



Proposed Affordability Schedule for Calendar Year 2017 (VOTE)

MARISSA WOLTMANN

Associate Director of Policy and ACA Implementation Specialist

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Today's Focus

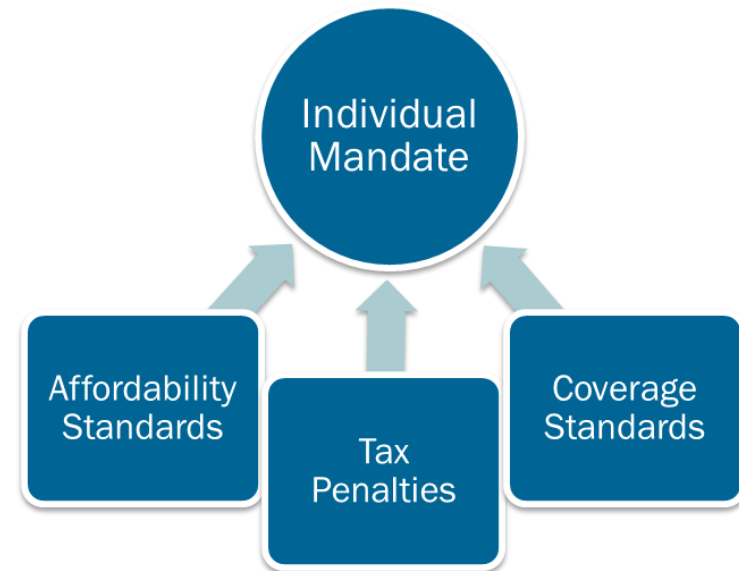


- Background on the affordability schedule
- Analysis of specific proposed approach to 2017 affordability schedule
 - For 2017, we propose minimal changes to the affordability standards
 - For individuals up to 400% of the Federal Poverty Level (FPL), we propose to update the federal poverty standards without modifying the affordability standards associated with each income bracket
 - For individuals over 400% FPL, we propose a small increase in the affordability standard to maintain parity with the affordability standard used by the federal individual mandate
- Staff recommendation to be discussed:
 - That the Board vote to issue for public comment the draft 2017 affordability schedules for individuals, couples and families

Background

Massachusetts law includes an “individual mandate” that requires adults to enroll in health insurance or face potential financial penalties.

- The structure of the individual mandate involves three key policy elements, set in statute or determined by the Health Connector, with the Department of Revenue (DOR) managing administration of the process
- Penalties under the mandate arise if an individual forgoes enrollment in an available plan meeting both Minimum Creditable Coverage (MCC) and affordability standards
- The Health Connector is responsible for setting affordability and coverage standards and managing appeals (the penalty formula is set in statute); DOR enforces the mandate through the tax filing process
- The Affordable Care Act (ACA) also includes an individual mandate, but it employs different standards, applies to both adults and children, and is enforced by the Internal Revenue Service (IRS) using a different penalty structure



The Affordability Schedule in Context



The affordability schedule determines whether an individual must pay a penalty for not having Minimum Creditable Coverage (MCC).

- Supports consumers as they make choices about coverage and their household budgets by defining the maximum amount they would be expected to contribute toward coverage or face a penalty

It is independent of other aspects of state and federal health care reform, but it is an important component of the coverage landscape.

- Does not require employers, issuers or other coverage providers to offer plans deemed affordable by the schedule or subject them to penalties if individuals fail to enroll in the affordable coverage they offered
- The Health Connector has historically aligned base enrollee premiums for subsidized individuals up to 300% FPL with the state's affordability schedule, such that the ConnectorCare program is considered affordable, but it is not required to do so under the law
- Does not affect the assessment of a federal penalty for failing to enroll in coverage

