

Data on the Massachusetts Individual Mandate: State Coverage Gains Under the Affordable Care Act

Executive Summary

Since 2006, Massachusetts has enforced its state-level individual mandate through the annual income tax filing process where Massachusetts residents are required to report information about their health insurance coverage each year. As a part of its implementation and administration of the Commonwealth's individual mandate, the Health Connector analyzes detailed information about state residents lacking coverage from health insurance data reported on state income tax returns. This analysis of tax data from the Massachusetts Department of Revenue (DOR) builds on findings from [Tax Years 2013–2015](#) to provide new insights about coverage gains among uninsured Massachusetts residents as the federal Patient Protection and Affordable Care Act (ACA) was implemented. Key takeaways from this analysis include:

- Approximately 66,000 people (34%) who reported being uninsured in 2013 indicated gaining full-year health insurance through an MCC-compliant plan in 2014. By 2015, nearly 10,000 additional individuals who were uninsured in 2013 came into coverage.
- The lowest-income uninsured state residents (earning under 150 percent of the Federal Poverty Level or FPL in 2013) represented nearly 78 percent of those who gained insurance in 2014.
- The ACA has been a critical tool in insuring the Massachusetts population, helping more of the uninsured transition to coverage than data shows transitioned in prior years.

This brief was compiled by the Massachusetts Health Connector in its role administering policy aspects of the state's individual mandate pursuant to its authority at MGL 176Q, section 3. The Health Connector used data provided by the Department of Revenue under a Memorandum of Understanding between the agencies. All individual level identifiers were removed prior to sharing data with the Health Connector and conducting this data analysis.

About the Health Connector

The Health Connector, Massachusetts's state-based health insurance "Exchange" or "Marketplace," is the Commonwealth's hub for affordable and quality coverage, offering individuals, families, and small businesses a transparent shopping platform to find, compare, and enroll in health insurance. With over 300,000 non-group and small group enrollees, the Health Connector serves: low income residents earning

under 300 percent of the Federal Poverty Level (FPL) through its ConnectorCare program; middle- and higher-income non-group enrollees not eligible for subsidies; and small businesses with less than 50 employees. The Health Connector also governs implementation of the state's individual mandate and prioritizes outreach and education to enroll the remaining uninsured in coverage.

Background

In Massachusetts, the state individual mandate has been instrumental in achieving near universal coverage across the state, ensuring that all state residents obtain and maintain affordable and quality health insurance. The Commonwealth initially introduced this legal requirement for adult residents to enroll in affordable health coverage or pay a penalty through their tax returns as a part of its health reform law, Chapter 58 of the Acts of 2006.ⁱ

In 2014, the ACA established a federal individual mandate that mirrored Massachusetts, requiring most United States adult citizens and legal residents to carry health insurance; however, the federal penalty was reduced to \$0 for 2019 and beyond. Massachusetts opted to continue administering its state level individual mandate in parallel to the federal requirement to maintain minimum benefit standards, and it remains in place today.ⁱⁱ

Today, the Health Connector administers the state individual mandate and accompanying policies to ensure compliance among adults over 18 years old while the Massachusetts Department of Revenue facilitates enforcement through the annual tax filing process:

1. **Coverage standards.** Minimum Creditable Coverage (MCC) requirements, promulgated by the Health Connector, define key minimum benefits and cost sharing standards a plan must provide in order to satisfy the individual mandate and avoid tax penalties in Massachusetts.ⁱⁱⁱ
2. **Affordability standards.** The Health Connector sets an annual income-based affordability schedule that determines whether individuals, married couples, and families can afford health insurance.^{iv} The affordability schedule also prevents those without access to affordable coverage from being penalized.
3. **Penalty and exemption standards.** State residents who have an affordable offer of coverage but do not enroll are subject to penalties for each month without health insurance in a given tax year. The DOR is responsible for overseeing the state tax filing process (Schedule HC) through which state residents indicate whether they had coverage for each month in a year.^v

Beyond increasing coverage rates across the Commonwealth, the state individual mandate administration provides high-quality data about residents who lack coverage, enabling the Health Connector to hone state policy initiatives and outreach strategies to targeted sub-populations of the uninsured.

