

MEMORANDUM

To: Health Connector Board Members
Cc: Louis Gutierrez, Executive Director
From: Marissa Woltmann, Director of Policy and Applied Research
Date: February 8, 2020
Re: Affordability Schedule and Minimum Creditable Coverage Deductible Limit Recommendations for 2021

SUMMARY

The Health Connector serves as the primary policymaker with regard to the Commonwealth's requirement that individuals carry health insurance, also called the individual mandate. The Health Connector Board is responsible for a number of policy aspects of the individual mandate, including affordability standards, MCC standards, and hardship exemption criteria.

At the February Board of Directors meeting, Health Connector staff will present proposed updates for 2021 on two components of the state's requirement that individuals carry health insurance: affordability standards and deductible limits under the Minimum Creditable Coverage (MCC) requirements.

On affordability standards, Health Connector staff recommend maintaining the standards used since 2016, with two minor adjustments to the schedule for families to ensure ConnectorCare premiums for two adults remain considered affordable. The 2021 schedule also incorporates updates to the Federal Poverty Guidelines as published by the U.S. Department of Health and Human Services (HHS). These updates will also result in increases of \$1 to \$3 in the lowest-cost ConnectorCare premiums for 2021.

On deductible limits, Health Connector staff recommend adopting the deductible limits as indexed by the premium adjustment percentage, without further modification. As proposed, this would result in MCC deductible limits for 2021 of \$2,700 for an individual and \$5,400 for a family, a 5.9% increase over 2020. As a reminder, indexing of MCC deductible limits does not raise deductibles on residents or Health Connector members; rather, it broadens the types of plans that a resident would be able to carry without facing an individual mandate penalty. Should HHS finalize a premium adjustment percentage that results in different deductibles, staff will provide the Board with additional information. Staff will continue to monitor implementation of higher deductible limits throughout 2020 and will report its findings back to the Board in advance of proposing deductible limits for 2022.

PROPOSED APPROACH FOR 2021 STATE AFFORDABILITY SCHEDULE

The Health Connector Board is required to devise a schedule each year that describes the percentage of income an individual could be expected to contribute towards the purchase of health insurance.¹ The primary purpose of this affordability schedule is to determine if an individual is subject to a penalty for forgoing insurance, or if the individual is not subject to a penalty because the available insurance would be deemed too costly to require.

In practice, an individual compares the monthly contribution for available creditable coverage to the corresponding maximum monthly premium for his or her income. Tax filers are asked to

¹ M.G.L. 176Q § 3.

determine whether coverage available to them from an employer, a subsidized program like ConnectorCare, or unsubsidized commercial insurance available through the Health Connector was considered affordable in the prior year according to the standards approved by the Board. Failing to enroll in affordable coverage may result in a penalty assessment. Conversely, if no affordable plan was available, no penalty for being uninsured would be assessed.

Another important aspect of the affordability schedule is that it aligns with the subsidized ConnectorCare premiums for individuals with income at or below 300% of the Federal Poverty Level (FPL). The 2021 affordability schedule will inform the Health Connector's Seal of Approval plan certification process. Although the affordability schedule does not create any requirement that the market offer households plans that would be considered affordable, the Health Connector's policy has been to set its own subsidized premiums in accordance with what the Board has determined affordable. During the Seal of Approval process, carriers will submit plan proposals informed by the anticipated base enrollee premiums, and Health Connector staff will use the base premiums in analyzing the fiscal and operational administration of the ConnectorCare program. Alignment of the ConnectorCare base enrollee premiums with the affordability schedule also means that individuals who could have enrolled in ConnectorCare but failed to would be subject to a penalty.

The proposed schedule for 2021 maintains the approach to affordability standards used since 2016. The schedule was updated to reflect the federal poverty guidelines for 2020, which will be used to determine eligibility for Health Connector subsidies during the 2021 benefit year.