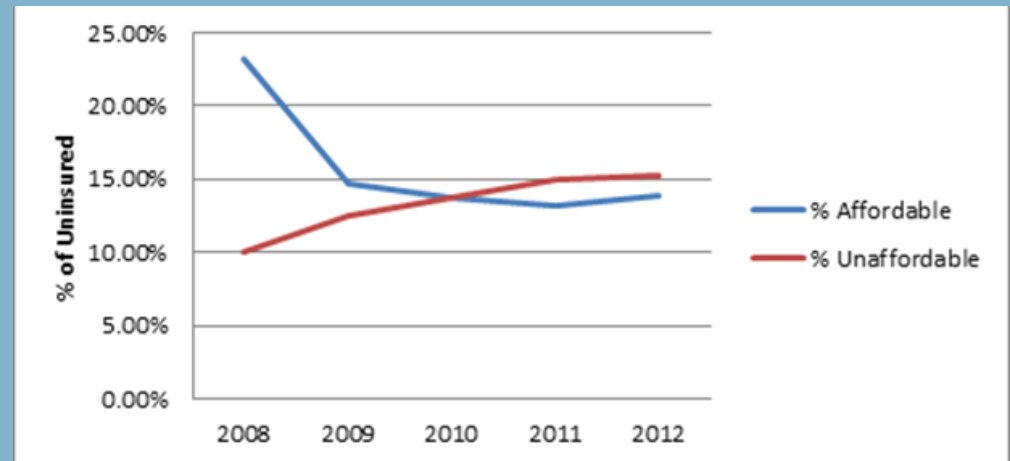
Application of the State Affordability Schedule



The affordability schedule is most relevant for the relatively small portion of Massachusetts residents who are without MCC and therefore potentially subject to a state penalty.

- Those who are completely uninsured
 - The most recent (2015) Center for Health Information and Analysis (CHIA) Health Insurance Survey estimates ~97% of Massachusetts residents have health insurance
- Those with coverage that does not meet MCC standards
 - In Tax Year 2012, 92% of tax filers reported having MCC for the entire year

How uninsured taxpayers used the schedule to determine whether they were subject to a penalty.



Source: Health Connector and DOR Tax Filers Reports, 2008 - 2012

2017 Schedule: Context

In 2015, the Board approved significant changes to the affordability schedule.

- Re-sequenced policy decisions such that 2016 affordability standards were set in advance of launching the 2016 Seal of Approval process
- Shifted to a percentage-based affordability standard, rather than fixed-dollar standards
 - Eliminated the regressive nature of the fixed dollar approach, where the affordability standard represented a larger percentage of income for households at the bottom of a bracket and a smaller percentage of income for households at the top of a bracket
 - Eliminated disparities in the percentage of income required of different household types at the same income level
- Updated affordability standards for individuals under 300% FPL in the 2016 schedule, resulting in the first updates to subsidized Health Connector premiums since 2012

2012 – Individuals

% of FPL	Income Bracket		Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,172	\$0		
100.1 - 150%	\$11,173	\$16,764	\$0		
150.1 - 200%	\$16,765	\$22,344	\$40	2.9%	2.1%
200.1 - 250%	\$22,345	\$27,936	\$78	4.2%	3.4%
250.1 - 300%	\$27,937	\$33,516	\$118	5.1%	4.2%

2016 – Individuals

% of FPL	Income Bracket		Affordability Standard (Maximum Monthly Premium)	Dollar Amount	
	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,770	0%		
100.1 - 150%	\$11,771	\$17,655	0%		
150.1 - 200%	\$17,656	\$23,540	2.90% →	\$ 43	\$ 57
200.1 - 250%	\$23,541	\$29,425	4.20% →	\$ 82	\$ 103
250.1 - 300%	\$29,426	\$35,310	5.00% →	\$ 123	\$ 147

2017 Schedule: Context (cont'd)

In response to feedback obtained while developing the affordability schedule last year, Health Connector staff investigated other approaches to the affordability schedule to evaluate whether an alternative approach would enhance the policy.

