

## MEMORANDUM

To: Health Connector Board Members  
Cc: Jean Yang, Executive Director  
From: Kaitlyn Kenney, Director of Policy & Research and Coordinator of National Health Care Reform  
Date: February 8, 2013  
Re: Affordability Schedule Recommendation for Calendar Year 2013

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### Overview of the Massachusetts Affordability Schedule and the Federal Affordability Standard

The Commonwealth's affordability schedule determines the application of the state individual mandate. As you know, the Board of the Health Connector is required annually to devise a schedule that describes the percentage of income an individual could be expected to contribute towards the purchase of health insurance.<sup>1</sup> An adult is considered able to purchase affordable health insurance if his or her monthly contribution to Employer Sponsored Insurance (ESI), 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.

The structure of the affordability schedule, for practical purposes, defines an affordability standard (in dollar values) for specified income brackets. Those within a given income bracket are required to contribute the same maximum monthly premium contribution in dollar terms, resulting in the affordability standard representing a declining percentage of income as income increases within the bracket. At about median income, insurance is defined as affordable. The income brackets used in the schedule are adjusted annually based on the Federal Poverty Level (FPL) guidelines released in January, and then modestly revised in March based on Massachusetts Cost Of Living Adjustments (COLA).

The Patient Protection and Affordable Care Act (ACA) also includes a health insurance coverage mandate effective in 2014, and an affordability standard to identify those subject to the mandate. Under the ACA, a taxpayer is exempt from the mandate if the individual's required contribution for coverage exceeds 8% of household income.

It is important to note that all Massachusetts residents will be subject to the federal affordability standard in 2014, which requires individuals to contribute 8% or less of their household income to health insurance premiums. Therefore, in practice, the scope of Massachusetts residents impacted by the state affordability standard in 2014 and beyond will likely be small.

Nonetheless, there are a few specific instances in which the state affordability schedule will be required to determine application of the state individual mandate requirement and the potential for a state penalty. For example, an individual may have health insurance that meets Minimum Essential Coverage (MEC) requirements, the federal coverage standard, but fails to meet the state's Minimum Creditable Coverage (MCC) requirements. In this scenario, the state affordability schedule would be employed to determine if that individual would be subject to the state mandate and penalty.

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<sup>1</sup> M.G.L. 176Q § 3.

## Recommended Approach for State Affordability Schedule

Consistent with prior conversations with the Board, we propose transitioning the Massachusetts affordability schedule to a progressively increasing percentage-of-income-based approach, capped at 8% of income, rather than our current fixed-dollar-value by income cohort approach. Our goal is to implement this type of schedule for calendar year (CY) 2015 to provide the Department of Revenue (DOR) with sufficient time to refine its systems and review the processes that the Internal Revenue Service (IRS) develops to effectuate the federal standard.

In the interim, we are proposing a schedule intended to begin phasing in this approach. The proposed CY 2013 affordability schedule would still largely rely on the current structure (*i.e.*, defining an affordability standard in dollar values by income cohorts), but would begin making downward adjustments for income cohorts that currently have a maximum allowable premium contribution representing more than 8% of income. This, coupled with the introduction of a 10% cap where the current schedule defines insurance as affordable, would serve as the first step in a three-year transition effort. The downward adjustments to the affordability standard would capture half of the change necessary to reach the 8% standard in 2014 (in those instances where the current schedule falls above this standard). The schedules we are proposing also include some modest adjustments to income bracket breaks intended to maintain consistency, in instances where the current standard is below 8%, with respect to the percentage of income one is required to contribute toward health insurance for purposes of the mandate (See Appendix for details).

In CY 2014, the second step of the transition effort, the affordability schedule would continue to rely on its current structure of defining an affordability standard in dollar terms for a given income cohort, but it would move toward adoption of an 8% standard at the upper income ranges.

Finally, as mentioned above, we would recommend that for CY 2015 and beyond, the Health Connector Board develop its preferred progressive percentage of income based affordability schedule capped at 8% of income. This would be implemented by DOR for CY 2015 beginning in April 2016, which would provide ample time to develop the systems necessary to implement such an approach.

Based on this proposed transition period, the affordability schedules we are recommending for individuals, couples and families for CY 2013 are highlighted below.