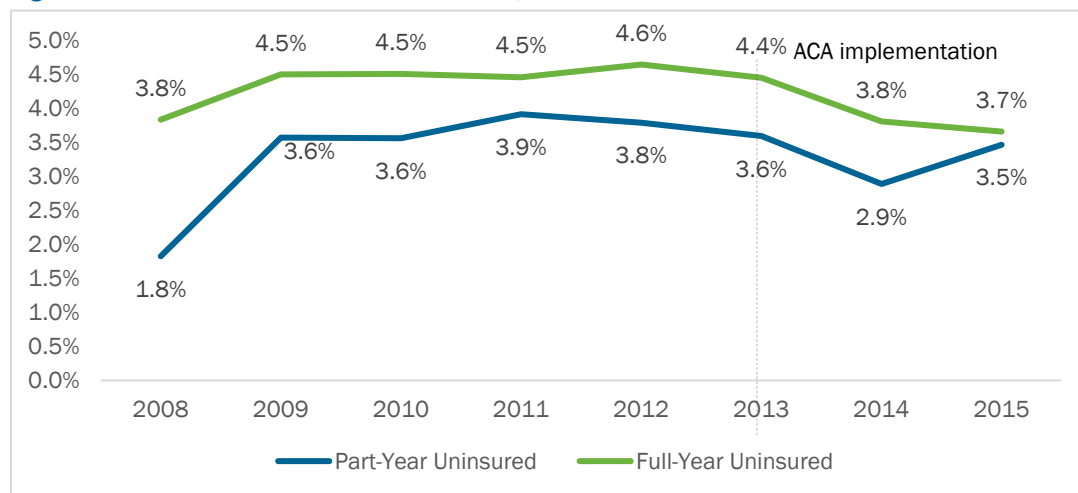
ACA Implementation in Massachusetts

Massachusetts’s 2006 health care law served as the model for national-level reforms implemented through ACA. Several pillars of the ACA mirrored the policy innovations of the Commonwealth (such as the federal individual mandate), building on existing coverage expansions and enrolling more state residents into affordable coverage options. In 2014, Massachusetts transitioned its existing subsidized coverage programs to implement Medicaid expansion, as well as Qualified Health Plans (QHPs) with federal advance premium tax credits (APTCs) and cost-sharing reductions (CSRs) through the Health Connector. Additionally, the Commonwealth designed the ConnectorCare program to supplement federal APTCs and CSRs for residents earning income up to 300 percent FPL, maintaining affordability levels for pre-ACA Commonwealth Care enrollees. In Massachusetts, the ACA’s federal insurance market reforms, consumer protections, and policy tools offered a renewed opportunity to enroll the Commonwealth’s remaining uninsured residents into coverage.

Between 2013 and 2014, immediately after the implementation of the ACA, the rate of Massachusetts residents uninsured for a full year decreased from 4.4 percent to 3.8 percent, representing roughly 27,000 people gaining coverage (see Figure 1).^{vi} Between 2014 and 2015, the full-year uninsured rate continued to decrease – this time by 0.1-percentage point to 3.7 percent or 5,000 fewer uninsured people.

Because the Massachusetts individual mandate allows for some gaps in coverage, state residents who lose coverage but resume it within three or fewer consecutive calendar months are not subject to penalty for lack of coverage. Residents who fall into this “permissible gap” are captured in “part-year” uninsured rates. After ACA implementation, the state’s part-year uninsured rate also dropped 0.7 percentage points from 3.6 percent to 2.9 percent (a decrease of approximately 30,000 people).

Figure 1. Uninsured Tax Filers in Massachusetts, 2008-2015



These findings are consistent with other state and federal survey data from 2013-2015 that include Massachusetts residents who do not file state taxes.^{vii}

Post-ACA Uninsurance Trends

Along with highlighting percent and absolute decreases in uninsured Massachusetts residents after ACA implementation, initial [analysis of 2013-2015 tax filers data](#) confirmed previously established characteristics of uninsured Massachusetts residents. Findings indicate that, overall, uninsured Massachusetts residents include:

- Both chronically uninsured individuals who did not carry coverage for multiple years and newly uninsured individuals who experienced a short-term gap in coverage;
- Younger adults between the ages of 19 and 34 years old; and
- Lower income people with incomes below 400 percent FPL who may be eligible for free or subsidized coverage.

Additionally, data from the Schedule HC designates categories of uninsurance that distinguish tax filers who did not comply with the state individual mandate and were assessed a penalty for not carrying insurance for the full year from those who were not (see Table 2).