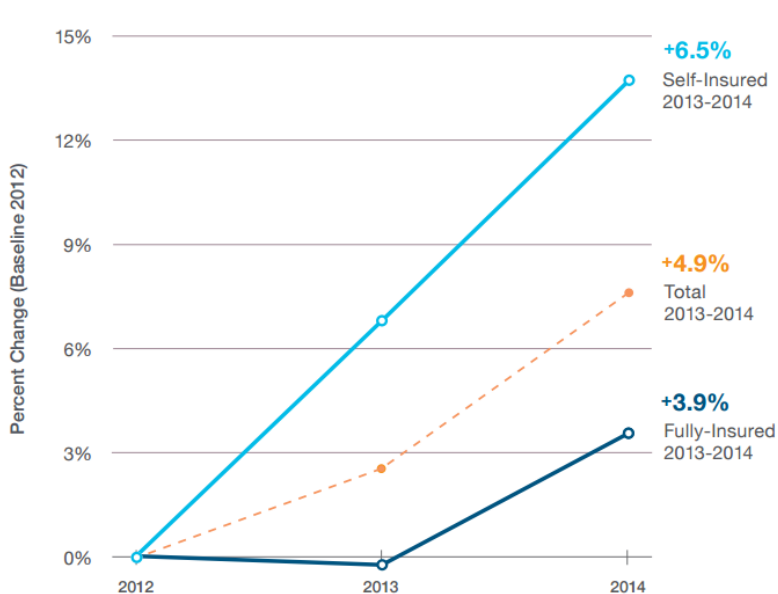
- Over the course of the year, Health Connector staff evaluated whether and how to take into account cost sharing in the affordability schedule and whether there was an appropriate mechanism to update the income percentages annually
- **Incorporation of cost sharing into the affordability schedule**
 - Last year, the ACT!! Coalition submitted comments expressing concern that the affordability schedule does not account for cost sharing beyond premiums
 - The concern is that plans with premiums considered affordable by the schedule may have substantial cost sharing obligations that, when combined with premiums, make the cost of care too high for some in practice, while still subjecting them to a penalty for failing to enroll in coverage
 - Health Connector staff explored whether there was a meaningful way to incorporate cost sharing into the schedule that would increase the likelihood that consumers would have access to more affordable plan designs

Cost Sharing and the Affordability Schedule

Cost sharing has increased over time and is now a significant component of a consumer's financial outlay for health care, alongside premiums.

Average Cost-Sharing PMPM by Fully and Self-Insured, 2012-2014

Member cost-sharing includes all medical care expenses covered by a member's plan but not paid for by the member's payer or administrator (e.g., deductibles, co-payments, and co-insurance). As an average of all members' medical incurred cost-sharing each year, it includes members who had very little cost-sharing as well those who paid large amounts in cost-sharing.



Market Sector	Members (Est.) 2014	Cost-Sharing PMPM 2014	Change 2013-2014
Individual	80,158	\$73	5.0%
Small Group (1-50)	538,899	\$57	4.0%
Mid-Size Group (51-100)	278,122	\$51	5.9%
Large Group (101-499)	738,137	\$44	3.6%
Jumbo Group (500+)	2,813,399	\$41	5.9%
Total*	4,448,714	\$45	4.9%

*Full market membership totals

FROM 2013 TO 2014, AVERAGE MEMBER MEDICAL COST-SHARING INCREASED BY 4.9% TO \$45 PMPM.

Source: CHIA payer-reported data (Cigna and United self-insured data excluded); US Bureau of Labor Statistics Consumer Price Index.

Notes: Based on MA contract-membership, which may include non-MA residents. Claims scaled by the "Percent of Benefits Not Carved Out." See [technical appendix](#).

Survey Responses on Cost-Sharing & Affordability

	All respondents
Out-of-pocket health care spending greater than \$1000 over past 12 months	38.1%
Out-of-pocket health care spending greater than \$3000 over past 12 months	19.0%
Had difficulty paying medical bills over the past 12 months	19.6%

Source: CHIA. (2015). Findings from the 2014 Massachusetts Health Insurance Survey.

Cost Sharing and the Affordability Schedule (cont'd)



Although cost sharing is a significant burden for consumers, incorporation of cost sharing into the affordability schedule would not achieve the desired goal.

