Report to the Massachusetts Legislature

Implementation of Health Care Reform

Fiscal Year 2013

January 2014

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1.0 Preface

Massachusetts led the nation in health care reform with the passage of Chapter 58 of the Acts of 2006. Since then, over 400,000 state residents have gained access to health insurance coverage. The Health Connector, in collaboration with a broad array of state partners and other stakeholders, has played an important part in the successful implementation of reforms that improved access to care without significantly increasing costs or disrupting the existing market.

The Commonwealth's success sparked national interest in increasing access to quality, affordable health care, culminating with the passage of the Patient Protection and Affordable Care Act (ACA), signed into law by President Barack Obama in March 2010. While the ACA will offer new opportunities to Massachusetts to improve on its past successes, it also requires that we re-examine past state policies to ensure they are consistent with new federal analogues.

As the state's health insurance Marketplace under the ACA, the Health Connector has worked tirelessly with MassHealth and the University of Massachusetts Medical School to develop an online system that will transform how individuals and small businesses apply for and enroll in health insurance. Individuals will be able to apply for subsidies and shop for insurance online. Small businesses will also benefit from the new system, as it will simplify enrollment processes while also offering employers and their employees more plan choices.

The continued success of health reform in Massachusetts would not be possible without the support and assistance of the Legislature and many state agencies. The Health Connector would like to thank the Office of Governor Deval Patrick, the Legislature, the Executive Office for Administration and Finance, the Executive Office of Health and Human Services, MassHealth, the Division of Insurance, the Group Insurance Commission, the Department of Revenue, the Center for Health Information and Analysis, the Department of Public Health, the Division of Unemployment Assistance, the Massachusetts Board of Higher Education, the Health Policy Commission, and the Office of the Attorney General for their commitment to Massachusetts health reform.

There were several leadership changes to the Health Connector's Board of Directors in Fiscal Year (FY) 2013. In January 2013, Secretary of the Executive Office for Administration and Finance Jay Gonzalez left the Governor's cabinet, and the Health Connector's Executive Director Glen Shor was appointed as his successor. Jean Yang, formerly the Connector's Chief Financial Officer, became the Health Connector's Executive Director. Medicaid Director Julian Harris left his role in July 2013; his successor, Kristin Thorn, currently represents the Medicaid office on the Board of Directors. The staff of the Health Connector wishes to extend its deepest gratitude to the following Directors of the Health Connector for their continued commitment to health reform in FY2013:

- Secretary of the Executive Office for Administration and Finance Glen Shor, Chair of the Board;
- Ian Duncan, Founder and President of Solucia, Inc.;
- George W. Gonser Jr., CEO of Spring Consulting Group;
- Jonathan Gruber, Professor of Economics at MIT;
- Julian Harris, M.D., Medicaid Director;
- Andrés López, Principal of AJL Consultants;
- Louis F. Malzone, Executive Director of the Massachusetts Coalition of Taft-Hartley Funds;
- Dolores Mitchell, Executive Director of the Group Insurance Commission;
- Joseph Murphy, Commissioner of the Division of Insurance;
- Nancy Turnbull, Senior Lecturer on Health Policy and Associate Dean at Harvard School of Public Health; and
- Celia Wcislo, Assistant Division Director of 1199 SEIU United Health Care Workers East

2.0 National Health Care Reform

2.1 The Affordable Care Act

The Affordable Care Act (ACA) is a wide-reaching law passed in 2010 that will affect almost every aspect of the health care economy. Among its more notable provisions are new subsidies to support individuals who purchase coverage through Marketplaces like the Health Connector, which the law will institute nation-wide. Medicaid, called MassHealth in Massachusetts, will also be available to more people than ever before. These new subsidies will take effect on January 1, 2014. However, many of the law's provisions have already become effective, such as the opportunity for young adults to remain on their parents' plans until age 26, and refunds to individuals whose insurance companies charged too much in administrative fees. New health insurance market reforms and consumer protections will govern what insurance companies can base their prices on, what services need to be covered, and the size of firms that are included in the small group insurance market.

2.2 Implementing the Affordable Care Act in Massachusetts

Even though the ACA is modeled broadly on policies that Massachusetts already had in effect, there are many differences in the design details that require additional efforts to ensure that they align and work together effecively. This includes re-examining eligibility criteria for subsidies, the individual mandate to obtain insurance, and the shared responsibility criteria for employers (known in Massachusetts as the "Fair Share Contribution"). Legislative, regulatory, and policy changes have been implemented over the course of FY2013 that have set the stage for the new rules that go into effect on January 1, 2014. The Health Connector was certified by the federal government as the Marketplace for Massachusetts in December 2012, putting it at the center of implementation efforts.