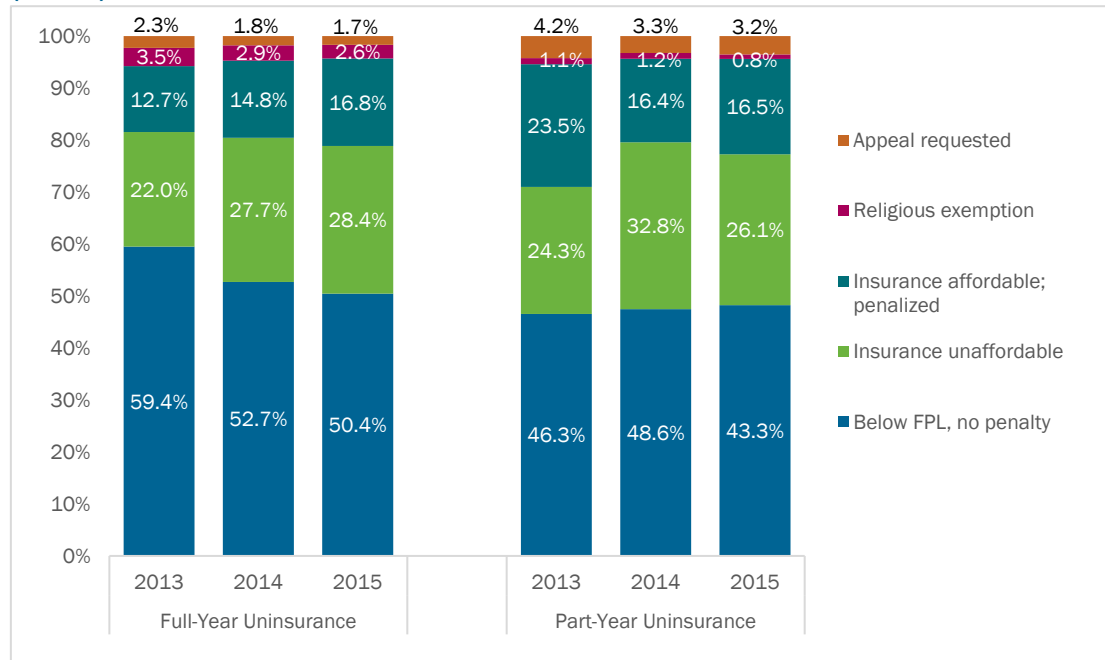
Table 1. Categories of Uninsurance (Individual Mandate Non-Compliance) by Penalty Assessment

Assessed a Penalty	Not Assessed a Penalty
Had an affordable offer of MCC-compliant coverage	Annual income under 150 percent FPL
Requested to appeal penalty	Unaffordable offer of MCC-compliant coverage
	Religious exemption

Note: The roughly 62,000 part-year uninsured state tax filers with a “permissible gap” in coverage during each Tax Year were excluded from the analysis below because they technically complied with the individual mandate.