- Incorporating cost sharing would not reduce out of pocket costs; it would only exempt an uninsured individual from tax penalties if the plan that was offered to them had a combined premium and out of pocket cost deemed unaffordable
- Our research found no straightforward method for determining the cost sharing requirements of a forgone plan
 - The diversity of plan designs and individuals' medical needs makes it difficult to assess how much an uninsured person would have spent on out of pocket costs in the prior year if they had enrolled in coverage available to them
- In addition to not making more affordable plan options available in the market, incorporation of cost sharing into the schedule may have unintended consequences
 - May erode high rates of coverage in the Commonwealth if individuals determine they can forgo coverage without penalty

Indexing and the Affordability Schedule



- Indexing affordability standards

- The federal affordability standard is indexed annually to account for the national rate of growth in health care premiums over the national rate of growth in income:

$$2017 \text{ Federal Affordability Standard} = \left(\frac{\text{National rate of growth in health care premiums 2013–2016}}{\text{National rate of growth in income 2013–2016}} \right) \times 8\%$$

- We evaluated whether a similar approach would be feasible using Massachusetts data to index the affordability standards for the population below 400% FPL in the state schedule
- Unfortunately, comparable state-specific data sets are not available to recreate a local indexing formula, and employing the national formula would not reflect market conditions in Massachusetts, which we know to be unique, and would reduce state flexibility to respond to local needs
- As such, we do not recommend automatically updating the schedule at this time, and instead propose to revisit the schedule periodically to assess whether and to what extent to modify the percentages

2017 Schedule: Proposed Approach



To maintain the goals of the affordability schedule, including simplicity and progressivity, we recommend maintaining stability in the 2017 schedule without modification to the core approach.

Up to 400% FPL

- Apply the 2016 affordability standards to updated FPL standards (in orange)
 - Results in \$1 increase to dollar-based premium amounts considered affordable for the 200-300% FPL bracket (in green), which we would recommend to carry over to ConnectorCare premium schedule

Over 400% FPL

- Slight increase from 8.13% to 8.16% (in yellow) to keep pace with an indexed federal standard

CY 2016 Affordability Standards for Individuals					
Income Bracket		Monthly Affordability Standard	Dollar Amount		
% of FPL	Bottom		Top	Bottom	Top
0 - 150%	\$0	\$17,655	0%		
150.1 - 200%	\$17,656	\$23,540	2.90%	\$ 43	\$ 57
200.1 - 250%	\$23,541	\$29,425	4.20%	\$ 82	\$ 103
250.1 - 300%	\$29,426	\$35,310	5.00%	\$ 123	\$ 147
300.1 - 350%	\$35,311	\$41,195	7.40%	\$ 218	\$ 254
350.1 - 400%	\$41,196	\$47,080	7.60%	\$ 261	\$ 298
Above 400%	\$47,081		8.13%	\$ 319	

Proposed CY 2017 Affordability Standards for Individuals					
Income Bracket		Monthly Affordability Standard	Dollar Amount		
% of FPL	Bottom		Top	Bottom	Top
100.1 - 150%	\$0	\$17,820	0%		
150.1 - 200%	\$17,821	\$23,760	2.90%	\$ 43	\$ 57
200.1 - 250%	\$23,761	\$29,700	4.20%	\$ 83	\$ 104
250.1 - 300%	\$29,701	\$35,640	5.00%	\$ 124	\$ 149
300.1 - 350%	\$35,641	\$41,580	7.40%	\$ 220	\$ 256
350.1 - 400%	\$41,581	\$47,520	7.60%	\$ 263	\$ 301
Above 400%	\$47,521		8.16%	\$ 323	

Next Steps

- Request Board vote to approve proposed CY 2017 Affordability Schedules for public comment
- At an upcoming Board meeting, summarize public comments and revisit vote on final CY 2017 Affordability Schedules
- Continue to evaluate ways to improve the affordability schedule and the availability of affordable coverage in the market