The ACA offers Massachusetts new opportunities to enhance the work it has already done, expanding coverage to more residents than ever before. Individuals with household incomes between 300% and 400% of the Federal Poverty Level (FPL) will become newly eligible for subsidies; previously, the subsidized Commonwealth Care program was available only to individuals up to 300% FPL. In 2013, 400% FPL is around $46,000 for an individual and $94,000 for a family of four. Additionally, expanded access to Medicaid will result in approximately 220,000 individuals newly covered by MassHealth.[1] Although they will be new to MassHealth, many of these individuals are covered today by other programs, such as Commonwealth Care and the Medical Security Program.

Much of the Health Connector's work over FY2013 has been to design an updated, integrated, online eligibility determination program. Through the Health Connector's website, individuals will have access to an interactive application that will provide them with eligibility determinations for Health Connector and MassHealth programs. Where the paper-based process of the past has relied heavily on applicants providing documentation, the new system will take advantage of state and federal data sources to verify information, reducing the burden on individuals. The new online system will also streamline the application process, tailoring the questions displayed based on the applicant's answers to prior questions.

Figure 1: New MAHealthconnector.org Home Page

Massachusetts has chosen to preserve its commitment to keeping insurance affordable for low- and moderate-income individuals by supplementing federal subsidies with additional

state funding. The result will be that individuals up to 300% FPL will continue to see premiums comparable to those of the Commonwealth Care program. To qualify for the new ConnectorCare subsidy program, individuals must be recipients of Federal advance premium tax credits with household incomes at or below 300% FPL.

Small businesses will also see improvements in the opportunities available through the Health Connector. The Business Express program, which allows companies to choose a single plan and contribute a subsidy for its employees, will continue to provide firms with a straightforward health care solution that allows them to benefit from an easy shopping experience and the ability to make side-by-side comparisons of health insurance options. The Health Connector will launch additional programs that will allow companies to offer employees a wider variety of plan options while maintaining the simplicity of purchasing a single plan.

Eligible individuals and businesses will enjoy an improved shopping experience, with the ability to compare plans in the "apples-to-apples" method that constitutes a central value proposition of Marketplaces like the Health Connector. Dozens of plans from 14 carriers will be available for individuals and small businesses to choose from, including the addition of dental plans to the Health Connector's shelf. The competitive procurement conducted as part of the Health Connector's Seal of Approval process spanned nearly a year and resulted in increased choice for consumers.

2.3 Grant Activity

To further ACA implementation efforts, the U.S. Department of Health and Human Services has awarded the Commonwealth nearly $180 million in grant funding to date. As an Early Innovator, Massachusetts partnered with other New England states to fund development of the technological components of our new eligibility determination system. The Early Innovator Grant brought $45 million to support the Health Insurance Exchange/Integrated Eligibility System project, which will revolutionize the eligibility process for applicants.

The Commonwealth has also received several Exchange Establishment grants that support a wide variety of implementation activities. The first was a Level 1 Exchange Establishment Grant providing $11.6M to facilitate revenue and cost model development associated with the new Marketplace structure and new business requirements, product strategy and product development work to inform the Seal of Approval and Qualified Health Plan Certification process. It also funded the integration of the Commonwealth Care and Commonwealth Choice programs, and the development of a comprehensive outreach and education strategy.

A subsequent Level 1 grant, providing $41.7M, was used to aid in the development of a Massachusetts-specific Risk Adjustment Program and a member transition strategy. These resources also funded consumer market research and the development of new privacy and security protocols, policies, and procedures. Further, this grant made possible the dissemination of education and information regarding the changes coming to Massachusetts as a result of the ACA through the Massachusetts Health Care Training Forum and provided funding for operational and technical needs such as acquisition of necessary software, website development, enrollment systems, and the creation of a carrier "hub" and rating engine.

The Level 2 Exchange Establishment Grant, awarded in January, provided $80.2M to finance additional technological and project management support associated with the HIX-IES project as well as the initial operation of the Massachusetts-specific risk adjustment program for the state's merged small group and non-group market. This grant also included funding for ongoing outreach and education support, the transition to a new contact center and the development of the operational infrastructure necessary to provide high quality customer service, among other important projects necessary to transform our operating model. Finally, this award provides the financial support for the Health Connector's first year of operational costs as an ACA-compliant, state-based Marketplace in 2014.

2.4 Outreach and Education

The Health Connector has also selected a set of community organizations to serve as Navigators in calendar year 2013, building capacity to help publicize the changes the ACA is bringing to the state. These diverse organizations are:

- Boston Public Health Commission
- Caring Health Center

- Community Action Committee of Cape Cod & Islands, Inc.
- Ecu-Health Care
- Greater Lawrence Community Action Council
- Hilltown Community Health Care Centers
- Joint Committee for Children's Health Care in Everett
- Manet Community Health Center
- MAPS – Massachusetts Alliance of Portuguese Speakers
- PACE – People Acting in Community Endeavor

With their ability to conduct multi-lingual outreach in communities across the state, Navigators are helping to ensure that Massachusetts residents know about the new benefits of the ACA and how to access them.