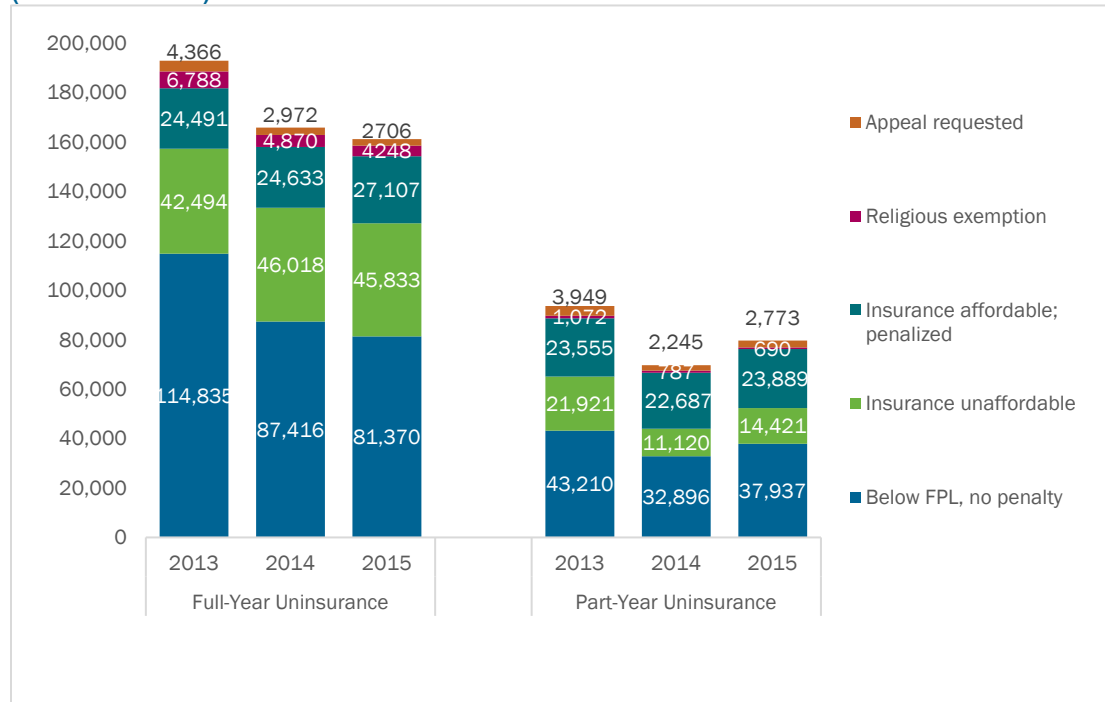
In 2013, many full- and part-year uninsured tax filers reported earning under 150 percent FPL and were not penalized for being uninsured. After the ACA was implemented, the proportion of uninsured state tax filers with income below the penalty threshold decreased substantially. In contrast, roughly 20 percent of both full- and part-year uninsured state residents reported uninsurance attributable to an unaffordable offer of insurance in 2013. In 2014 and 2015, post-ACA implementation, residents opting out of health coverage due to unaffordable insurance increased. While this may reflect increasing premium costs, it may also reflect that fewer people passed up opportunities to enroll in coverage and so a smaller proportion of the uninsured had access to affordable coverage. Ideally, all individuals with access to affordable coverage would enroll it, leaving no uninsured individuals who had an offer of affordable coverage.

Figure 2. Uninsured Tax Filers by Categories of Full and Part-Year Uninsurance, 2013-2015 (Percent)



Note: COEs were excluded from the figures above. Less than 200 full and part-year received Certificates of Exemption (COEs) between 2013 and 2015.

Figure 3. Uninsured Tax Filers by Categories of Full and Part-Year Uninsurance, 2013-2015 (Absolute Number)



Note: COEs were excluded from the figures above. Less than 200 full and part-year received Certificates of Exemption (COEs) between 2013 and 2015.

Full-Year Uninsurance

Between 2013 and 2015, the proportion of full-year uninsured individuals below 150 percent FPL decreased by 9 percentage points, from 59.4 percent to 50.4 percent, a reduction of over 30,000 residents to roughly 81,000 in 2015. During this time, the portion of overall state residents in this income range decreased 1.7 percentage points or a decrease of 60,000 people.

- The proportion of full-year uninsured individuals reporting they did not have an affordable offer of MCC-compliant coverage increased by 6.4 percentage points, from 22 percent to 28.4 percent, an increase of around 3,000 residents to roughly 46,000 in 2015.
- Similarly, the proportion of full-year uninsured individuals who could have enrolled in affordable coverage but did not (and were, therefore, assessed a penalty) also increased by nearly 4 percentage points, or 2,600 residents, to roughly 27,000 individuals in 2015.

Part-Year Uninsurance

Between 2013 and 2015, the proportion of part-year uninsured individuals under 150 percent FPL decreased by 3.0 percentage points, representing a decline of 5,000 individuals, to 38,000 individuals in 2015.

- The proportion of part-year uninsured individuals reporting they did not have an affordable offer of MCC-compliant coverage increased to 26.1 percent, or 23,000 people, in 2015 from 24.3 percent in 2013.
- Finally, the proportion of part-year uninsured tax filers who could have enrolled in affordable coverage but did not decreased by 7.0 percentage points (7,500 individuals) from 23.5 percent to 16.5 percent or 14,000 people in 2015.

