



Affordability Schedule: Key Considerations and Update Recommendation for Calendar Year 2012

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Agenda

- Background
- Considerations for 2012
- Structural considerations
- Methodological approach
- Recommendation for Calendar Year (CY) 2012
- Next Steps



Background

- ACA provides for federal individual mandate to take effect in 2014
- MA has a state-level individual mandate which has been in effect since 2007
- There are a few key differences between the federal and state mandates
 - Affordability standards
 - Penalties
 - Scope (Adults & dependents vs. Adults only)
 - Coverage Standards



Considerations for 2012

- Important for the state to maintain its affordability schedule
 - Federal standard not in effect until 2014
 - Should avoid substantial changes to state schedule until 2014
 - Await federal regulatory guidance and the shift to a new subsidy structure
 - Will need to mesh federal and state mandates for 2014
- The “maximum allowable premium contribution” in the state affordability schedule has not changed for those below 300% FPL since 2008
 - Principally due to the economy and federal Recovery Act MOE constraints



Considerations for 2012 (cont)

- In the past, the Board has discussed the following as possible indices for updating the maximum allowable premium contribution:
 - Premium trend
 - Consumer Price Index
 - Income growth
- Through workgroup and Board discussions, emerging consensus that an “affordable” premium contribution should be based on one’s income
 - When income grows, what one can afford may also grow; when income declines, what one can afford may also decline



Structural Considerations

- The current structure of the affordability schedule makes implementation of this principle difficult at this time
 - Our approach, given the link to Commonwealth Care premiums, defines an affordability standard for specified income brackets
 - Income brackets are updated annually based on Federal Poverty Level (FPL) guidelines and MA Cost of Living Adjustments (COLA)
 - Consequently, the definition of what is “affordable” for a given person may not change in alignment with a change in her/his income



Structural Considerations (cont)

| Income Status | No Premium Change | Premium Increase |
|---------------|---|--|
| Remains same | <ul style="list-style-type: none"> •Lower % of income if drop into preceding bracket •Consistent % of income if stay within bracket | <ul style="list-style-type: none"> •Likely lower % of income if drop into preceding bracket •Higher % of income if stay within bracket |
| Declines | <ul style="list-style-type: none"> •Lower/consistent % of income if drop into preceding bracket •Higher % of income if stay within current bracket | <ul style="list-style-type: none"> •Higher % of income if stay within current bracket |
| Increases | <ul style="list-style-type: none"> •Lower % of income if stay within current bracket •Higher/consistent % of income if move into subsequent bracket | <ul style="list-style-type: none"> •Consistent/lower % of income if stay within current bracket •Higher/consistent % of income if move to subsequent bracket |

Examples using 2010 and 2011 schedules for reference:

- 1) Joe makes \$16,350 in CY 2010 and CY 2011
 In 2010, affordability is defined as \$39/mo or 2.9% of income
 In 2011, affordability is defined as \$39/mo or 2.9% of income

- 2) Sally makes \$42,500 in CY 2010 and \$41,000 in CY 2011
 In 2010, affordability is defined as \$235/mo or 6.6% of income
 In 2011, affordability is defined as \$235/mo or 6.8% of income

- 3) Ann makes \$28,000 in CY 2010 and \$30,000 in CY 2011
 In 2010, affordability is defined as \$116/mo or 5% of income
 In 2011, affordability is defined as \$116/mo or 4.6% of income



Structural Considerations (cont)

- Given this structure, it is difficult to index premium contributions to a measure of aggregate income change, without continuing disparate impacts on individuals
- Need a nuanced approach to balance differential impacts of adjustments resulting from our bracket-based structure



Methodological Approach

- Recommend an increase in premium contributions of 1.5% based on the following rationale:
 - Maximum monthly premium contributions have not been adjusted in all brackets in multiple years
 - The FPL guidelines and subsequent MA COLA adjustments will likely result in an approximate increase in upper bounds of income brackets of ~3%
 - A 1.5% increase in premium contribution amounts represents about half of this inflation and balances differential impacts of adjustments resulting from our bracket based structure



Methodological Approach (cont)

- 2014 represents the opportunity for structural changes to our approach
 - Can more closely tie standard to income
 - Conduct comprehensive reassessment of state standards



