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# **Proposed Affordability Schedule for Calendar Years 2015 & 2016 (VOTE)**

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# Today's Focus



- Background on the affordability schedule
- Analysis of specific proposed approach to 2015 and 2016 affordability schedules
  - For 2015 and 2016, we propose shifting to an affordability schedule where consumers will compare available insurance premiums to a percentage of their income, rather than a fixed dollar amount from the affordability schedule, to present a more consistent and rational schedule across tiers and household sizes
    - For individuals under 300% FPL, we propose percentages of income that maintain past practice of ensuring that the subsidized premiums offered by the Health Connector are considered affordable
    - For individuals between 300 and 400% FPL, we propose percentages of income that approximate the dollar amounts we have asked of these groups in the past
    - For individuals over 400% FPL, we propose to maintain parity with the affordability standard used by the federal individual mandate
- Staff recommendation to be discussed:
  - That the Board vote to issue for public comment the draft 2015 and 2016 affordability schedules for Individuals, Couples, and Families

# 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. It does not apply to children. 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 which applies to both adults and children, effective in 2014, but includes different standards around affordability and coverage, and will be enforced by the IRS using a different penalty structure

# The Affordability Schedule in Context



- The affordability schedule determines whether an individual must pay a penalty for not having Minimum Creditable Coverage (MCC)
  - The schedule supports consumers as they make choices about coverage and their household budgets by defining the maximum amount they would be expected to contribute towards coverage or face a penalty
- It is independent of other aspects of state and federal health care reform, but it is an important component of the coverage landscape
  - The schedule does not require employers, issuers or other providers of coverage to provide plans deemed affordable by the schedule or subject them to penalties if individuals fail to enroll in affordable coverage
  - Historically, the Health Connector has aligned base enrollee premiums for subsidized individuals up to 300% of the Federal Poverty Level (FPL) with the state's affordability schedule, such that the base premiums available through the Commonwealth Care program, and now the ConnectorCare program, are considered affordable under the affordability schedule