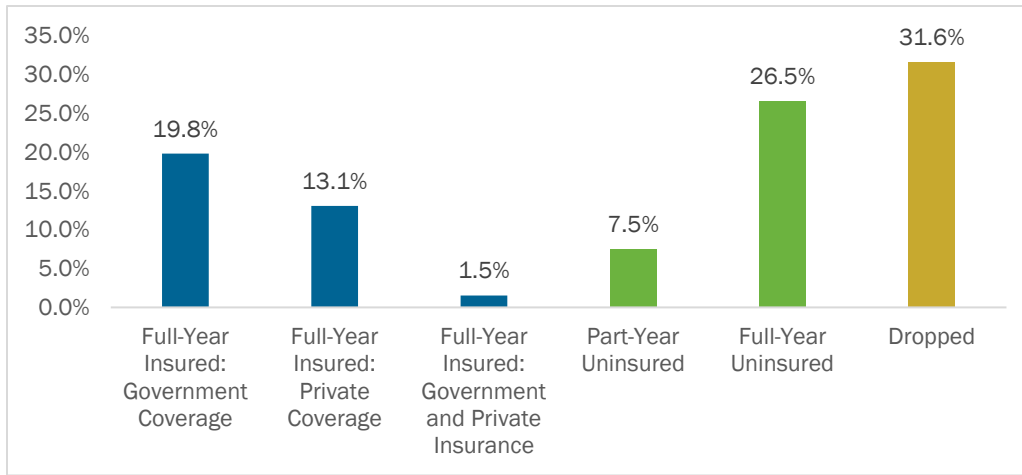
Coverage Gains Among the Pre-ACA Uninsured

This section examines state tax filers who indicated being full-year uninsured on their 2013 Schedule HC, with a special focus on those with income under 150 percent FPL, and changes in their coverage status between 2013 and 2014, when key provisions of the ACA went into effect.

Of the 193,000 state residents who indicated being full-year uninsured in their 2013 tax filing, 66,000 people, or 34.4 percent, reported gaining full-year coverage through an MCC-compliant plan in 2014 (see Figure 2). This is a larger increase than the 29.0 percent of uninsured residents in 2012 who gained coverage for 2013, prior to the ACA's coverage expansions. Of those who newly gained coverage in 2014 after being uninsured in 2013, nearly 60 percent, or 38,000, reported having government coverage, including MassHealth, Medicare, and Veterans Affairs health benefits. These individuals may have already been eligible for public coverage but had previously not chosen to enroll. Twenty-seven percent of uninsured tax filers in 2013

continued to be uninsured in 2014 (compared to 32.9 percent between 2012 and 2013), and nearly 32 percent were not present in the 2014 data.

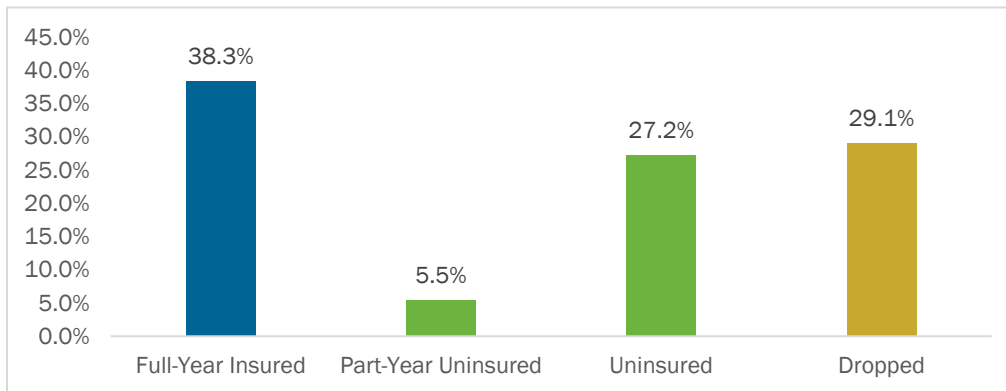
Figure 4. 2014 Coverage Status of Full-Year Uninsured Tax Filers in 2013



Note: The dropped category represents residents who no longer appear in state tax filing data. These residents may have moved out of the state.

Of the 118,000 full-year uninsured who had annual income below 150 percent FPL in 2013, 38 percent or 45,000 gained full-year coverage while 27 percent or 32,000 continued to be uninsured in 2014.