While Navigators predominantly focus on individuals, the Health Connector has sought other channels to help educate employers about changes in the policy landscape that affect them. During FY2013, the Health Connector led an inter-agency workgroup on employer issues, which culminated in an updated "Massachusetts Employer's Comprehensive Guide to National Health Reform." In addition, Health Connector staff coordinated a series of "road show" learning events across the state in partnership with the Associated Industries of Massachusetts (AIM), which took place in September 2013. Throughout the remainder of the fall of 2013, Health Connector staff participated in other business events to educate Massachusetts employers about the ACA. These events were coordinated by the Retailers Association of Massachusetts (RAM), the National Federation of Independent Businesses (NFIB), and a number of local Chambers of Commerce. To enhance its continued engagement with the Massachusetts employer community, the Health Connector also launched an Employer Advisory Council, made up of representatives from the employer community, and continued to engage its existing Broker Advisory Council, which regularly convenes a core group of licensed brokers. Together, these Councils help to ensure that the perspectives of the small business market and employer community in Massachusetts are taken into account in Health Connector program and policy decisions.

3.0 State Health Care Reform

3.1 Continued Dedication to Members

Although considerable energy has gone into ACA implementation over the last year, the Health Connector has remained committed to providing value and high quality services to the members it serves in the Commonwealth Care and Commonwealth Choice programs.

Commonwealth Care is the Health Connector's subsidized program for individuals with incomes less than 300% FPL who do not have access to insurance from another source, such as an employer. Commonwealth Care offers affordable premiums that are based on income, with minimum contributions ranging from $0 to $118.

Commonwealth Choice serves individuals and small businesses by providing them with an easy way to compare and shop for unsubsidized health plans. Plans are organized by Bronze, Silver, and Gold metallic tiers. Bronze plans offer lower monthly premiums by relying on higher cost-sharing, such as deductibles and copays. Gold plans have higher premiums but have lower point-of-service costs for enrollees.

3.2 The Remaining Uninsured

Massachusetts residents continue to enroll in insurance at high rates. Estimates for 2012 show 96.2% to 97.0% of state residents have coverage.[2] Compliance with the state's individual mandate to obtain coverage remained high in tax year 2011, the most recent year for which data is available. As in tax year 2010, nearly all tax filers complied with the insurance reporting requirement, and 96% were insured at some point during the year. A vast majority of individuals were insured for the full year.

Among individuals who were without insurance for some part or all of the year, there are a number of reasons why a penalty was not assessed. These reasons are noted in Table 1 below below the yellow bar. Among the individuals who were not initially assessed a penalty because they filed an appeal, approximately 2,100 individuals were approved and not assessed any penalty. The remainder were assessed a penalty, though approximately 120 individuals had their penalties reduced in part.

Table 1. Tax filers Insurance Data, Tax Year 2011	
Compliance with the tax filing requirement (i.e., the percent of tax filers who were required to file a Schedule HC that complied with the reporting requirement)	99%
Percent of adult tax filers with MCC-compliant coverage	92% for full-year, 4% for part-year, 96% insured at some point during the year
Number of adult tax filers without MCC-compliant insurance	~180,000 for full-year, ~160,000 for part-year
Among the adult tax filers without MCC-compliant coverage:	
No penalty because income at or below 150% of FPL	~110,000 for full-year, ~47,000 for part-year
No penalty because affordable insurance was not available (based on the tax filer's application of the affordability schedule)	~29,000 for full-year, ~22,000 for part-year
No penalty because appeal was requested	~3,900 for full-year, ~3,200 for part-year
No penalty due to religious exemption	~7,200 for full-year, ~970 for part-year
No penalty due to Certificate of Exemption	~300 for full-year, ~100 for part-year
No penalty due to a permissible gap in coverage of three or fewer consecutive calendar months	~70,000
Penalty assessed since affordable insurance was available	~24,000 for full-year, ~21,000 for part-year

3.3 Implementation of Chapter 224 of the Acts of 2012

Chapter 224 of the Acts of 2012 (Chapter 224) was the latest phase of health care reform at the state level in Massachusetts. In addition to creating the Health Policy Commission to support greater transparency in the health care market, Chapter 224 also reorganized other regulatory responsibilities that already existed in order to achieve greater effectiveness and efficiency.

Some of the reorganizations under Chapter 224 shifted responsibility to the Health Connector for student health insurance programs, the Free Rider surcharge assessed on employers, the Health Insurance Responsibility Disclosure (HIRD) form requirements, and the Fair Share Contribution requirement for employers. The Free Rider surcharge refers to a penalty that could be assessed against an employer if the employer fails to provide employees with access to benefits through Section 125 of the Internal Revenue Code and an uninsured employee receives state-subsidized care. Information around whether an employer offered such a plan has been collected via the Employer HIRD form. The Fair Share Contribution assessed penalties (via the Department of Unemployment Assistance) on employers with 11 or more full-time equivalent employees for failing to make a "fair and reasonable" contribution towards workers' health insurance.

