

MEMORANDUM

To: Health Connector Board Members
Cc: Louis Gutierrez, Executive Director
From: Marissa Woltmann, Director of Policy and Applied Research
Date: March 8, 2021
Re: Affordability Schedule and Minimum Creditable Coverage Deductible Limit Recommendations for 2022

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, Minimum Creditable Coverage (MCC) standards, and hardship exemption criteria.

At the March Board of Directors meeting, Health Connector staff will present proposed updates for 2022 on two individual mandate components: affordability standards and deductible limits under the 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 and consistent over time. The 2022 schedule also incorporates updates to the Federal Poverty Guidelines as published by the U.S. Department of Health and Human Services (HHS). These updates would also result in increases of \$1 in the lowest-cost ConnectorCare premiums for 2022.

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 2022 of \$2,850 for an individual and \$5,700 for a family, a 5.6% increase over 2021. 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.

PROPOSED APPROACH FOR 2022 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 their income. Tax filers are asked to determine whether coverage available to them from an employer, a subsidized program like

¹ M.G.L. 176Q § 3.

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, but 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 2022 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 2022 maintains the approach to affordability standards used since 2016. The schedule was updated to reflect the federal poverty guidelines for 2021, which will be used to determine eligibility for Health Connector subsidies during the 2022 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 in Plan Types 2B, 3A, and 3B of \$1. One minor adjustment to the families schedule was necessary to maintain the affordability of ConnectorCare for households between 150.1 and 200% FPL, increasing it to 3.45% of income from 3.40%. A second adjustment between 250.1 and 300% FPL would reduce the affordable percentage of income back to 5.85% after an adjustment to 5.90% was needed last year to maintain the affordability of ConnectorCare.

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 2021 schedule.

The proposed approach for the 2022 affordability schedule, which generally maintains the standards adopted for 2021, 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. This approach acknowledges the financial burdens shouldered by lower income individuals, who are more likely to be people of color, and thus directionally supports the Health Connector's goal of reducing racial and ethnic inequities. 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 2022 AFFORDABILITY SCHEDULE

Proposed 2022 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	\$19,320	0%		
150.1 - 200%	\$19,321	\$25,760	2.90%	\$47	\$62
200.1 - 250%	\$25,761	\$32,200	4.20%	\$90	\$113
250.1 - 300%	\$32,201	\$38,640	5.00%	\$134	\$161
300.1 - 350%	\$38,641	\$45,080	7.45%	\$240	\$280
350.1 - 400%	\$45,081	\$51,520	7.60%	\$286	\$326
Above 400%	\$51,521		8.00%	\$343	

Proposed 2022 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	\$26,130	0%		
150.1 - 200%	\$26,131	\$34,840	4.30%	\$94	\$125
200.1 - 250%	\$34,841	\$43,550	6.20%	\$180	\$225
250.1 - 300%	\$43,551	\$52,260	7.40%	\$269	\$322
300.1 - 350%	\$52,261	\$60,970	7.45%	\$324	\$379
350.1 - 400%	\$60,971	\$69,680	7.60%	\$386	\$441
Above 400%	\$69,681		8.00%	\$465	

Proposed 2022 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	\$32,940	0%		
150.1 - 200%	\$32,941	\$43,920	3.45%	\$95	\$126
200.1 - 250%	\$43,921	\$54,900	4.95%	\$181	\$226
250.1 - 300%	\$54,901	\$65,880	5.85%	\$268	\$321
300.1 - 350%	\$65,881	\$76,860	7.45%	\$409	\$477
350.1 - 400%	\$76,861	\$87,840	7.60%	\$487	\$556
Above 400%	\$87,841		8.00%	\$586	

PROPOSED MINIMUM CREDITABLE COVERAGE DEDUCTIBLE LIMITS FOR 2022

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 to 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, it was becoming increasingly difficult to design 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, with deductible amounts capped at \$2,000/\$4,000. 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 Health Connector acknowledges that deductibles often deter enrollees from receiving both high- and low-value care, and that cost sharing increases have been a growing burden for households in Massachusetts and nationwide.^{2,3} These burdens are more likely to fall disproportionately on families of color, who are more likely to be lower-income and less likely to have ready liquid assets to pay for care.⁴ However, addressing these issues must be done market-wide, particularly given the actuarial value constraints addressed above. By not deeming common plan designs as MCC-compliant, the Health Connector would risk not only having individuals unable to access needed care due to cost but also possibly asked to pay a penalty despite their coverage.

The proposed premium adjustment percentage for 2022 was published by HHS in the proposed “Notice of Benefit and Payment Parameters” on December 4, 2020. Multiplying the \$2,000 deductible limit by the premium adjustment percentage 1.4409174688, then rounding down to the next multiple of \$50 results in a 2022 deductible limit for individuals of \$2,850, an increase of \$150 over 2021 limits. Plans would be able to allow a separate drug deductible within the \$2,850 limit of up to \$350. Deductible limits for families would be twice the individual limits: \$5,700 overall and \$700 for a separate drug deductible. It is possible that the premium adjustment percentage could change in the final Notice of Benefit and Payment Parameters if the new administration chooses to revise the approach proposed by the prior administration. If there is a change in the final premium adjustment percentage,

² Agarwal, R., Mazurenko, O., & Menachemi, N. (2017). High-deductible health plans reduce health care cost and utilization, including use of needed preventive services. *Health Affairs*, 36(10), 1762-1768. <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2017.0610>.

³ Center for Health Information and Analysis. (2020). The 2019 Massachusetts Health Insurance Survey. <https://www.chiamass.gov/assets/docs/r/survey/mhis-2019/2019-MHIS-Report.pdf>.

⁴ Cole, M.B., Ellison, J.E. & Trivedi, A.N. (2020). Association between high-deductible health plans and disparities in access to care among cancer survivors. *JAMA Netw Open*. 2020;3(6):e208965. [doi:10.1001/jamanetworkopen.2020.8965](https://doi.org/10.1001/jamanetworkopen.2020.8965).

Health Connector staff will determine the impact and return to the Board with additional information and recommendations for 2022.

Using this methodology, deductible limits for 2022 would increase by 5.6% over 2021 limits. Of note, however, while the allowable deductible limits associated with individual mandate compliance would increase, the practical upward pressures on deductibles may be lower than usual in 2022 given that the Federal Actuarial Value Calculator for 2022 plans makes no adjustment for cost trends over 2021 and therefore requires no adjustment to plan designs to stay within allowed actuarial value ranges.

	2021	Proposed 2022
Individual Coverage Deductible	\$2,700	\$2,850
Individual Coverage Separate Prescription Deductible	\$330	\$350
Family Coverage Deductible	\$5,400	\$5,700
Family Coverage Separate Prescription Deductible	\$660	\$700

APPENDIX

Included in this appendix are the 2021 Affordability Schedule tables for reference.

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	

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	

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	