025

How the Affordability Schedule Applies to the Market

The affordability schedule does determine whether an uninsured individual must pay a penalty for forgoing coverage.

- If an individual has access to coverage considered affordable but does not enroll, they will be assessed a tax penalty
- As a matter of policy, the affordability schedule informs ConnectorCare enrollee contributions such that ConnectorCare is always considered affordable and eligible individuals must enroll or pay a penalty

The affordability schedule does not require employers or carriers to offer affordable coverage.

- The affordability schedule also does not penalize employers or issuers if individuals fail to enroll in affordable coverage they offered
- The affordability schedule is independent of federal policies related to affordable coverage standards and is separate from the determination of federal premium tax credit amounts

ConnectorCare Enrollee Contributions and the Affordability Schedule

- Historically, the Health Connector tied the affordability schedule directly to ConnectorCare enrollee contributions. In 2025, staff propose to separate out individual mandate topics from ConnectorCare enrollee contributions.
- While ConnectorCare enrollee contributions would continue to be considered affordable, separating their design from the affordability schedule provides more flexibility for the ConnectorCare program to set premiums, mitigates the unpredictable impact of inflation on ConnectorCare members in the future, and supports thoughtful program design especially in the context of the ConnectorCare expansion pilot.

2025 Schedule: Proposed Approach

The proposed 2025 affordability schedule is consistent with the standards used in prior years before staff adjusted the schedule for high inflation (for 2023 and 2024).

- For several years (until 2023), the Board maintained steady percentages of income considered affordable but incorporated updated federal poverty guidelines each year that drove changes in terms of the dollar values of premiums considered affordable
- For 2023 and 2024, due to high inflation, staff proposed, and the Board finalized, reductions in the percentage of income considered affordable
- For 2025, staff recommend going back to the pre-2023 affordability percentages to account for easing of inflation in 2025
 - Because the poverty guidelines are indexed according to the Consumer Price Index, they increase in accordance with higher inflation—the increase was 5.5 percent from 2021 to 2022, 7.3 percent from 2022 to 2023, and 3.3 percent from 2023 to 2024
 - The Congressional Budget Office (CBO) reports that inflation will continue to slow and begin to approach the Federal Reserve’s target rate of about 2 percent by 2025
- Reverting to the original affordability schedule means that for the purposes of determining whether someone is subject to the individual mandate penalty, “affordable premiums” based on income would be slightly higher than they otherwise would have been if the schedule continued to be adjusted for inflation; for example, individuals between 150.1 percent and 200 percent FPL would be considered to have access to affordable coverage that costs between \$55 and \$73, rather than \$51 and \$68

2025 Schedule: Proposed Approach (Cont'd)

% of FPL	2024 Individuals' Affordability Standards	Proposed 2025 Individuals' Affordability Standards
0 – 150%	0%	0%
150.1 – 200%	2.70%	2.90%
200.1 – 250%	3.95%	4.20%
250.1 – 300%	4.68%	5.00%
300.1%-350%	7.45%	7.45%
350.1%-400%	7.60%	7.60%
Above 400%	8.00%	8.00%

Proposed 2025 Schedule: Individuals

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$22,590	0%		
150.1 - 200%	\$22,591	\$30,120	2.90%	\$55	\$73
200.1 - 250%	\$30,121	\$37,650	4.20%	\$105	\$132
250.1 - 300%	\$37,651	\$45,180	5.00%	\$157	\$188
300.1 - 350%	\$45,181	\$52,710	7.45%	\$280	\$327
350.1 - 400%	\$52,711	\$60,240	7.60%	\$334	\$382
Above 400%	\$60,241		8.00%	\$402	

Proposed 2025 Schedule: Couples

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$30,660	0%		
150.1 - 200%	\$30,661	\$40,880	4.30%	\$110	\$146
200.1 - 250%	\$40,881	\$51,100	6.20%	\$211	\$264
250.1 - 300%	\$51,101	\$61,320	7.40%	\$315	\$378
300.1 - 350%	\$61,321	\$71,540	7.45%	\$381	\$444
350.1 - 400%	\$71,541	\$81,760	7.60%	\$453	\$518
Above 400%	\$81,761		8.00%	\$545	

Proposed 2025 Schedule: Families

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$38,730	0%		
150.1 - 200%	\$38,731	\$51,640	3.45%	\$111	\$148
200.1 - 250%	\$51,641	\$64,550	4.95%	\$213	\$266
250.1 - 300%	\$64,551	\$77,460	5.85%	\$315	\$378
300.1 - 350%	\$77,461	\$90,370	7.45%	\$481	\$561
350.1 - 400%	\$90,371	\$103,280	7.60%	\$572	\$654
Above 400%	\$103,281		8.00%	\$689	

VOTE

Health Connector staff recommend that the Board vote to approve the issuance of the Affordability Schedules for Individuals, Couples, and Families for Calendar Year 2025 as set forth in the staff recommendation as final.



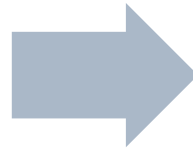
**Minimum Creditable Coverage
Deductible Limits for Calendar
Year 2025**

Background on MCC's Deductible Limits

MCC standards both reflect and shape market “norms” for coverage in determining what kind of coverage is sufficient to avoid a penalty under state health coverage requirements.