Even before the passage of Chapter 224, the Health Connector supported the state's requirement for schools to offer and students to have health insurance by assisting community colleges, state schools, and University of Massachusetts satellite campuses with the procurement of student health insurance plans. The Health Connector's oversight of the

contract renewals for the 2012-2013 school year helped keep cost growth down while ensuring comprehensive benefits, including prescription drugs. With Chapter 224, the Health Connector took over administration of the student health regulations as well as the reporting by schools of information about their plans and enrollment.

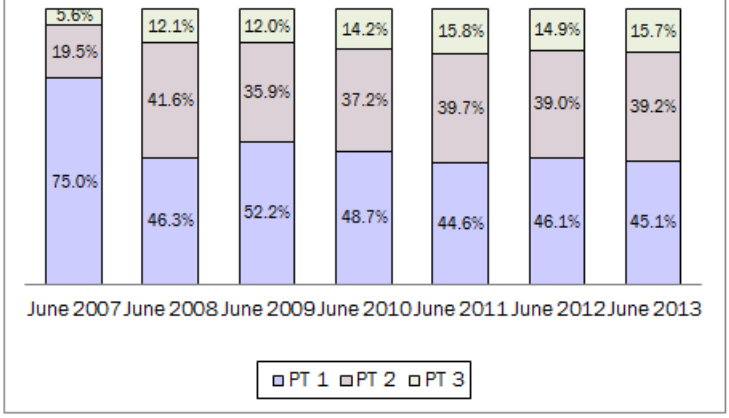
Although the HIRD filings and Fair Share Contribution were transferred to the Health Connector, they were repealed shortly after the end of FY2013 to reduce administrative burden on employers and to align with other policy changes resulting from the ACA. Additionally, federal guidance regarding Section 125 plans and Exchanges has recently made enforcing the Free Rider surcharge impractical. As a result, the Health Connector is currently exercising its discretion to not enforce the surcharge requirement while the Administration pursues repeal in calendar year 2014.

4.0 Commonwealth Care

4.1 Commonwealth Care Enrollment

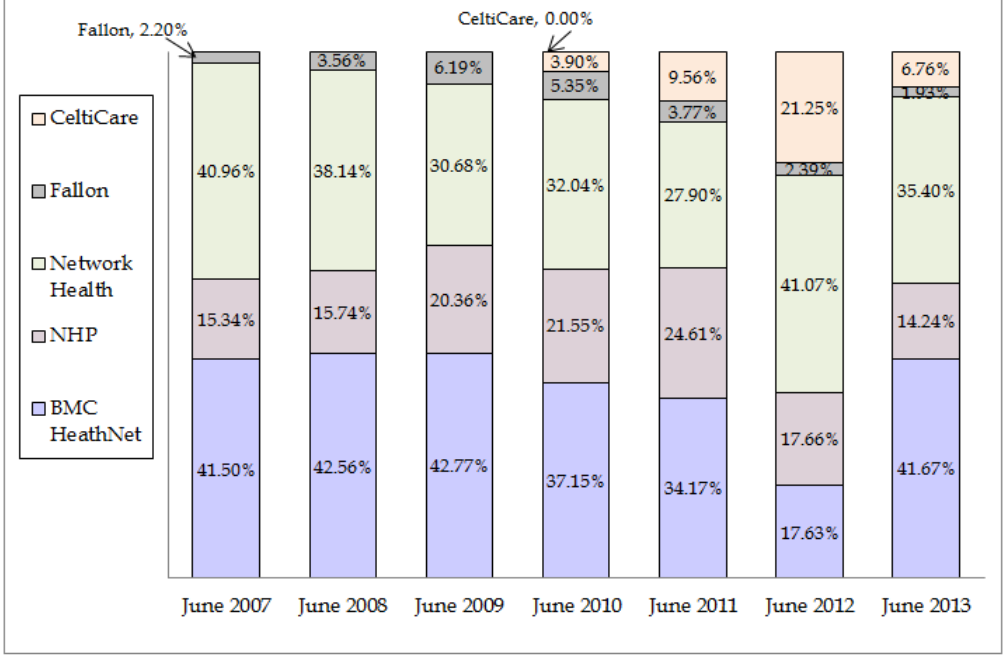
Commonwealth Care is the Health Connector's subsidized program for individuals with incomes less than 300% FPL who do not have access to insurance from another source, such as an employer. Commonwealth Care ended FY2013 with over 206,000 members, up from approximately 187,000 at the end of FY2012. Commonwealth Care enrollees are assigned to Plan Types based on income. Individuals in Plan Type 1 are those under 100% FPL and do not pay a premium for any plan. Individuals under 150% FPL within Plan Type 2 have at least one plan available without a premium. Many of the new enrollees in FY2013 were premium payers, bringing the share of premium payers to 43% from 40%.