# Application of the State Affordability Schedule

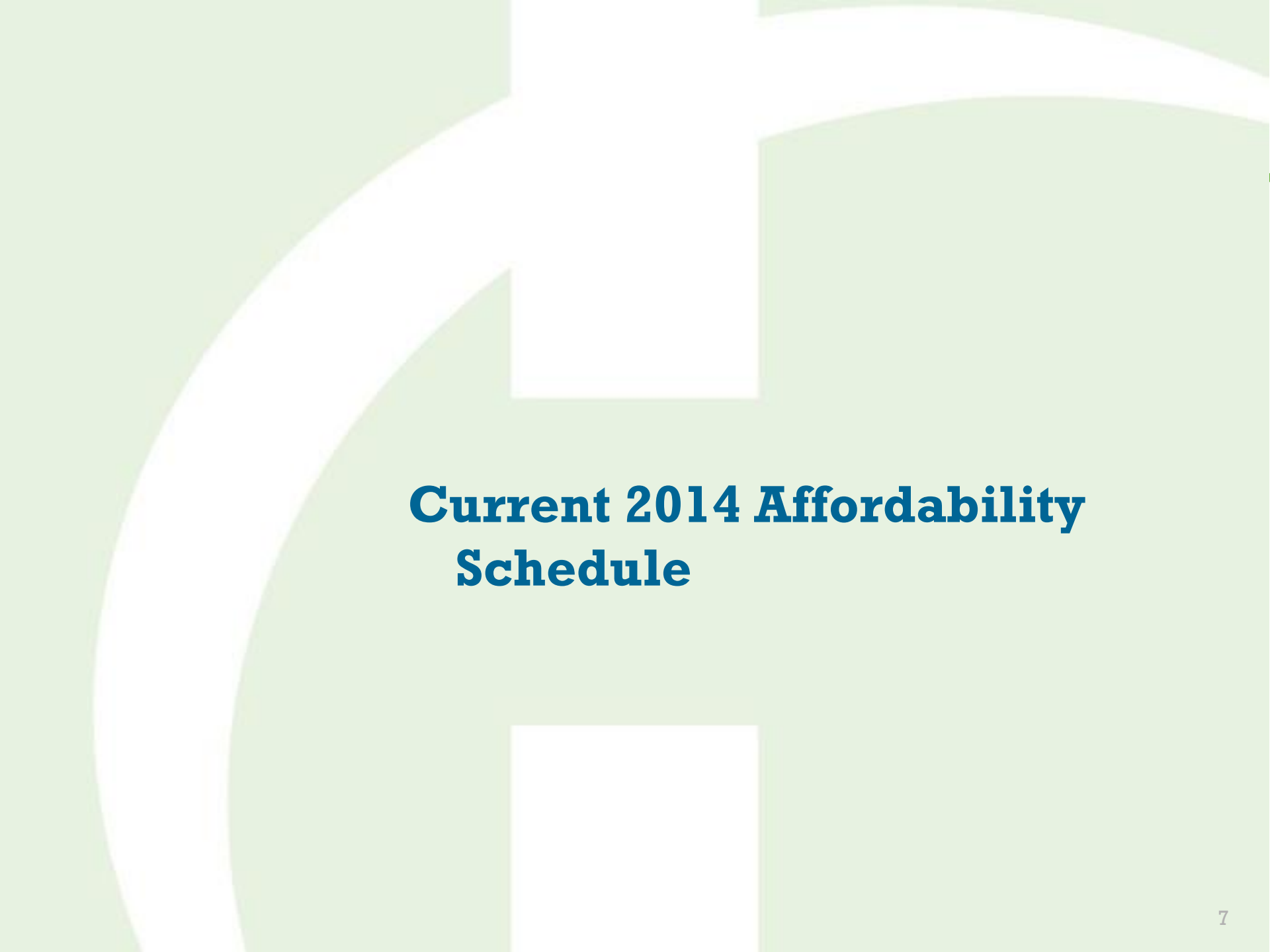


- The affordability schedule is most relevant for the relatively small portion of Massachusetts residents who are without MCC and therefore potentially subject to a state penalty
  - Those who are completely uninsured
    - Most recent Center for Health Information and Analysis (CHIA) Health Insurance 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)
    - These data indicate that most of the remaining uninsured are low income individuals who have historically not been subject to a penalty, based on their income
  - Those with coverage that does not meet MCC standards
    - 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
- For individuals subject to both a state and federal penalty, the Department of Revenue will offer an offset to reduce the state penalty by the amount of any federal penalty paid

# Timing of the Affordability Schedule



- The affordability schedule has traditionally been proposed as soon as possible after publication of the FPL guidelines each January for the calendar year (e.g., the 2014 FPL guidelines were published in January 2014, and the 2014 affordability schedule was proposed in February 2014)
- With the closure of Commonwealth Care and the advent of the ACA, setting the affordability schedule for a given year within the same year is no longer necessary or advisable
  - Does not allow consumers to make informed choices about their coverage in advance
  - Does not signal to the market the state’s position on what is affordable
  - Does not allow for alignment of ConnectorCare premiums, which are set nearly a year before plans become effective as part of the Seal of Approval process
- To resolve these challenges, we propose to shift the timing of the publication of the affordability schedule to precede the calendar year for which it is set
- So today, we will propose affordability schedules for both calendar years 2015 and 2016



# **Current 2014 Affordability Schedule**

# CY 2014 Schedule: Individuals



## CY 2014 Affordability Schedule: INDIVIDUALS

CY 2014 Affordability Schedule: INDIVIDUALS					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 150%	\$0	\$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 (starting at \$311)		



# CY 2014 Schedule: Couples



## CY 2014 Affordability Schedule: COUPLES

CY 2014 Affordability Schedule: COUPLES					
Income Bracket			Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 150%	\$0	\$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 (starting at \$419)		

# CY 2014 Schedule: Families



## CY 2014 Affordability Schedule: FAMILIES

CY 2014 Affordability Schedule: FAMILIES					
Income Bracket				Percentage of Income	
% of FPL	Bottom	Top	Affordability Standard (Maximum Monthly Premium)	Bottom	Top
0 - 150%	\$0	\$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 (starting at \$528)		



