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# **Proposed Affordability Schedule for Calendar Year 2014 (VOTE)**

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# Today's Focus

- An overview of general individual mandate alignment strategy
- An overview of the overall approach to blending the state and federal affordability structures, which maintains a progressive affordability structure while phasing in an 8% cap to the state affordability schedule
- A proposed affordability schedule for Calendar Year (CY) 2014

# MA and ACA Individual Mandates: Similarities and Differences



- Chapter 58 of the Acts of 2006 established an individual mandate, which requires adults in Massachusetts to purchase health insurance if it is affordable to them. The mandate has three primary components:
  - Affordability Standards
  - Minimum Creditable Coverage
  - Tax Penalties
- The Health Connector is responsible for setting the affordability and coverage standards and managing the appeals process. The Department of Revenue (DOR) enforces the mandate via tax filings, using Schedule HC and the 1099HC form
- The Affordable Care Act (ACA) also includes an individual mandate for adults and children, effective in 2014, but includes different standards around affordability and coverage, and will be enforced by the IRS, which will use a different penalty structure

# Maintaining a State Mandate



- The Health Connector has worked with the Department of Revenue (DOR) and other state agencies to identify differences between the state and federal mandates and consider policies to address these differences, where necessary
  - The Health Connector and DOR also convened an advisory group of key stakeholders (e.g., advocates, carriers, employers, and others) during 2012 to consider various approaches and issues
- Key policy goal is to prevent “penalty stacking” where an individual pays the full state and federal penalties for not meeting either mandate’s standards
- The approach previously presented to the Board provides that
  - If the federal penalty is greater than the state penalty, the individual pays only the federal penalty
  - If the federal penalty is less than the state penalty, the individual pays the state the difference between the two, essentially capping their liability at the total state amount
- This approach allows for maintenance of Minimum Creditable Coverage (MCC) standards without subjecting Massachusetts residents to double penalties
  - MCC has been a successful tool for promoting comprehensive coverage in the Massachusetts market, and represents a more consistent market-wide standard than the coverage standards included in the ACA’s individual mandate (Minimum Essential Coverage or MEC)

# Helpful Context



- The size of the population potentially impacted by maintaining a state mandate is small
  - Most recent Center for Health Information and Analysis (CHIA) Health Insurance Survey (HIS) data reveal up to 97% of Massachusetts residents have health insurance
  - Most recent DOR Tax-Filing data reveal over 92% of tax-filers have insurance for the full year (among those required to file a Schedule HC)
  - Among the insured, the vast majority have MCC-compliant coverage
    - Health Connector appeals data suggest very few cases of insured residents with non MCC-compliant coverage
- CHIA data and DOR Tax-Filing data indicate the remaining uninsured are largely low income (*i.e.*, income <150% FPL)
  - Maintenance of the state mandate does not have a major impact on this population as penalties have been and will continue to be nominal (*i.e.*, historically \$0)

# Operational Work Underway for Mandate Alignment



- Development of a policy on reporting coverage to taxpayers will be a key priority for the Health Connector and DOR in 2014
- Currently issuers and plan sponsors provide MA Form 1099-HC to individuals enrolled in MCC
- The ACA requires issuers to provide federal Form 1095 to individuals enrolled in MEC
- We are seeking to maximize clarity and simplicity for individuals, employers and carriers around reporting

# Approaching the 2014 Affordability Schedule



- Last year, the Board approved a three-year phase-in approach to align with the federal affordability standard, while maintaining some degree of progressivity in the state's schedule
- Goal was to adopt the federal 8% standard for at least some portion of our population so state and federal structures are generally aligned by 2015
- CY 2013 Affordability Schedule was “Step 1 of 3”
  - Started moving higher income people down from affordability standards that greatly exceeded 8%
  - Introduced a 10% cap at highest income level
- Proposed schedule for CY 2014 seeks to appropriately effectuate “Step 2 of 3” and continue to make gradual adjustments for the market

# Applicability of State Affordability Schedule in 2014 and Beyond

- With respect to CY 2014, there are, as a practical matter, a narrow set of circumstances in which the state affordability standard has meaningful consequences
  - An individual is uninsured and pays a federal penalty, but that penalty is less than the applicable state penalty
  - An individual is insured with non MCC-compliant coverage and because (s)he has coverage that constitutes MEC (s)he is not penalized under the federal mandate but is potentially penalized under the state mandate
- The state affordability standard always determines what is considered affordable – but in these scenarios a state mandate (MCC and affordability schedule) is used to determine if an individual will be issued a penalty



# Key Considerations

- To date, the state affordability schedule <300% FPL has aligned with the Commonwealth Care base premium contribution schedule. Because ConnectorCare premiums are the same as last year's Commonwealth Care premiums, we do not propose making changes to the affordability schedule for this population
- Ensure that any increases for consumers that take place as a result of three-year alignment strategy are appropriately gradual
- Incorporate the 8% standard for at least some portion of population given that this 8% standard is now in effect in the federal mandate

# Proposed Approach (cont'd)

- The methodology and approach for developing the proposed schedule for CY 2014 is as follows:
  - Update of FPL-based income brackets per 2014 Federal Poverty Level (FPL) guidelines (and will incorporate Massachusetts Cost of Living Adjustments [COLA] when those amounts are finalized in March)
  - Adopt or take steps towards adopting 8% of income standard for all populations except those below 300% FPL. Specifically:
    - Adopt 8% of income standard for >400% FPL
    - Provide an additional year of transition for 300-400% FPL population to adopt 8% standard