**Recommended Affordability Schedule for CY 2013**

CY 2013 PROPOSED AFFORDABILITY SCHEDULE INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,490	\$0		
100.1 - 150%	\$11,491	\$17,235	\$0		
150.1 - 200%	\$17,236	\$22,980	\$40	2.8%	2.1%
200.1 - 250%	\$22,981	\$28,725	\$78	4.1%	3.3%
250.1 - 300%	\$28,726	\$34,470	\$118	4.9%	4.1%
300.1 - 350%	\$34,471	\$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 490%	\$56,274		10% of income		

CY 2013 PROPOSED AFFORDABILITY SCHEDULE COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,510	\$0		
100.1 - 150%	\$15,511	\$23,265	\$0	0.0%	0.0%
150.1 - 200%	\$23,266	\$31,020	\$80	4.1%	3.1%
200.1 - 250%	\$31,021	\$38,775	\$156	6.0%	4.8%
250.1 - 300%	\$38,776	\$46,530	\$236	7.3%	6.1%
300.1 - 365%	\$46,531	\$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%	\$89,033		10% of income		

CY 2013 PROPOSED AFFORDABILITY SCHEDULE FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,530	\$0		
100.1 - 150%	\$19,531	\$29,295	\$0	0.0%	0.0%
150.1 - 200%	\$29,296	\$39,060	\$80	3.3%	2.5%
200.1 - 250%	\$39,061	\$48,825	\$156	4.8%	3.8%
250.1 - 300%	\$48,826	\$58,590	\$236	5.8%	4.8%
300.1 - 398%	\$58,591	\$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	\$119,271	\$862	9.1%	8.7%
Above 611%	\$119,272		10% of income		

**APPENDIX**

CY 2012 AFFORDABILITY SCHEDULE INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,172	\$0		
100.1 - 150%	\$11,173	\$16,764	\$0		
150.1 - 200%	\$16,765	\$22,344	\$40	2.9%	2.1%
200.1 - 250%	\$22,345	\$27,936	\$78	4.2%	3.4%
250.1 - 300%	\$27,937	\$33,516	\$118	5.1%	4.2%
300.1 - 360%	\$33,517	\$40,195	\$178	6.4%	5.3%
360.1 - 408%	\$40,196	\$45,554	\$239	7.1%	6.3%
408.1 - 504%	\$45,555	\$56,273	\$359	9.5%	7.7%
Above 504%	\$56,274		Affordable		

CY 2013 PROPOSED AFFORDABILITY SCHEDULE INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,490	\$0		
100.1 - 150%	\$11,491	\$17,235	\$0		
150.1 - 200%	\$17,236	\$22,980	\$40	2.8%	2.1%
200.1 - 250%	\$22,981	\$28,725	\$78	4.1%	3.3%
250.1 - 300%	\$28,726	\$34,470	\$118	4.9%	4.1%
300.1 - 350%	\$34,471	\$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 490%	\$56,274		10% of income		

CY 2012 AFFORDABILITY SCHEDULE COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,132	\$0		
100.1 - 150%	\$15,133	\$22,704	\$0	0.0%	0.0%
150.1 - 200%	\$22,705	\$30,264	\$80	4.2%	3.2%
200.1 - 250%	\$30,265	\$37,836	\$156	6.2%	4.9%
250.1 - 300%	\$37,837	\$45,396	\$236	7.5%	6.2%
300.1 - 374%	\$45,397	\$56,656	\$320	8.5%	6.8%
374.1 - 446%	\$56,657	\$67,448	\$428	9.1%	7.6%
446.1 - 588%	\$67,449	\$89,032	\$598	10.6%	8.1%
Above 588%	\$89,033		Affordable		

CY 2013 PROPOSED AFFORDABILITY SCHEDULE COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,510	\$0		
100.1 - 150%	\$15,511	\$23,265	\$0	0.0%	0.0%
150.1 - 200%	\$23,266	\$31,020	\$80	4.1%	3.1%
200.1 - 250%	\$31,021	\$38,775	\$156	6.0%	4.8%
250.1 - 300%	\$38,776	\$46,530	\$236	7.3%	6.1%
300.1 - 365%	\$46,531	\$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%	\$89,033		10% of income		

CY 2012 AFFORDABILITY SCHEDULE FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,092	\$0		
100.1 - 150%	\$19,093	\$28,644	\$0	0.0%	0.0%
150.1 - 200%	\$28,645	\$38,184	\$80	3.4%	2.5%
200.1 - 250%	\$38,185	\$47,736	\$156	4.9%	3.9%
250.1 - 300%	\$47,737	\$57,276	\$236	5.9%	4.9%
300.1 - 398%	\$57,277	\$75,899	\$379	7.9%	6.0%
398.1 - 511%	\$75,900	\$97,584	\$595	9.4%	7.3%
511.1 - 625%	\$97,585	\$119,270	\$862	10.6%	8.7%
Above 625%	\$119,271		Affordable		

CY 2013 PROPOSED AFFORDABILITY SCHEDULE FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,530	\$0		
100.1 - 150%	\$19,531	\$29,295	\$0	0.0%	0.0%
150.1 - 200%	\$29,296	\$39,060	\$80	3.3%	2.5%
200.1 - 250%	\$39,061	\$48,825	\$156	4.8%	3.8%
250.1 - 300%	\$48,826	\$58,590	\$236	5.8%	4.8%
300.1 - 398%	\$58,591	\$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	\$119,271	\$862	9.1%	8.7%
Above 611%	\$119,272		10% of income		