# **Proposed 2015 Affordability Schedule**

# 2015 Schedule: Context



- The 2013 affordability schedule was “Step 1 of 3”
  - Continued historic practice of mirroring the subsidized premiums offered through the Commonwealth Care program for <300% FPL populations
  - Started moving higher income people down from affordability standards that greatly exceeded 8%
  - Introduced a 10% cap at highest income level
- The 2014 affordability schedule was “Step 2 of 3”
  - Maintenance of CY 2013 income brackets and dollar-based affordability amounts for <300% FPL populations
  - Adoption of 8%-of-income standard for populations >400% FPL (aligned with federal standard)
  - Adoption of a mid-way point between CY 2013 schedule and an 8% of income standard for populations 300-400% FPL
- “Step 3 of 3” envisioned the 2015 affordability schedule shifting to a completely percentage-based schedule rather than a fixed dollar schedule
  - We are proposing a percentage-based standard for all individuals
  - Percentages for individuals up to 300% FPL will ensure that the ConnectorCare premiums available in 2015 are considered affordable

# Percentage-based Approach

- Shifting from a fixed dollar amount to a percentage-based standard allows for a steady increase in affordable premiums across an income bracket
  - Eliminates the regressive nature of the fixed dollar approach, where the affordability standard represented a larger percentage of income for households at the bottom of a bracket and a smaller percentage of income for households at the top of a bracket
  - Eliminates disparities in the percentage of income required of different household types at the same income level
    - Historically, the fixed dollar amounts in the schedule required couples and families to pay a higher percentage of income than individuals

## 2014 Affordability Standards at 250.1% FPL

Household Size	Income in Dollars	Affordability Standard	Percentage of Income Required
Individual	\$29,185	\$118	4.9%
Couple	\$39,337	\$236	7.2%
Family	\$49,477	\$236	5.7%

# 2015 Schedule: Proposed Approach



## Up to 300% FPL

- Implementation of a percentage-based standard for representing contributions consistent with the available ConnectorCare premiums

## 300.1 - 400% FPL

- Implementation of a percentage-based standard for the 300.1 – 350% and 350.1 – 400% FPL income brackets reflecting the average percentage of income represented by the fixed dollar amount for these households in prior affordability schedules

## Over 400% FPL

- Slight increase from 8% to 8.05% to keep pace with an indexed federal standard

# 2015 Schedule: Up to 300% FPL



- The chart on the left shows standards aligned with ConnectorCare premiums, along with the percentage of income those standards represent across each income bracket
- The proposed 2015 schedule in the chart on the right uses the percentage for the bottom of each income bracket as the standard, resulting in a range of affordable premium amounts

**Dollar-based 2015 Schedule**

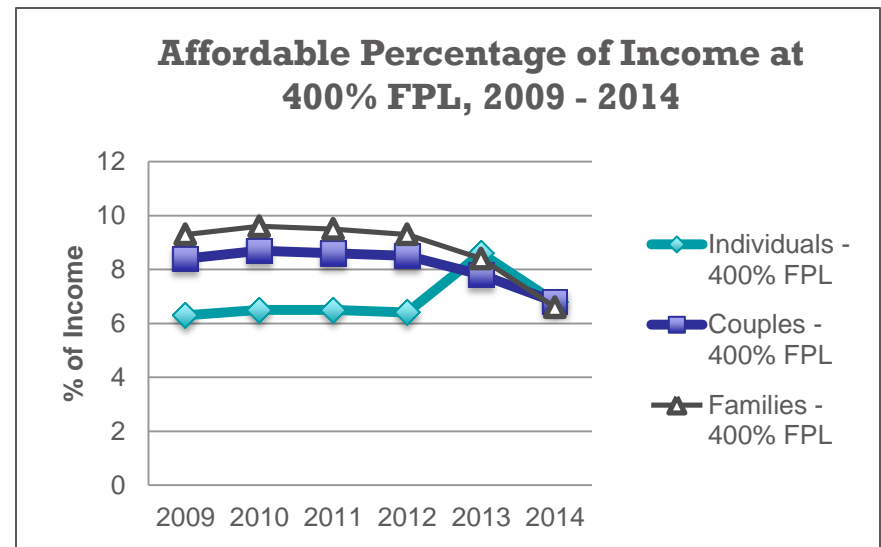
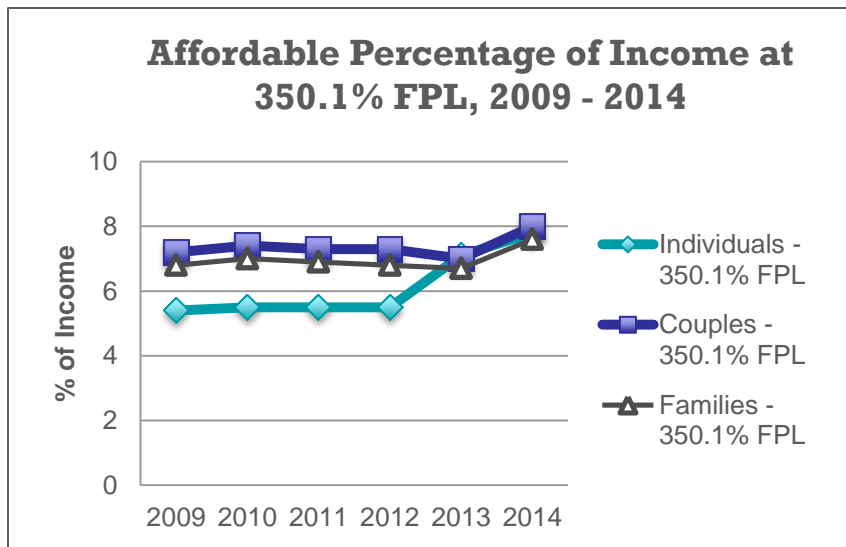
Income Bracket			Monthly Affordability Standard	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,670	\$0		
100.1 - 150%	\$11,671	\$17,505	\$0		
150.1 - 200%	\$17,506	\$23,340	\$40	2.7%	2.1%
200.1 - 250%	\$23,341	\$29,175	\$78	4.0%	3.2%
250.1 - 300%	\$29,176	\$35,010	\$118	4.9%	4.0%