Figure 2. Commonealth Care Enrollment by Plan Type



During FY2013, Boston Medical Center HealthNet Plan became the lowest cost plan, accounting for the large increase in its share of membership. During FY2012, Celticare and Network Health were jointly the lowest cost plans.

Figure 2. Commonwealth Care Enrollment by Health Plan



4.2 Program Updates

Funding included in the Commonwealth's FY2013 state budget allowed the Health Connector to offer enhanced tobacco cessation benefits to Commonwealth Care members.[3] The benefit includes individual and group tobacco cessation counseling as well as pharmacotherapy treatment, including nicotine replacement therapy. To implement this new benefit, the Health Connector used the MassHealth tobacco cessation program as a model. One study of the MassHealth benefit showed a $2.12 return on every dollar invested in the program.[4]

The third survey of Commonwealth Care members showed that members continue to rate the program highly: 85% of those surveyed reported they were satisfied or extremely satisfied. Members continued to value the quality and choice of health plans and providers. More than 4 out of 5 felt that premiums were reasonable, up from 3 out of 5 last year.

4.3 Commonwealth Care Waivers, Plan Transfers, and Appeals

Commonwealth Care allows members to request waivers of their premiums or copays on the basis of financial hardship. Members may also transfer to another health plan outside of open enrollment if they meet specific criteria, including moving to a new service area or having their provider leave their current plan's network. Requests for waivers remained essentially unchanged from FY2012 to FY2013, while requests for plan transfers declined around 12%.

Commonwealth Care members and applicants may appeal eligibility determinations, premium or copay waiver decisions, plan transfer request decisions, and reaching copayment maximum limits. No significant changes occurred to the appeal process during FY2013, though about 500 fewer appeals were submitted during FY2013 than during FY2012.

Table 2. CommCare Waivers, Change Requests, and Appeals[1]										
	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	#	%	#	%	#	%	#	%	#	%
CommCare Waivers Requests (for premium or co-pay reduction)										
Total:	**1,780**		**1,714**		**2,173**		**2,237**		**2,181**	
# approved:	939	53%	940	55%	1,240	57%	1,391	62%	1,368	63%
# denied:	841	47%	774	45%	933	43%	846	38%	813	37%
# dismissed:	0	0%	0	0%	0	0%	0	0%	0	0%
# pending:[2]	0	0%	0	0%	0	0%	0	0%	0	0%
CommCare Health Plan Change Requests										
Total:	**227**		**554**		**362**		**1,230**		**1,084**	
# approved:	204	90%	543	98%	259	72%	814	66%	777	72%
# denied:	1	0%	11	2%	20	6%	217	18%	95	9%
# dismissed:	19	8%	0	0%	83	23%	199	16%	212	20%
# pending:[2]	3	1%	0	0%	0	0%	0	0%	0	0%
CommCare Appeals										
Total:	**5,668**		**5,389**		**4,723**		**5,341**		**4,792**	
# approved:	80	1%	349	6%	354	7%	559	10%	511	11%
# denied:	347	6%	861	16%	680	14%	657	12%	681	14%
# dismissed:	4,315	76%	3,804	71%	3,210	68%	3,581	67%	3,499	73%
# pending:[2]	926	16%	375	7%	479	10%	544	10%	101	2%
[1] The waiver and appeals program began on June 1, 2007. Please see past reports for historical data										
[2] Requests pending at the end of a given fiscal year were resolved and appear in the subsequent fiscal year										

4.4 Commonwealth Care Budget

The Commonwealth Care program had a favorable budget variance in FY2013, due to both lower-than-projected enrollment and capitation rates. Commonwealth Care costs decreased by 5% from FY11 to FY2012 in response to the Health Connector's creative and competitive procurement.[5] For FY2013, costs increased by approximately 1%. This achievement is particularly impressive when considering the membership growth the program experienced during FY2013, as nearly 40,000 legal permanent residents regained eligibility for the program.

The Patient Centered Medical Home budget item is a payment made to Commonwealth Care insurance carriers to support the state's initiative to provide comprehensive and coordinated care to patients. The Patient-Centered Medical Home (PCMH) model is designed to promote comprehensive, coordinated, patient-centered care delivered by teams of primary care providers, including physicians and nurses. In this model, a primary care provider and members of his or her team coordinates all of a patient's health needs, including management of chronic conditions, visits to specialists, hospital admissions, and reminding patients when they need check-ups and tests. The medical home model supports fundamental changes in primary care service delivery and payment reforms, with the goal of improving health care quality.The Patient Centered Medical Home initiative will end in March 2014.