Recommendation for 2012

INDIVIDUALS

| % of FPL | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Affordability Standard Change from 2011 | Percentage of Income | |
|---------------------|-----------------------|----------|--|---|----------------------|------|
| | Bottom | Top | | | Bottom | Top |
| 0 - 100% | \$0 | \$11,170 | \$0 | \$0 | | |
| 100.1 - 150% | \$11,171 | \$16,755 | \$0 | \$0 | | |
| 150.1 - 200% | \$16,756 | \$22,340 | \$40 | \$1 | 2.9% | 2.1% |
| 200.1 - 250% | \$22,341 | \$27,925 | \$78 | \$1 | 4.2% | 3.4% |
| 250.1 - 300% | \$27,926 | \$33,510 | \$118 | \$2 | 5.1% | 4.2% |
| 300.1 - 360% | \$33,511 | \$40,195 | \$178 | \$3 | 6.4% | 5.3% |
| 360.1 - 408% | \$40,196 | \$45,554 | \$239 | \$4 | 7.1% | 6.3% |
| 408.1 - 504% | \$45,555 | \$56,273 | \$359 | \$5 | 9.5% | 7.7% |
| Above 504% | \$56,274 | | Affordable | | | |



Recommendation for 2012

COUPLES

| % of FPL | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Affordability Standard Change from 2011 | Percentage of Income | |
|---------------------|-----------------------|----------|--|---|----------------------|------|
| | Bottom | Top | | | Bottom | Top |
| 0 - 100% | \$0 | \$15,130 | \$0 | \$0 | | |
| 100.1 - 150% | \$15,131 | \$22,695 | \$0 | \$0 | | |
| 150.1 - 200% | \$22,696 | \$30,260 | \$80 | \$2 | 4.2% | 3.2% |
| 200.1 - 250% | \$30,261 | \$37,825 | \$156 | \$2 | 6.2% | 4.9% |
| 250.1 - 300% | \$37,826 | \$45,390 | \$236 | \$4 | 7.5% | 6.2% |
| 300.1 - 374% | \$45,391 | \$56,656 | \$320 | \$5 | 8.5% | 6.8% |
| 374.1 - 446% | \$56,657 | \$67,448 | \$428 | \$6 | 9.1% | 7.6% |
| 446.1 - 588% | \$67,449 | \$89,032 | \$598 | \$9 | 10.6% | 8.1% |
| Above 588% | \$89,033 | | Affordable | | | |



Recommendation for 2012

FAMILIES

| % of FPL | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Affordability Standard Change from 2011 | Percentage of Income | |
|---------------------|-----------------------|-----------|--|---|----------------------|------|
| | Bottom | Top | | | Bottom | Top |
| 0 - 100% | \$0 | \$19,090 | \$0 | \$0 | | |
| 100.1 - 150% | \$19,091 | \$28,635 | \$0 | \$0 | | |
| 150.1 - 200% | \$28,636 | \$38,180 | \$80 | \$2 | 3.4% | 2.5% |
| 200.1 - 250% | \$38,181 | \$47,725 | \$156 | \$2 | 4.9% | 3.9% |
| 250.1 - 300% | \$47,726 | \$57,270 | \$236 | \$4 | 5.9% | 4.9% |
| 300.1 - 398% | \$57,271 | \$75,899 | \$379 | \$6 | 7.9% | 6.0% |
| 398.1 - 511% | \$75,890 | \$97,584 | \$595 | \$9 | 9.4% | 7.3% |
| 511.1 - 625% | \$97,585 | \$119,270 | \$862 | \$13 | 10.6% | 8.7% |
| Above 625% | \$119,271 | | Affordable | | | |



Next Steps

- Request Board vote to approve Recommended CY 2012 Affordability Schedule for public comment
- Summarize public comments and revisit vote on final CY 2012 Affordability Schedule at March Board meeting



Appendix



CY 2011 vs. CY 2012 Recommendation

INDIVIDUALS

2011 Affordability Schedule

2012 Affordability Proposal

| % of FPL | Income Bracket (2011) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | |
|---------------------|-----------------------|----------|--|----------------------|------|-----------------------|----------|--|----------------------|------|
| | Bottom | Top | | Bottom | Top | Bottom | Top | | Bottom | Top |
| 0 - 100% | \$0 | \$10,896 | \$0 | | | \$0 | \$11,170 | \$0 | | |
| 100.1 - 150% | \$10,897 | \$16,344 | \$0 | | | \$11,171 | \$16,755 | \$0 | | |
| 150.1 - 200% | \$16,345 | \$21,780 | \$39 | 2.9% | 2.1% | \$16,756 | \$22,340 | \$40 | 2.9% | 2.1% |
| 200.1 - 250% | \$21,781 | \$27,228 | \$77 | 4.2% | 3.4% | \$22,341 | \$27,925 | \$78 | 4.2% | 3.4% |
| 250.1 - 300% | \$27,229 | \$32,676 | \$116 | 5.1% | 4.3% | \$27,926 | \$33,510 | \$118 | 5.1% | 4.2% |
| 300.1 - 360% | \$32,677 | \$39,215 | \$175 | 6.4% | 5.4% | \$33,511 | \$40,195 | \$178 | 6.4% | 5.3% |
| 360.1 - 408% | \$39,216 | \$44,443 | \$235 | 7.2% | 6.3% | \$40,196 | \$45,554 | \$239 | 7.1% | 6.3% |
| 408.1 - 504% | \$44,444 | \$54,900 | \$354 | 9.6% | 7.7% | \$45,555 | \$56,273 | \$359 | 9.5% | 7.7% |
| Above 504% | \$54,901 | | Affordable | | | \$56,274 | | Affordable | | |