**Proposed Percentage-based 2015 Schedule**

Income Bracket			Monthly Affordability Standard	Dollar Amount	
% 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	2.75%	\$ 40	\$ 53
200.1 - 250%	\$23,341	\$29,175	4.00%	\$ 78	\$ 97
250.1 - 300%	\$29,176	\$35,010	4.85%	\$ 118	\$ 141

# 2015 Schedule: 300.1%-400% FPL

- The percentages we propose reflect the average contribution required by the affordability schedule for households at the top and bottom of the 300.1 – 350% FPL and 350.1 – 400% FPL income brackets for all family sizes from 2009-2014
- For example, the proposed 7.4% standard for individuals between 350.1 – 400% FPL is the average of every data point in the two charts below





# 2015 Schedule: 300.1 - 400% FPL

- The chart on the left shows the 2014 dollar-based standards, along with the percentage of income those standards represent across each income bracket
- The proposed 2015 schedule in the chart on the right uses a percentage-based standard, resulting in a range of affordable premium amounts

## Dollar-based 2014 Schedule

## Proposed Percentage-based 2015 Schedule

Income Bracket			Monthly Affordability Standard	Percentage of Income	
% of FPL	Bottom	Top		Bottom	Top
300.1 - 350%	\$35,017	\$40,848	\$215	7.4%	6.3%
350.1 - 400%	\$40,849	\$46,680	\$266	7.8%	6.8%

Income Bracket			Monthly Affordability Standard	Dollar Amount	
% of FPL	Bottom	Top		Bottom	Top
300.1 - 350%	\$35,011	\$40,845	7.20%	\$ 210	\$ 245
350.1 - 400%	\$40,846	\$46,680	7.40%	\$ 252	\$ 288



# Proposed 2015 Schedule: Individuals



## Proposed CY 2015 Affordability Schedule: INDIVIDUALS

Proposed CY 2015 Affordability Schedule: INDIVIDUALS					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$17,505	0%		
150.1 - 200%	\$17,506	\$23,340	2.75%	\$40	\$53
200.1 - 250%	\$23,341	\$29,175	4.00%	\$78	\$97
250.1 - 300%	\$29,176	\$35,010	4.85%	\$118	\$141
300.1 - 350%	\$35,011	\$40,845	7.20%	\$210	\$245
350.1 - 400%	\$40,846	\$46,680	7.40%	\$252	\$288
Above 400%	\$46,681		8.05%	\$313	