Table 3: Commonwealth Care Budget

	FY13 Budget	FY13 Actual*	FY13 Variance
Year End Membership	208,948	206,481	(2,467)
Member Months	2,455,611	2,369,473	(86,138)
Capitation Rate	$ 380.92	$ 364.09	$ (16.83)
Total Capitation	$ 935,394,450	$ 862,696,425	$ (72,698,024)
Aggregate Risk Sharing	$ 8,000,000	$ (1,090,242)	$ (9,090,242)
Patient Centered Medical Home	$ 500,000	$ 652,085	$ 152,085
Smoking Cessation Benefit	$ 2,000,000	*Included in Capitation*	*NA*
Health Connector Admin	$ 22,629,906	$ 22,629,906	$ -
Total Program Cost	$ 968,524,356	$ 884,888,175	$ (83,636,181)
Total Enrollee Contribution	$ (63,983,426)	$ (63,527,854)	$ 455,572
Enrollee Contribution Rate	$ (26.06)	$ (26.81)	$ (0.75)
Capitation Rate (Net of Enrollee Contributions)	$ 354.87	$ 337.28	$ (17.59)
Total State Spending (Net of Enrollee Contributions)	**$ 904,540,930**	**$ 821,360,321**	**$ (83,180,609)**

**FY13 Actual is not yet final due to pending risk adjustment payments.*

5.0 Commonwealth Choice

5.1 Commonwealth Choice Enrollment

Commonwealth Choice is the Health Connector's unsubsidized health insurance program for individuals and small businesses. Commonwealth Choice enrollment ended the fiscal year at 41,788 paid members, an increase of approximately 2,000 members more than at the end of FY2012. These members comprise 27,946 subscriber groups. Most subscribers are enrolled in plans covering a single individual. On average, 25% of subscribers during FY2013 were between the ages of 55 and 64.

5.2 Helping Small Employers

During FY2013, small businesses could choose from among dozens of plans from nine carriers in the Health Connector's Business Express program. Business Express allows employers to choose a single plan for its employees and make a contribution toward the overall premium. At the end of FY2013, Business Express served over 5,000 members, an increase of 700 members from the end of FY2012.

Throughout the year, the Health Connector continued to administer its Wellness Track program and easy-to-use shopping interface while also preparing for the changes ushered in by the ACA. In preparation for 2014, the Health Connector revised its plan offerings to meet market interest. These changes are discussed in more detail below in the Program Update.

Small businesses in the Business Express program have had access to Wellness Track, a web-based worksite wellness and subsidy program, since June 2011. Wellness Track provides small businesses with technical assistance to implement evidence-based employee health and wellness programs. Via the Health Connector website, participating employers and their employees have access to a user-friendly web interface that offers customized wellness programs and a library of health information. While all small businesses enrolled in a plan through Business Express may participate in Wellness Track, certain employers may also be eligible to receive a rebate of 15 percent of the employer's share of eligible employee health care costs.

During FY2013, the Health Connector expanded eligibility for the Wellness Track rebate and revamped the online tool. In the past, eligibility for the rebate was based on the size of the employer and the average employee salaries.

However, the Health Connector found that the cap on average salaries of $50,000 was too restrictive. Revised regulations removed the salary criterion while continuing to focus on employers with 25 or fewer employees, a market segment that is underserved by other wellness tools.

Figure 3: New Wellness Track Portal

As of June 2013, 90 companies with 266 employees were enrolled in the program.

To qualify for a rebate, employers must promote a healthy work environment by implementing their choice of three wellness toolkits: nutrition, physical activity or stress management. The stress management toolkit includes smoking cessation resources. Each toolkit includes wellness activities (*e.g.*, walking programs, healthy eating plans, time management worksheets), resource lists and flyers for distribution to employees.

In addition, for the first time, employers will choose among reward options to incentivize employee participation. Employees will qualify for these rewards upon completion of a routine preventive care visit or a confidential online health risk assessment and fulfillment of activities outlined in their company's chosen toolkit.

5.3 Seal of Approval Certification

The Seal of Approval (SoA), as specified in Massachusetts General Laws chapter 176Q, is a health plan designation awarded by the Health Connector, indicating that a health benefit plan meets certain standards regarding quality and value. Through the SoA process, the Health Connector is able to designate a set of high-value plan designs and request proposals from the state's leading health insurers to offer them on the Health Connector's shelf. The result is a set of plans that encourages market competition while keeping choices simple for consumers.

To focus on the significant changes to the insurance market the ACA will bring in 2014, the Health Connector chose to extend existing carrier contracts during calendar year 2013. Although the contracts remained the same, carriers were invited to propose new products to add to their standardized plan offerings, such as narrower network products. This approach allowed for market innovation while also maintaining the ease of the "apples-to-apples" experience the Health Connector has cultivated. Eleven non-standardized plans were added to the Health Connector's product offerings in 2013.

The ACA adds new components to the Health Connector's SoA process. The Health Connector must now also review network adequacy and essential community provider participation standards, service area requirements, transparency reporting, quality requirements and a marketing standards review. Working closely with the Division of Insurance and other state agencies, the Health Connector has developed a revised plan certification process that fully complies with ACA requirements while staying responsive to the state's insurance market.