2017 Proposed Schedule: Individuals



CY 2017 Affordability Schedule: INDIVIDUALS

CY 2017 Affordability Schedule: INDIVIDUALS					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$17,820	0%		
150.1 - 200%	\$17,821	\$23,760	2.90%	\$43	\$57
200.1 - 250%	\$23,761	\$29,700	4.20%	\$83	\$104
250.1 - 300%	\$29,701	\$35,640	5.00%	\$124	\$149
300.1 - 350%	\$35,641	\$41,580	7.40%	\$220	\$256
350.1 - 400%	\$41,581	\$47,520	7.60%	\$263	\$301
Above 400%	\$47,521		8.16%	\$323	

2017 Proposed Schedule: Couples



CY 2017 Affordability Schedule: COUPLES

CY 2017 Affordability Schedule: COUPLES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$24,030	0%		
150.1 - 200%	\$24,031	\$32,040	4.30%	\$86	\$115
200.1 - 250%	\$32,041	\$40,050	6.20%	\$166	\$207
250.1 - 300%	\$40,051	\$48,060	7.40%	\$247	\$296
300.1 - 350%	\$48,061	\$56,070	7.40%	\$296	\$346
350.1 - 400%	\$56,071	\$64,080	7.60%	\$355	\$406
Above 400%	\$64,081		8.16%	\$436	

2017 Proposed Schedule: Families



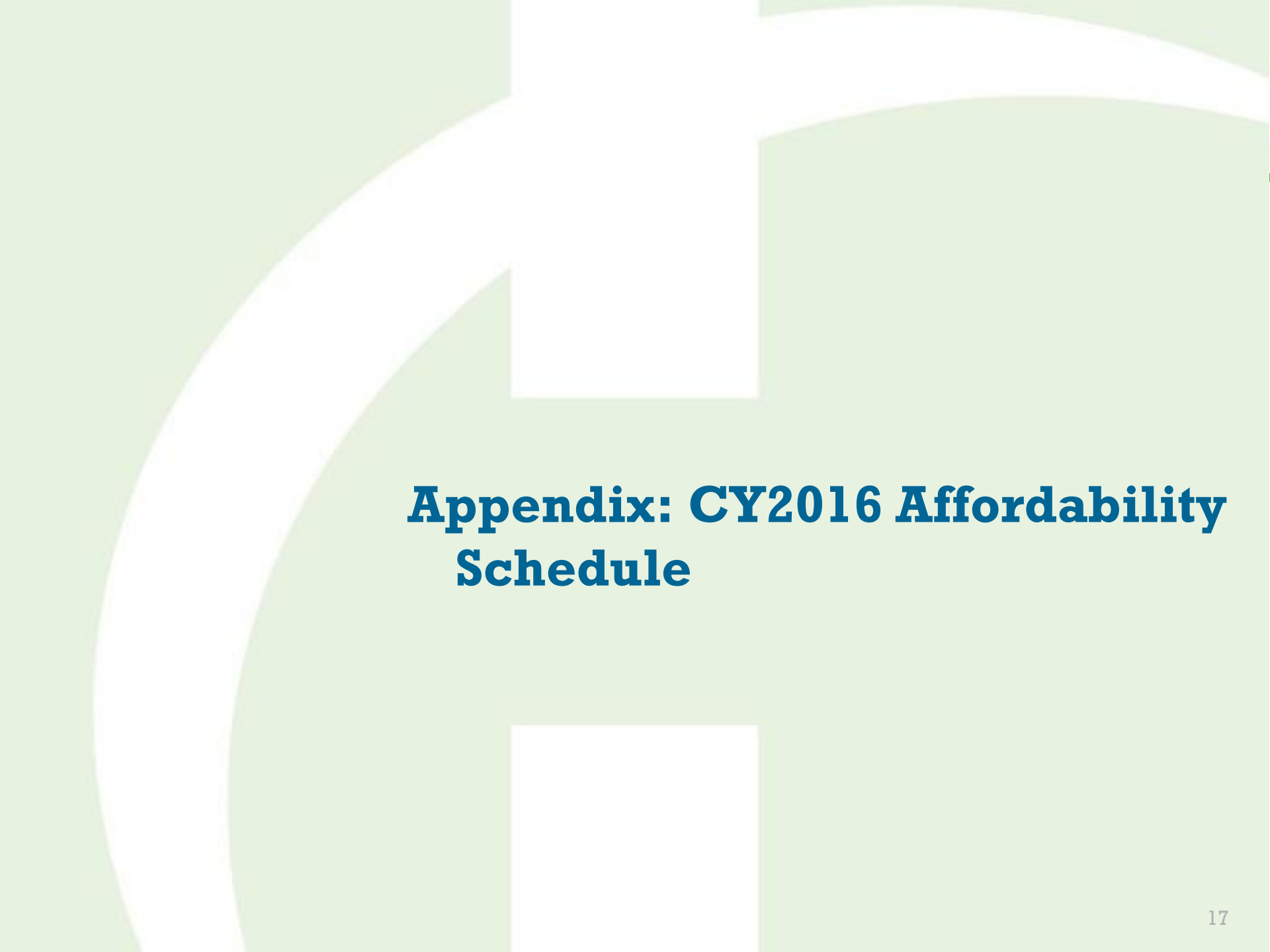
CY 2017 Affordability Schedule: FAMILIES