# Proposed 2015 Schedule: Couples



## Proposed CY 2015 Affordability Schedule: COUPLES

Proposed CY 2015 Affordability Schedule: COUPLES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$23,595	0%		
150.1 - 200%	\$23,596	\$31,460	4.05%	\$80	\$106
200.1 - 250%	\$31,461	\$39,325	5.95%	\$156	\$195
250.1 - 300%	\$39,326	\$47,190	7.20%	\$236	\$283
300.1 - 350%	\$47,191	\$55,055	7.20%	\$283	\$330
350.1 - 400%	\$55,056	\$62,920	7.40%	\$340	\$388
Above 400%	\$62,921		8.05%	\$422	

# Proposed 2015 Schedule: Families



## Proposed CY 2015 Affordability Schedule: FAMILIES

Proposed CY 2015 Affordability Schedule: FAMILIES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	\$0	\$29,685	0%		
150.1 - 200%	\$29,686	\$39,580	3.25%	\$80	\$107
200.1 - 250%	\$39,581	\$49,475	4.75%	\$157	\$196
250.1 - 300%	\$49,476	\$59,370	5.75%	\$237	\$284
300.1 - 350%	\$59,371	\$69,265	7.20%	\$356	\$416
350.1 - 400%	\$69,266	\$79,160	7.40%	\$427	\$488
Above 400%	\$79,161		8.05%	\$531	

# **Proposed 2016 Affordability Schedule**

# 2016 Schedule: Context



- The affordability schedule was historically set prior to the Commonwealth Care procurement to allow for base enrollee premiums in the Commonwealth Care program to mirror the affordability schedule
  - The Commonwealth Care program ran on a fiscal year, with new premiums set each July, based on procurements released in February of the same calendar year
- Under the ACA, Connector plans are procured on a calendar year basis through the Seal of Approval (SoA) process, preceding the affordability schedule from a timeline perspective by nearly a full year (*i.e.*, the 2015 SoA began in March 2014 and the 2015 affordability schedule is only now being proposed, in February 2015)
  - The SoA procurement for 2016 plans will launch in March to allow enough time for carriers to respond, for the Connector to review, and to jointly implement product offerings for the open enrollment period beginning in October
- We are proposing a 2016 affordability schedule with updated standards for the subsidized population in advance of the SoA launch so that the SoA for 2016 may reflect the expected affordability schedule for Calendar Year 2016

# 2016 Schedule Proposal – Up to 300% FPL



## Up to 300% FPL

- We have not adjusted the dollar thresholds for this population since 2012, resulting in a decline in the percentage of income this population is required to contribute to coverage because each year the Federal Poverty Guideline tables have increased
- In pursuit of a more rational approach to setting affordability for this population, we propose to revisit our methodology by applying the highest percentage of income required for each income bracket in 2012 and applying that same percentage to current FPL limits
  - For example, an individual at 200.1% FPL was considered able to afford a \$78 premium, equaling 4.2% of his or her income in 2012. In 2015, this same \$78 premium represented only 4.0% of income; effectively a decrease in the required contribution percentage. Our proposal would return to the percentage of income used in 2012, the last time we updated the schedule for this population, which would translate into a premium of \$82 for an individual at 200.1% FPL
- The next slide shows the percent of income individuals were asked to pay for coverage in 2012 and how the affordable dollar amount for 2016 would change if those percentages were applied to the latest Federal Poverty Guidelines

# 2016 Update Methodology – Up to 300% FPL (Individuals)

## 2012 – Individuals

% of FPL	Income Bracket		Affordability Standard (Maximum Monthly Premium)	Percentage of Income	
	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%

This model takes the required percentages from 2012 (at left) and applies them to the current year's FPL levels, resulting in new ranges of affordable premiums (below).