For households up to 300% FPL, updates to the federal poverty guidelines translate to relatively small increases in the dollar amounts considered affordable for each income bracket. This change will, if approved, also increase the base enrollee premiums for ConnectorCare members. Plan Type 2B members would have a minimum premium increase of \$1, Plan Type 3A an increase of \$2, and Plan Type 3B an increase of \$3. Two adjustments to the families schedule were necessary to maintain the affordability of ConnectorCare for households between 200.1 and 250% FPL and between 250.1 and 300% FPL. The affordable percentages of income in those ranges rose from 4.90% to 4.95% and 5.85% to 5.90%, respectively.

For households over 300% FPL, the schedule includes minor increases in the dollar amounts considered affordable, driven by updates to the federal poverty guidelines. The affordability standards for individuals in these income ranges are the same as in the 2020 schedule.

The proposed approach for the 2021 affordability schedule, which generally maintains the standards adopted for 2020, provides stability for state residents and the insurance market more broadly by allowing the amount of a premium considered affordable to increase gradually as the poverty guidelines increase. Massachusetts's national leadership in coverage rates is due in part to its carefully crafted state-based individual mandate policies, and we continue to seek an affordability schedule that supports further success.

PROPOSED CALENDAR YEAR 2021 AFFORDABILITY SCHEDULE

Proposed 2021 Affordability Standards for 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	\$19,140	0%		
150.1 - 200%	\$19,141	\$25,520	2.90%	\$46	\$62
200.1 - 250%	\$25,521	\$31,900	4.20%	\$89	\$112
250.1 - 300%	\$31,901	\$38,280	5.00%	\$133	\$160
300.1 - 350%	\$38,281	\$44,660	7.45%	\$238	\$277
350.1 - 400%	\$44,661	\$51,040	7.60%	\$283	\$323
Above 400%	\$51,041		8.00%	\$340	

Proposed 2021 Affordability Standards for 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	\$25,860	0%		
150.1 - 200%	\$25,861	\$34,480	4.30%	\$93	\$124
200.1 - 250%	\$34,481	\$43,100	6.20%	\$178	\$223
250.1 - 300%	\$43,101	\$51,720	7.40%	\$266	\$319
300.1 - 350%	\$51,721	\$60,340	7.45%	\$321	\$375
350.1 - 400%	\$60,341	\$68,960	7.60%	\$382	\$437
Above 400%	\$68,961		8.00%	\$460	

Proposed 2021 Affordability Standards for 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	\$32,580	0%		
150.1 - 200%	\$32,581	\$43,440	3.40%	\$92	\$123
200.1 - 250%	\$43,441	\$54,300	4.95%	\$179	\$224
250.1 - 300%	\$54,301	\$65,160	5.90%	\$267	\$320
300.1 - 350%	\$65,161	\$76,020	7.45%	\$405	\$472
350.1 - 400%	\$76,021	\$86,880	7.60%	\$481	\$550
Above 400%	\$86,881		8.00%	\$579	

PROPOSED MINIMUM CREDITABLE COVERAGE DEDUCTIBLE LIMITS FOR 2021

The Health Connector Board promulgated regulations in 2007 to define MCC standards that included deductible limits of \$2,000 for an individual and \$4,000 for a family. These limits protect state residents from coverage that requires prohibitively high out-of-pocket costs to access care. In 2013, the Board voted to update deductibles annually using the “premium adjustment percentage” calculated by the U.S. Department of Health and Human Services. However, the federal statute cited in the MCC regulations to effectuate the indexing was repealed before taking effect. In 2019, the Board approved regulatory amendments to repair this broken indexing cross-reference, as well authorize the Board to amend the indexed deductible in any given year via a vote, if it felt appropriate to do so.