6.0 Policy and Regulatory Responsibilities

6.1 Minimum Creditable Coverage

As a part of Massachusetts' own health reform effort, the Health Connector's Board of Directors created a "floor" of benefits that adult tax filers must have in order to be considered insured and avoid tax penalties in Massachusetts. The level of coverage required is called Minimum Creditable Coverage (MCC).

In early 2013, the Health Connector updated the MCC standards to align them more closely with the coverage requirements to satisfy the federal individual mandate. Specifically, the Health Connector adjusted the maximum out-of-pocket payments a member must make, based deductible limits on average annual national premium growth, and designated catastrophic health plans as MCC-compliant. Catastrophic health plans are variations on the Qualified Health Plans otherwise sold through the Health Connector. Catastrophic plans generally have higher deductibles, copayments, and coinsurance, but they have lower premiums than other plans.

Sponsors of plans that do not meet specific MCC requirements, but that offer, on the whole, robust coverage, may ask the Health Connector to grant the plan MCC certification. During FY2013, 315 plans were sent to the Health Connector for consideration as MCC-compliant. Of those, 186 were granted certification, 12 were denied, and 23 cases were incomplete or withdrawn from consideration. An additional 94 plans were pending adjudication at the end of the fiscal year. The volume of applications was considerably lower than the past several years, largely because there were no changes to the MCC requirements for FY2013. Most plans seeking certification under the FY2013 rules had applied in a previous year and their plan design did not change significantly enough to require re-certification.

The high rate of approval is attributable to grossly non-compliant plans not submitting applications. The Health Connector has engaged in education of plan sponsors to explain the Health Connector's authority in the certification process, which has led to self-selection among applicants toward those that are most likely to be deemed compliant.

6.2 Individual Mandate and the Affordability Schedule

The Health Connector Board is required on an annual basis to devise an "affordability schedule" that defines the amount an individual could be expected to contribute towards the purchase of an MCC-compliant health insurance plan.[6] An adult is considered able to purchase affordable health insurance if his or her monthly contribution to subsidized insurance or the lowest cost insurance plan available through the Health Connector does not exceed the corresponding maximum monthly premium for his or her income bracket.

Because the ACA institutes a federal mandate where insurance is considered unaffordable when it exceeds 8% of a household's income, the Health Connector began to align its affordability schedule with this standard using a multi-year approach. For tax year 2013, the affordability schedule caps the required premium payment for all individuals at a maximum of 10%.

Table 4. 2013 Affordability Schedule for INDIVIDUALS				
Income Bracket (% of FPL)	Annual Gross Income	Maximum Monthly Premium	Percentage of Income	
			Bottom	Top
0 - 100%	$0 - $11,496	$0		0.0%
100.1 - 150%	$11,497 - $17,244	$0	0.0%	0.0%
150.1 - 200%	$17,245 - $22,980	$40	2.8%	2.1%
200.1 - 250%	$22,981 - $28,728	$78	4.1%	3.3%
250.1 - 300%	$28,729 - $34,476	$118	4.9%	4.1%
300.1 - 350%	$34,477 - $40,195	$178	6.2%	5.3%
350.1 - 397%	$40,196 - $45,554	$239	7.1%	6.3%
397.1 - 450%	$45,555 - $51,639	$331	8.7%	7.7%
450.1 - 490%	$51,640 - $56,273	$359	8.3%	7.7%
Above 504%	above $56,274	10% of income		

Table 5. Affordability Schedule for COUPLES				
Income Bracket (% of FPL)	Annual Gross Income	Maximum Monthly Premium	Percentage of Income	
			Bottom	Top
0 - 100%	$0 - $15,516	$0		0.0%
100.1 - 150%	$15,517 - $23,268	$0	0.0%	0.0%
150.1 - 200%	$23,269 - $31,020	$80	4.1%	3.1%
200.1 - 250%	$31,021 - $38,784	$156	6.0%	4.8%
250.1 - 300%	$38,785 - $46,536	$236	7.3%	6.1%
300.1 - 365%	$46,537 - $56,656	$319	8.2%	6.8%
365.1 - 435%	$56,657 - $67,448	$403	8.5%	7.2%
435.1 - 500%	$67,449 - $77,604	$524	9.3%	8.1%
500.1% - 574%	$77,605 - $89,032	$598	9.2%	8.1%
Above 574%	above $89,033	10% of income		

Table 6. Affordability Schedule for FAMILIES				
Income Bracket (% of FPL)	Annual Gross Income	Maximum Monthly Premium	Percentage of Income	
			Bottom	Top
0 - 100%	$0 - $19,536	$0		0.0%
100.1 - 150%	$19,537 - $29,304	$0	0.0%	0.0%
150.1 - 200%	$29,305 - $39,060	$80	3.3%	2.5%
200.1 - 250%	$39,061 - $48,828	$156	4.8%	3.8%
250.1 - 300%	$48,829 - $58,596	$236	5.8%	4.8%
300.1 - 398%	$58,597 - $75,899	$379	7.8%	6.0%
398.1 - 500%	$75,900 - $97,584	$550	8.7%	6.8%
500.1 - 581%	$97,585 - $113,443	$756	9.3%	8.0%
581.1 - 611%	$113,444 - $119,270	$862	9.1%	8.7%
Above 611%	above $119,271	10% of income		