CY 2017 Affordability Schedule: FAMILIES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$30,240	0%		
150.1 - 200%	\$30,241	\$40,320	3.45%	\$87	\$116
200.1 - 250%	\$40,321	\$50,400	4.90%	\$165	\$206
250.1 - 300%	\$50,401	\$60,480	5.90%	\$248	\$297
300.1 - 350%	\$60,481	\$70,560	7.40%	\$373	\$435
350.1 - 400%	\$70,561	\$80,640	7.60%	\$447	\$511
Above 400%	\$80,641		8.16%	\$548	

VOTE



Moved that the Board approve the issuance for public comment of the Draft Affordability Schedules for Individuals, Couples and Families for Calendar Year 2017, as set forth in the staff proposal.



Appendix: CY2016 Affordability Schedule

2016 Schedule: Individuals



CY 2016 Affordability Schedule: INDIVIDUALS

CY 2016 Affordability Schedule: INDIVIDUALS					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$17,655	0%		
150.1 - 200%	\$17,656	\$23,540	2.90%	\$43	\$57
200.1 - 250%	\$23,541	\$29,425	4.20%	\$82	\$103
250.1 - 300%	\$29,426	\$35,310	5.00%	\$123	\$147
300.1 - 350%	\$35,311	\$41,195	7.40%	\$218	\$254
350.1 - 400%	\$41,196	\$47,080	7.60%	\$261	\$298
Above 400%	\$47,081		8.13%	\$319	

2016 Schedule: Couples



CY 2016 Affordability Schedule: COUPLES

CY 2016 Affordability Schedule: COUPLES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$23,895	0%		
150.1 - 200%	\$23,896	\$31,860	4.30%	\$86	\$114
200.1 - 250%	\$31,861	\$39,825	6.20%	\$165	\$206
250.1 - 300%	\$39,826	\$47,790	7.40%	\$246	\$295
300.1 - 350%	\$47,791	\$55,755	7.40%	\$295	\$344
350.1 - 400%	\$55,756	\$63,720	7.60%	\$353	\$404
Above 400%	\$63,721		8.13%	\$432	

2016 Schedule: Families



CY 2016 Affordability Schedule: FAMILIES

CY 2016 Affordability Schedule: FAMILIES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$30,135	0%		
150.1 - 200%	\$30,136	\$40,180	3.45%	\$87	\$116
200.1 - 250%	\$40,181	\$50,225	4.90%	\$164	\$205
250.1 - 300%	\$50,226	\$60,270	5.90%	\$247	\$296
300.1 - 350%	\$60,271	\$70,315	7.40%	\$372	\$434
350.1 - 400%	\$70,316	\$80,360	7.60%	\$445	\$509
Above 400%	\$80,361		8.13%	\$544	