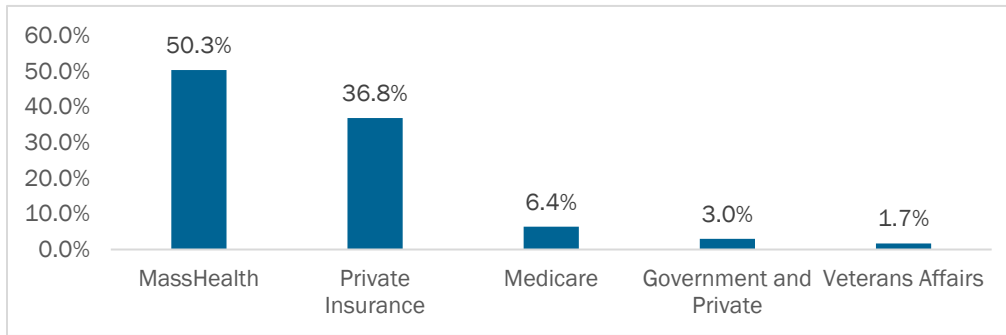
Figure 5. 2014 Coverage Status of Full-Year Uninsured Tax Filers under 150 percent FPL in 2013



Note: The dropped category represents residents who no longer appear in state tax filing data. These residents may have moved out of the state.

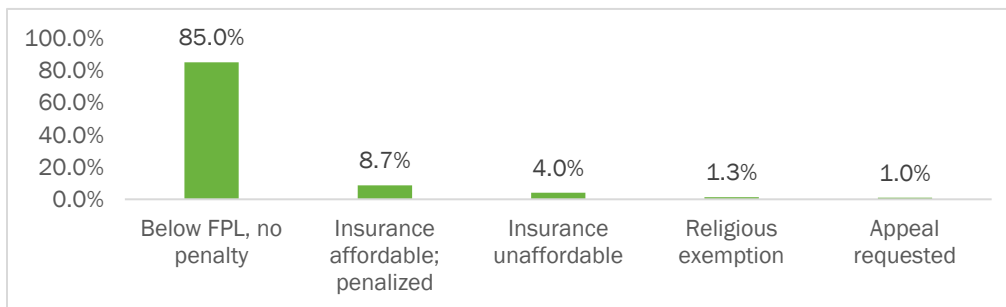
Approximately 22,700 (or half) of the those who gained coverage in 2014 enrolled in MassHealth (compared to 18,200 in 2013) while 16,600 individuals or 37 percent enrolled in private coverage (compared to 17,000 in 2013).

Figure 6: 2014 Coverage Type of Full-Year Uninsured Tax Filers under 150 percent FPL in 2013



Nearly 27,300 or 85 percent of the 2013 full-year uninsured under 150 percent FPL who were also full-year uninsured in 2014 continued to have income below 150 percent FPL and were not subject to a penalty.

Figure 7: 2014 Uninsurance Category of Full-Year Uninsured Tax Filers under 150 percent FPL in 2013



Though this analysis focuses on the impact of coverage expansions between 2013 and 2014, at a high level, DOR data suggests that Massachusetts residents continued to increase take-up of coverage in 2015, albeit at a slower pace.

Discussion

After the ACA took effect, Massachusetts’s full-year uninsured rate decreased by 0.6 percentage points, or roughly 27,000 people, after remaining relatively flat at 4.5 percent for the four previous years. While the reduction in uninsured residents itself is indicative of the positive impact of federal reforms on the Commonwealth, prospective coverage trends among the full-year uninsured in 2013 underscore the success of the ACA in increasing the availability of affordable health insurance. Approximately 66,000 people who reported being uninsured for the full year in 2013, reported gaining full-year health insurance through an MCC-compliant plan in 2014. The lowest-income uninsured state residents (earning under 150 percent FPL in 2013) represented nearly 78 percent of those who gained insurance in 2014.

Six years after the implementation of the ACA, the Commonwealth consistently has the lowest uninsured rate of any state in the nation, a direct result of the combination of innovative state and federal policy tools employed to make coverage affordable and accessible. Still, in recent years, uninsurance across the state has flattened once

again and may reveal the need for new reforms, outreach initiatives or system-level changes to further move the needle.

Data on individual mandate compliance from the DOR and other indicators of uninsurance are continually improving our understanding of the uninsured and allow for targeted outreach to those without coverage. This administrative data is unique in that it allows for longitudinal analysis using de-identified unique IDs assigned to all tax filers, applied year over year. This information offers the clearest signal of the coverage gains experienced by Massachusetts residents immediately after the ACA expanded Medicaid to populations that were not previously eligible and began to offer federal subsidies to lower the cost of coverage.

