



Calendar Year 2014 Affordability Schedule (VOTE)

AUDREY MORSE GASTEIER

Deputy Director of Policy and Research, Director of Employer Policy

Board of Directors Meeting, March 17, 2014

Purpose of Meeting and Overview



- Purpose of this meeting is to request Board of Directors vote on the Proposed CY 2014 Affordability Schedule for Individuals, Couples, and Families
- Timeline of recent events related to Proposed CY 2014 Affordability Schedule:
 - **February 13, 2014:** Staff presented to Board a proposed affordability schedule for CY 2014; Board approved the schedule to be released for public comment
 - **February 14, 2014:** Proposed schedule released for public comment
 - **March 7, 2014:** One public comment (submitted by ACT!! Coalition) received
 - **March 7, 2014:** Public comment period closes

Recap: MA and ACA Individual Mandates



- 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

Recap: Maintaining a State Mandate



- The Health Connector has worked with the Department of Revenue (DOR) and other state agencies and stakeholders to identify differences between the state and federal mandates and consider policies to address these differences, where necessary
- 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)

Recap: 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
- 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, with goal of continuing to move towards alignment with federal standard
- CY 2015 will be determined by the Board next year

Recap: Proposed Approach for CY 2014

| Income Category | Proposal |
|-----------------|--|
| <300% FPL | <ul style="list-style-type: none"><li data-bbox="527 454 1638 539">▪ Maintenance of CY 2013 income brackets and dollar-based affordability amounts for <300% FPL populations |
| >400% FPL | <ul style="list-style-type: none"><li data-bbox="527 696 1702 782">▪ Adoption of 8%-of-income standard for populations >400% FPL (aligned with federal standard) |
| 300-400% FPL | <ul style="list-style-type: none"><li data-bbox="527 882 1721 1182">▪ 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 |

Summary: Public Comments

Public Comments were provided by the **ACT!! Coalition**:

- Support progressivity in affordability standards for low-income individuals, as well as the protection of higher income residents by ensuring that they are not required to contribute more than 8% of income
- Consistent with prior years, expressed concern that the affordability schedule does not sufficiently account for cost-sharing beyond premiums. ACT!! expressed interest in working with the Health Connector to explore mechanisms (beyond the deductible and out-of-pocket limits included in the Minimum Creditable Coverage regulations) to address this issue

Summary: Public Comments (cont'd)



Additional **ACT!! Coalition** comments:

- The ACT!! Coalition has requested information about how the Affordability Schedule might be translated into percentage points for residents at or below 300% FPL in CY 2015, and also requested further discussion regarding the possible application of the 8% of income standard to the 300 to 400% FPL in CY 2015
- Also requested clarification as to how ACA implementation will affect the Health Connector's premium schedule for ConnectorCare, noting that there is no existing requirement in state law for the Health Connector to set a premium schedule there as was the case for Commonwealth Care

Recommended Calendar Year 2014 Affordability Schedule



- Health Connector staff recommends adoption of the Affordability Schedule as presented in February, with modest changes to account for MA COLA
- This is an important next step forward in meshing the state and federal mandates, reflecting a continued move towards an affordability structure that is aligned with federal standards, but maintains progressivity at lower income levels

Recommended 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 | \$11,676 | \$0 | | |
| 100.1 - 150% | \$11,677 | \$17,508 | \$0 | | |
| 150.1 - 200% | \$17,509 | \$23,340 | \$40 | 2.7% | 2.0% |
| 200.1 - 250% | \$23,341 | \$29,184 | \$78 | 4.0% | 3.2% |
| 250.1 - 300% | \$29,185 | \$35,016 | \$118 | 4.8% | 4.0% |
| 300.1 - 350% | \$35,017 | \$40,848 | \$215 | 7.4% | 6.3% |
| 350.1 - 400% | \$40,849 | \$46,680 | \$266 | 7.8% | 6.8% |
| Above 400% | \$46,681 | | 8% of income/12 (starting at \$311) | | |

Recommended 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 | \$15,732 | \$0 | | |
| 100.1 - 150% | \$15,733 | \$23,604 | \$0 | | |
| 150.1 - 200% | \$23,605 | \$31,464 | \$80 | 4.0% | 3.0% |
| 200.1 - 250% | \$31,465 | \$39,336 | \$156 | 5.9% | 4.7% |
| 250.1 - 300% | \$39,337 | \$47,196 | \$236 | 7.1% | 5.9% |
| 300.1 - 350% | \$47,197 | \$55,056 | \$315 | 8.0% | 6.9% |
| 350.1 - 400% | \$55,057 | \$62,928 | \$367 | 8.0% | 7.0% |
| Above 400% | \$62,929 | | 8% of income/12 (starting at \$419) | | |

Recommended 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 | \$19,800 | \$0 | | |
| 100.1 - 150% | \$19,801 | \$29,688 | \$0 | | |
| 150.1 - 200% | \$29,689 | \$39,588 | \$80 | 3.2% | 2.4% |
| 200.1 - 250% | \$39,589 | \$49,476 | \$156 | 4.7% | 3.7% |
| 250.1 - 300% | \$49,477 | \$59,376 | \$236 | 5.7% | 4.7% |
| 300.1 - 350% | \$59,377 | \$69,276 | \$396 | 8.0% | 6.9% |
| 350.1 - 400% | \$69,277 | \$79,164 | \$437 | 7.6% | 6.6% |
| Above 400% | \$79,165 | | 8% of income/12 (starting at \$528) | | |

Next Steps

- Staff will reach out to ACT!! Coalition to discuss other aspects of affordability-related policy and work to provide requested clarifications
- Staff will work with Affordability Subcommittee in advance of CY 2015 proposal development
- Staff will continue to brief the Board on continued progress on operational aspects of individual mandate alignment throughout this and next year
- Request Board vote to approve the final CY 2014 Affordability Schedule as proposed

VOTE



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