The indexing of deductible limits in plans considered MCC helps to ensure that individuals do not face tax penalties when they have coverage that is otherwise robust but has a deductible higher than \$2,000/\$4,000. Prior to the regulatory amendment, plans subject to actuarial value constraints under the Affordable Care Act, including those designed as part of the Health Connector’s Seal of Approval process, increasingly struggled to maintain reasonable cost sharing amounts for particular services with deductible amounts capped at \$2,000/\$4,000. The Health Connector’s own Bronze plans for 2020 include a deductible of \$2,900 to stay below the 65% Actuarial Value limit required by federal regulation while maintaining feasible copayments and coinsurance requirements.² Indexing of MCC deductible limits does not require or suggest that plan sponsors increase deductibles to the allowed limit, but it does allow flexibility in plan design that facilitates continued effectiveness of the state’s individual mandate, and, in practice, it broadens the types of plans that a resident would be able to carry without facing an individual mandate penalty.

The proposed premium adjustment percentage for 2021 was published by HHS in the proposed “Notice of Benefit and Payment Parameters” on January 31, 2020. Multiplying the \$2,000 deductible limit by the premium adjustment percentage 1.3542376277, then rounding down to the next multiple of \$50 results in a 2021 deductible limit for individuals of \$2,700, an increase of \$150 over 2020 limits. Plans would be able to allow a separate drug deductible within the \$2,700 limit of up to \$330. Deductible limits for families would be twice the individual limits: \$5,400 overall and \$660 for a separate drug deductible. It is possible that the premium adjustment percentage could change slightly in the final Notice of Benefit and Payment Parameters if newer premium data becomes available. If there is a change in the final premium adjustment percentage, Health Connector staff will determine the impact and return to the Board with additional information and recommendations for 2021.

Using this methodology, deductible limits for 2021 would increase by 5.9% over 2020 limits. Of note, however, because the 2020 Seal of Approval had already been completed prior to the revision of the MCC regulations, the \$2,700 limit would result in a decreased deductible for most Health Connector Bronze plans, which have a 2020 deductible of \$2,900.

	2020	Proposed 2021
Individual Coverage Deductible	\$2,550	\$2,700
Individual Coverage Separate Prescription Deductible	\$310	\$330
Family Coverage Deductible	\$5,100	\$5,400
Family Coverage Separate Prescription Deductible	\$620	\$660

² 45 C.F.R. 156.140

APPENDIX

Included in this appendix are the 2020 Affordability Schedule tables for reference.

2020 Affordability Standards for 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	\$18,735	0%		
150.1 - 200%	\$18,736	\$24,980	2.90%	\$45	\$60
200.1 - 250%	\$24,981	\$31,225	4.20%	\$87	\$109
250.1 - 300%	\$31,226	\$37,470	5.00%	\$130	\$156
300.1 - 350%	\$37,471	\$43,715	7.45%	\$233	\$271
350.1 - 400%	\$43,716	\$49,960	7.60%	\$277	\$316
Above 400%	\$49,961		8.00%	\$333	

2020 Affordability Standards for 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	\$25,365	0%		
150.1 - 200%	\$25,366	\$33,820	4.30%	\$91	\$121
200.1 - 250%	\$33,821	\$42,275	6.20%	\$175	\$218
250.1 - 300%	\$42,276	\$50,730	7.40%	\$261	\$313
300.1 - 350%	\$50,731	\$59,185	7.45%	\$315	\$367
350.1 - 400%	\$59,186	\$67,640	7.60%	\$375	\$428
Above 400%	\$67,641		8.00%	\$451	

2020 Affordability Standards for 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	\$31,995	0%		
150.1 - 200%	\$31,996	\$42,660	3.40%	\$91	\$121
200.1 - 250%	\$42,661	\$53,325	4.90%	\$174	\$218
250.1 - 300%	\$53,326	\$63,990	5.85%	\$260	\$312
300.1 - 350%	\$63,991	\$74,655	7.45%	\$397	\$463
350.1 - 400%	\$74,656	\$85,320	7.60%	\$473	\$540
Above 400%	\$85,321		8.00%	\$569	