The Health Connector will continue to explore ways to help the Commonwealth reach full health insurance coverage by maximizing opportunities to reach and understand the uninsured through the state's individual mandate process. The Health Connector's strategic plan for 2020-2022 highlights particular actions the agency is undertaking to continue to deepen and strengthen its activities to achieve further increases in health coverage in the Commonwealth, and covering the uninsured remains a central component of the Health Connector's mission and public interest function.

Appendix

Methodology

Using individual mandate compliance data as a proxy for post-ACA uninsurance rates across the Commonwealth, this brief presents insights about the Commonwealth's uninsured population through an analysis of completed tax returns filed and processed by the DOR in tax years 2013, 2014, and 2015.

Each year, Massachusetts residents file a Schedule HC form with their personal income tax return to specify the months they had health insurance coverage meeting MCC standards, thus indicating whether they fulfilled the state requirement to enroll in affordable coverage. Identifying key characteristics of those who do not comply (uninsured), and those who partially comply (part-year uninsured) can help tailor outreach and policies to state residents who may face barriers to getting insured.

The coverage rates highlighted in this analysis are based on a population of adult tax filers who complied with the Schedule HC filing requirement. In Tax Years 2013, 2014, and 2015, nearly all (99.9 percent) Massachusetts adults required to file taxes also complied with the filing requirement to report health insurance information via form Schedule HC.

Table 1. Schedule HC Filing Compliance, Tax Years 2013, 2014, and 2015

Form Year	Tax Return Count	Schedule HC Count	Missing Schedule HC	Schedule HC Filing Compliance
2013	3,651,889	3,647,809	4,080	99.9%
2014	3,705,147	3,700,622	4,525	99.9%
2015	3,743,992	3,739,009	4,983	99.9%

Additionally, the DOR dataset provides the unique opportunity to follow coverage status over time to better understand uninsurance persistence and coverage gains related to policy changes such as ACA implementation. In this report, changes in insurance status were determined using a de-identified unique ID assigned to tax filers, applied year over year.

In contrast to the federal and state surveys frequently used to estimate uninsurance, this data is not based on a sample of the population. The DOR dataset is state administrative data, representing all Massachusetts residents required to file a state personal income tax return. While mandate compliance data differs in scope from survey sample data, the findings from this report are consistent with survey-based estimates of uninsurance in the same years, suggesting near-universal coverage across Massachusetts.

Still, there are some limitations to consider in examining this report:

- The information presented may include inconsistencies, reporting errors, or missing/unknown data because Schedule HC data is self-reported.

- Though the Massachusetts individual mandate applies to all adults, low-income state residents earning under 150 percent FPL may not be assessed a penalty for being uninsured. Based on the statutory formula, the penalty for this income group is \$0. Consequently, the uninsured under 150 percent FPL may not complete a Schedule HC. While this population is included in the DOR dataset, demographic information associated with their coverage status may be missing, resulting in a considerable number of “unknowns” for various dimensions including age, gender, and FPL.

References

- ⁱ Commonwealth of Massachusetts, “Chapter 58 of the Acts of 2006,” <http://www.mass.gov/legis/laws/seslaw06/sl060058.htm>
- ⁱⁱ Massachusetts Health Connector. November 2017. The Massachusetts Individual Mandate: Design, Administration, and Results. <https://www.mahealthconnector.org/wp-content/uploads/Individual-Mandate-Report-Nov2017.pdf>
- ⁱⁱⁱ 956 CMR 5.00, Minimum creditable coverage, available at: <https://www.mass.gov/regulations/956-CMR-500-minimum-creditable-coverage>
- ^{iv} 956 CMR 6.00, Defining Affordability for the Individual Mandate, available at <https://www.mahealthconnector.org/wp-content/uploads/rules-and-regulations/956CMR6.00.pdf>
- ^v Massachusetts 2019 Schedule HC: Health Care Information. <https://www.mass.gov/doc/2019-schedule-hc-health-care-information/download>
- ^{vi} Health Connector. December 2019. Data on the Massachusetts Individual Mandate: Health Connector Analysis of Department of Revenue Tax Filers Data Tax Years 2013-2015 [mahealthconnector.org/wp-content/uploads/Individual-Mandate-Report-2013-2015.pdf](https://www.mahealthconnector.org/wp-content/uploads/Individual-Mandate-Report-2013-2015.pdf)
- ^{vii} U.S. Census Bureau. September 2015. Health Insurance Coverage in the United States: 2014 <https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60-253.pdf>