CY 2011 vs. CY 2012 Recommendation

COUPLES

2011 Affordability Schedule

2012 Affordability Proposal

| % of FPL | Income Bracket (2011) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | |
|--------------|-----------------------|----------|--|----------------------|------|-----------------------|----------|--|----------------------|------|
| | Bottom | Top | | Bottom | Top | Bottom | Top | | Bottom | Top |
| 0 - 100% | \$0 | \$14,712 | \$0 | | | \$0 | \$15,130 | \$0 | | |
| 100.1 - 150% | \$14,713 | \$22,068 | \$0 | | | \$15,131 | \$22,695 | \$0 | | |
| 150.1 - 200% | \$22,069 | \$29,424 | \$78 | 4.2% | 3.2% | \$22,696 | \$30,260 | \$80 | 4.2% | 3.2% |
| 200.1 - 250% | \$29,425 | \$36,780 | \$154 | 6.3% | 5.0% | \$30,261 | \$37,825 | \$156 | 6.2% | 4.9% |
| 250.1 - 300% | \$36,781 | \$44,136 | \$232 | 7.6% | 6.3% | \$37,826 | \$45,390 | \$236 | 7.5% | 6.2% |
| 300.1 - 374% | \$44,137 | \$55,113 | \$315 | 8.6% | 6.9% | \$45,391 | \$56,656 | \$320 | 8.5% | 6.8% |
| 374.1 - 446% | \$55,114 | \$65,611 | \$422 | 9.2% | 7.7% | \$56,657 | \$67,448 | \$428 | 9.1% | 7.6% |
| 446.1 - 588% | \$65,612 | \$86,607 | \$589 | 10.8% | 8.2% | \$67,449 | \$89,032 | \$598 | 10.6% | 8.1% |
| Above 588% | \$86,608 | | Affordable | | | \$89,033 | | Affordable | | |



CY 2011 vs. CY 2012 Recommendation

FAMILIES

2011 Affordability Schedule

2012 Affordability Proposal

| % of FPL | Income Bracket (2011) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | | Income Bracket (2012) | | Affordability Standard (Maximum Monthly Premium) | Percentage of Income | |
|---------------------|-----------------------|-----------|--|----------------------|------|-----------------------|-----------|--|----------------------|------|
| | Bottom | Top | | Bottom | Top | Bottom | Top | | Bottom | Top |
| 0 - 100% | \$0 | \$18,540 | \$0 | | | \$0 | \$19,090 | \$0 | | |
| 100.1 - 150% | \$18,541 | \$27,804 | \$0 | | | \$19,091 | \$28,635 | \$0 | | |
| 150.1 - 200% | \$27,805 | \$37,068 | \$78 | 3.4% | 2.5% | \$28,636 | \$38,180 | \$80 | 3.4% | 2.5% |
| 200.1 - 250% | \$37,069 | \$46,332 | \$154 | 5.0% | 4.0% | \$38,181 | \$47,725 | \$156 | 4.9% | 3.9% |
| 250.1 - 300% | \$46,333 | \$55,596 | \$232 | 6.0% | 5.0% | \$47,726 | \$57,270 | \$236 | 5.9% | 4.9% |
| 300.1 - 398% | \$55,597 | \$73,688 | \$373 | 8.1% | 6.1% | \$57,271 | \$75,899 | \$379 | 7.9% | 6.0% |
| 398.1 - 511% | \$73,689 | \$94,742 | \$586 | 9.5% | 7.4% | \$75,890 | \$97,584 | \$595 | 9.4% | 7.3% |
| 511.1 - 625% | \$94,743 | \$115,796 | \$849 | 10.8% | 8.8% | \$97,585 | \$119,270 | \$862 | 10.6% | 8.7% |
| Above 625% | \$115,797 | | Affordable | | | \$119,271 | | Affordable | | |