Adult residents of Massachusetts must maintain health insurance that meets MCC standards, if an affordable plan is available to them. Individuals who are deemed able to afford health insurance but fail to comply are subject to a tax penalty on their state income tax return. Statute sets the penalty at no more than half of the lowest cost insurance premium for coverage available through the Health Connector. For those with incomes below 300% FPL, the penalty schedule is based on the lowest cost premium contributions for a Commonwealth Care plan. Since individuals with income at or below 150% FPL are not required to make a premium contribution, there is no penalty for individuals in

this income cohort. For those with income above 300% FPL, the schedule is based on half of the premium of the lowest cost Bronze plan in July 2013, or half of the premium of the lowest cost YAP plan for adults up to age 26. The penalties for 2013, among other years, are shown in Table 7.[7]

Table 7. Penalty Schedule for Failure to Comply with the Individual Mandate, 2010 - 2013

	2010		2011		2012		2013	
	per month	per year*	per month	per year*	per month	per year*	per month	per year*
150.1 - 200% FPL	$19	$228	$19	$228	$19	$228	$20	$240
200.1 - 250% FPL	$38	$456	$38	$456	$38	$456	$39	$468
250.1 - 300% FPL	$58	$696	$58	$696	$58	$696	$59	$708
Above 300% FPL. Age 18-26	$66	$792	$72	$864	$83	$996	$84	$1,008
Above 300% FPL. Age 27+	$93	$1,116	$101	$1,212	$105	$1,260	$106	$1,272
*If the individual is without insurance for all twelve months of the year.								

The Health Connector continues to work with other agencies, namely the Department of Revenue and the Executive Office for Administration and Finance, as well as other stakeholders, to address the policy differences between the state and federal mandates. The goal of the Interagency Individual Mandate Workgroup is to support the success of the state's individual mandate while reducing confusion and administrative burden on individuals as they begin to understand and comply with the new federal rules as well.

7.0 Concluding Comments

Over the last seven years, the Health Connector has strived to provide residents of the Commonwealth with access to affordable, quality health care and to promote transparency and competition in the health insurance market. This mission continues to guide the Health Connector as it implements the ACA. During FY2013, the Health Connector's work focused on transitioning operations to reflect the new rules of health reform, while maintaining high-value programs for current members.

Despite the challenges of reconciling existing state policies with federal reforms, the Health Connector is confident that the ACA will result in enhanced opportunities for individuals, small businesses, and state government. In part, this confidence is based on the collaborative relationship with other state, federal, and private sector partners all focused on the same goal of improving health care and the successes that these collaborations have already been able to achieve for the Commonwealth.

Appendix I: Abbreviations

ACA ..... Patient Protection and Affordable Care Act
FPL ..... Federal Poverty Level
FY ..... Fiscal Year
Health Connector ..... Commonwealth Health Insurance Connector Authority
MCC ..... Minimum Creditable Coverage
SHOP ..... Small Business Health Options Program
SoA ..... Seal of Approval
TY ..... Tax Year

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[1]FY 2014 Budget Recommendations: Issues in Brief. Available at http://www.mass.gov/bb/h1/fy14h1/exec_14/hbudbrief3.htm.

[2] West, C. and Losordo, G. Massachusetts Health Insurance Coverage: 2012 Estimate. (2013). Available at http://www.mass.gov/chia/docs/r/pubs/13/2012-mass-insurance-coverage.pdf.

[3] As of July 1, 2012, Commonwealth Care is offering coverage for tobacco cessation consistent with the benefits offered through MassHealth.

[4] Richard, P., West, K., & Ku, L. (2012). The Return on Investment of a Medicaid Tobacco Cessation Program in Massachusetts. PLoS ONE, 7(1), e29665. http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0029665

[5]Yang, J. and Chroback, S. (2011). Commonwealth Care FY2012 Procurement Results. Available at https://www.mahealthconnector.info/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/About%2520Us/Publications%2520and%2520Reports/2011/2011-4-14/4%2520-%2520CommCare%2520procurement%2520results%2520BOD%2520meeting%2520deck%2520v15%2520final%2520%25282%2529.pdf

[6] M.G.L. 176Q §3.

[7] Massachusetts Department of Revenue. (2013). Technical Information Release 13-9: Individual Mandate Penalties for Tax Year 2013. Available at, http://www.mass.gov/dor/businesses/help-and-resources/legal-library/tirs/tirs-by-years/2013-releases/tir-13-9.html.