# Proposed Approach (cont'd)

Income Category	Proposal
<b>&lt;300% FPL</b>	<ul style="list-style-type: none"><li>▪ Maintenance of CY 2013 income brackets and dollar-based affordability amounts for &lt;300% FPL populations</li></ul>
<b>&gt;400% FPL</b>	<ul style="list-style-type: none"><li>▪ Adoption of 8%-of-income standard for populations &gt;400% FPL (aligned with federal standard)</li></ul>
<b>300-400% FPL</b>	<ul style="list-style-type: none"><li>▪ Propose to give this population an additional year to adopt affordability standards mirroring federal 8% of income standard. For CY 2014, propose adoption of mid-way point between CY 2013 schedule and anticipated 8% of income standard for CY 2015 to provide half-way step on a “glide path” towards 8% of income next year</li></ul>

# Proposed Approach (cont'd)

## Example 1: Individual between 300 and 350% FPL

- Mid-point of income bracket: \$37,928 annually
- Variable A: Max monthly premium contribution of that mid-point in CY 2013: \$178 monthly
- Variable B: 8% of that mid-point (anticipated for CY 2015): \$253 monthly
- The mean of variables A and B: Proposed CY 2014 amount: **\$215**

## Example 2: Couple between 350 and 400% FPL

- Mid-point of income bracket: \$58,988 annually
- Variable A: Max monthly premium contribution of that mid-point in CY 2013: \$403 monthly
- Variable B: 8% of that mid-point (anticipated for CY 2015): \$393 monthly
- The mean of variables A and B: \$398
- Downward adjustment to ensure 8% cap: Proposed CY 2014 amount: **\$367**

# Proposed Schedule: Individuals



## Proposed CY 2014 Affordability Schedule: INDIVIDUALS

Proposed CY 2014 Affordability Schedule: INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,670	\$0		
100.1 - 150%	\$11,671	\$17,505	\$0		
150.1 - 200%	\$17,506	\$23,340	\$40	2.7%	2.0%
200.1 - 250%	\$23,341	\$29,175	\$78	4.0%	3.2%
250.1 - 300%	\$29,176	\$35,010	\$118	4.8%	4.0%
300.1 - 350%	\$35,011	\$40,845	\$215	7.4%	6.3%
350.1 - 400%	\$40,846	\$46,680	\$266	7.8%	6.8%
Above 400%	\$46,681		8% of income/12 (starting at \$311)		

# Proposed Schedule: Couples

## Proposed CY 2014 Affordability Schedule: COUPLES

Proposed CY 2014 Affordability Schedule: COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,730	\$0		
100.1 - 150%	\$15,731	\$23,595	\$0		
150.1 - 200%	\$23,596	\$31,460	\$80	4.0%	3.0%
200.1 - 250%	\$31,461	\$39,325	\$156	5.9%	4.7%
250.1 - 300%	\$39,326	\$47,190	\$236	7.1%	5.9%
300.1 - 350%	\$47,191	\$55,055	\$315	8.0%	6.9%
350.1 - 400%	\$55,056	\$62,920	\$367	8.0%	7.0%
Above 400%	\$62,921		8% of income/12 (starting at \$419)		

# Proposed Schedule: Families



## Proposed CY 2014 Affordability Schedule: FAMILIES

Proposed CY 2014 Affordability Schedule: FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,790	\$0		
100.1 - 150%	\$19,791	\$29,685	\$0		
150.1 - 200%	\$29,686	\$39,580	\$80	3.2%	2.4%
200.1 - 250%	\$39,581	\$49,475	\$156	4.7%	3.7%
250.1 - 300%	\$49,476	\$59,370	\$236	5.7%	4.7%
300.1 - 350%	\$59,371	\$69,265	\$396	8.0%	6.9%
350.1 - 400%	\$69,266	\$79,160	\$437	7.6%	6.6%
Above 400%	\$79,161		8% of income/12 (starting at \$528)		

# Hypothetical Examples of Phase-in Approach

CY 2014 Income Bracket	Income/ Population Category	STEP 1 CY 2013 Standard		STEP 2 CY 2014 (Proposed)	STEP 3 CY 2015
200-250% FPL	Individual earning \$25,000/year	\$78	=	\$78	TBD (but progressive)
300-350% FPL	Family earning \$65,000/year	\$379	↑	\$396	8% of income (~\$433)
350-400% FPL	Individual earning \$45,000/year	\$239	↑	\$266	8% of income (~\$300)
>400% FPL	Couple earning \$100,000	10% of income	↓	8% of income (~\$666)	8% of income (~\$666)



# Next Steps

- Request Board vote to approve Recommended CY 2014 Affordability Schedule for public comment
- At upcoming Board meeting, summarize public comments and revisit vote on final CY 2014 Affordability Schedule

# VOTE



Moved that the Board approve the issuance for public comment of the Draft Affordability Schedules for Individuals, Couples, and Families for Calendar Year 2014, as set forth in the staff recommendation.

# Appendix



# Appendix: CY 2013 Individuals



## CY 2013 Affordability Schedule: INDIVIDUALS

CY 2013 Affordability Schedule: INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,496	\$0	0.0%	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 490%	\$56,274		10% of income	10%	

# Appendix: CY 2013 Couples

## CY 2013 Affordability Schedule: COUPLES

CY 2013 Affordability Schedule: COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$15,516	\$0	0.0%	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%	\$89,033		10% of income	10%	

# Appendix: CY 2013 Families



## CY 2013 Affordability Schedule: FAMILIES

CY 2013 Affordability Schedule: FAMILIES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$19,536	\$0	0.0%	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%	\$119,271		10% of income	10%	