2007-2019

- Regulations set MCC deductible limits at \$2,000 for an individual and \$4,000 for a family
- A 2013 update to the regulations called for annual indexing of deductible limits, but the methodology relied on a federal provision that was later repealed prior to becoming effective, so the regulatory update was ineffectual



2020-current

- Updated CCA regulations allow for yearly updates to the limits, consistent with indexing on Max. Out of Pocket limits
- Adjustments were needed to allow individuals with “market standard” coverage to avoid tax penalties
- Further, the adjustments provide needed flexibility in designing plans that meet Federal Actuarial Value constraints

How MCC Deductible Limits Apply to the Market

MCC deductible limits do determine what kind of coverage an individual can have and “check the box” when they file their taxes.

- Indexing of deductibles allows flexibility in plan design that helps plan sponsors create high-value, MCC-compliant plans that residents can use to comply with individual mandate requirements
- Without periodic indexing, state residents may be unfairly penalized through the individual mandate despite having coverage that meets reasonable minimum standards

MCC deductible limit changes do not require deductible changes for consumers.

- The deductible limits proposed today also do not impact high deductible health plans (HDHPs) as defined by the IRS
 - The IRS will publish 2025 cost sharing requirements for HDHPs later this year
 - HDHPs that are compatible with Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs) qualify as MCC under Health Connector regulations

2025 MCC Deductible Limits – Indexing Background

The Health Connector’s MCC regulations state that MCC deductible limits are indexed annually using the premium adjustment percentage published by HHS or may be another amount determined by the Board.

- The premium adjustment percentage is used by CMS to index the maximum annual limitation on cost sharing and other parameters in the ACA
- The premium adjustment percentage is a measure of premium growth (using recent National Health Expenditure Accounts (NHEA) income and premium data) and represents the percentage (if any) by which the average premium for health insurance coverage for the preceding calendar year exceeds the average premiums for health insurance for 2013
- Since the premium adjustment percentage is measuring premium growth from 2013 for a given year, the percentage may increase or decrease from year to year
- The 2025 premium adjustment percentage is 2.5 percent lower than it was in 2024
 - The premium adjustment percentage for the 2025 benefit year is 1.4519093322 (\$7,110/\$4,897), which represents an increase in ESI premiums of approximately 45.2 percent over the period from 2013 to 2024
 - The premium adjustment percentage for the 2024 benefit year was 1.4899877401 (\$7,292/\$4,894), which represented an increase in ESI premiums of approximately 48.9 percent over the period from 2013 to 2023.

2025 MCC Deductible Limits


Since the 2025 premium adjustment percentage is 2.5 percent lower than in 2024, indexed MCC deductible limits for 2025 would be slightly lower compared to 2024. Holding deductibles steady at the 2024 indexed limits may help to 1) avoid surprising individuals with a tax penalty that they aren't expecting and 2) ease market disruption.

Deductible Limit	2024 final deductible limits	2025 deductible limits using indexing methodology
Individual Medical	\$2,950	\$2,900
Individual – Separate Prescription	\$360	\$360
Family Medical	\$5,900	\$5,800
Family – Separate Prescription	\$720	\$720

- Plans with a separate drug deductible must still adhere to the overall medical limit (i.e., in 2024, plans may not effectively increase the deductible limit above \$2,950 by imposing a separate drug deductible)
- While staff acknowledge a growing body of research that cost sharing deters both high-value and low-value care, minor adjustments to or a one-year freeze on the MCC deductible limits are unlikely to halt the overall market trend toward increasing cost sharing, but they may result in penalties for individuals with generally robust coverage, a trade-off to which staff are sensitive

VOTE

Health Connector staff recommend that the Board vote to approve the deductible limits for Plan Year 2025 as set forth in the staff recommendation.

A faint, light blue graphic of a scale of justice is visible in the background of the top half of the page. It features a central vertical pillar with a curved arm extending to the left, supporting a horizontal beam. The entire graphic is semi-transparent and serves as a decorative element.

Appendix: 2024 Affordability Schedule for Reference

Proposed 2024 Schedule: Individuals

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$21,870	0%		
150.1 - 200%	\$21,871	\$29,160	2.70%	\$49	\$66
200.1 - 250%	\$29,161	\$36,450	3.95%	\$96	\$120
250.1 - 300%	\$36,451	\$43,740	4.68%	\$142	\$171
300.1 - 350%	\$43,741	\$51,030	7.45%	\$272	\$317
350.1 - 400%	\$51,031	\$58,320	7.60%	\$323	\$369
Above 400%	\$58,321		8.00%	\$389	

Proposed 2024 Schedule: Couples

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$29,580	0%		
150.1 - 200%	\$29,581	\$39,440	4.00%	\$99	\$131
200.1 - 250%	\$39,441	\$49,300	5.85%	\$192	\$240
250.1 - 300%	\$49,301	\$59,160	6.95%	\$286	\$343
300.1 - 350%	\$59,161	\$69,020	7.45%	\$367	\$428
350.1 - 400%	\$69,021	\$78,880	7.60%	\$437	\$500
Above 400%	\$78,881		8.00%	\$526	

Proposed 2024 Schedule: Families

% of FPL	Bottom of Income Range	Top of Income Range	Affordability Standard	Bottom of Affordable Monthly Premium Range	Top of Affordable Monthly Premium Range
0 - 150%	\$0	\$37,290	0%		
150.1 - 200%	\$37,291	\$49,720	3.15%	\$98	\$131
200.1 - 250%	\$49,721	\$62,150	4.65%	\$193	\$241
250.1 - 300%	\$62,151	\$74,580	5.50%	\$285	\$342
300.1 - 350%	\$74,581	\$87,010	7.45%	\$463	\$540
350.1 - 400%	\$87,011	\$99,440	7.60%	\$551	\$630
Above 400%	\$99,441		8.00%	\$663	