## Proposed 2016 – Individuals

% of FPL	Income Bracket		Affordability Standard (Maximum Monthly Premium)	Dollar Amount	
	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$11,770	0%		
100.1 - 150%	\$11,771	\$17,655	0%		
150.1 - 200%	\$17,656	\$23,540	2.90% →	\$ 43	\$ 57
200.1 - 250%	\$23,541	\$29,425	4.20% →	\$ 82	\$ 103
250.1 - 300%	\$29,426	\$35,310	5.00%* →	\$ 123	\$ 147

\*Because premiums for couples are double those charged to individuals, a slight modification was made for individuals 250.1 – 300% FPL from 5.1% to 5.0% to keep the couples schedule progressive



# 2016 Methodology – Up to 300% FPL (Couples)

- The percentages used for the Individuals schedule do not translate to the same affordable dollar ranges when applied to the FPL guidelines for couples and families
- To ensure that the Couples and Families schedules reflect dollar ranges that correspond to ConnectorCare premiums for two adults, the affordable percentage on these schedules is driven by the lowest affordable premiums from the Individuals schedule, multiplied by two
- In some instances, the “bottom” dollar amount is \$1 more than two individual premiums, due to rounding, but ConnectorCare is still affordable (e.g., two \$82 premiums is less than \$165)

INDIVIDUALS						
		Income Bracket		Monthly Affordability Standard	Dollar Amount	
% of FPL	Bottom	Top	Bottom		Top	
0 - 100%	\$0	\$11,770	0%			
100.1 - 150%	\$11,771	\$17,655	0%			
150.1 - 200%	\$17,656	\$23,540	2.90%	\$ 43	\$ 57	
200.1 - 250%	\$23,541	\$29,425	4.20%	\$ 82	\$ 103	
250.1 - 300%	\$29,426	\$35,310	5.00%	\$ 123	\$ 147	

COUPLES						
		Income Bracket		Affordability Standard (Maximum Monthly Premium)	Dollar Amount	
% of FPL	Bottom	Top	Bottom		Top	
0 - 100%	\$0	\$15,930	0%			
100.1 - 150%	\$15,931	\$23,895	0%			
150.1 - 200%	\$23,896	\$31,860	4.30%	\$ 86	\$ 114	
200.1 - 250%	\$31,861	\$39,825	6.20%	\$ 165	\$ 206	
250.1 - 300%	\$39,826	\$47,790	7.40%	\$ 246	\$ 295	

# 2016 Schedule Proposal – Over 300% FPL



## 300.1-400% FPL

- Adjust 300-400% FPL brackets up slightly from 2015 to 7.4% and 7.6% (compared to 7.2% and 7.4% respectively) to keep a consistent trend through the schedule
  - Increase by .2% is in line with increases for <300% population and approximates .25% increase for >400% population
  - Keeps schedule progressive across income brackets

## Over 400% FPL

- Adjust overall cap to 8.3% to align with indexed federal standard
  - Continue to match federal standard at top of schedule

# Proposed 2016 Schedule: Individuals



## Proposed CY 2016 Affordability Schedule: INDIVIDUALS

Proposed CY 2016 Affordability Schedule: INDIVIDUALS					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Affordability Standard (Maximum Monthly Premium)	Bottom	Top
0 - 150%	\$0	\$17,655	0%		
150.1 - 200%	\$17,656	\$23,540	2.90%	\$43	\$57
200.1 - 250%	\$23,541	\$29,425	4.20%	\$82	\$103
250.1 - 300%	\$29,426	\$35,310	5.00%	\$123	\$147
300.1 - 350%	\$35,311	\$41,195	7.40%	\$218	\$254
350.1 - 400%	\$41,196	\$47,080	7.60%	\$261	\$298
Above 400%	\$47,081		8.30%	\$326	

# Proposed 2016 Schedule: Couples



## Proposed CY 2016 Affordability Schedule: COUPLES

Proposed CY 2016 Affordability Schedule: COUPLES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Affordability Standard (Maximum Monthly Premium)	Bottom	Top
0 - 150%	\$0	\$23,895	0%		
150.1 - 200%	\$23,896	\$31,860	4.30%	\$86	\$114
200.1 - 250%	\$31,861	\$39,825	6.20%	\$165	\$206
250.1 - 300%	\$39,826	\$47,790	7.40%	\$246	\$295
300.1 - 350%	\$47,791	\$55,755	7.40%	\$295	\$344
350.1 - 400%	\$55,756	\$63,720	7.60%	\$353	\$404
Above 400%	\$63,721		8.30%	\$441	

# Proposed 2016 Schedule : Families



## Proposed CY 2015 Affordability Schedule: FAMILIES

Proposed CY 2015 Affordability Schedule: FAMILIES					
Income Bracket				Dollar Amount	
% of FPL	Bottom	Top	Affordability Standard (Maximum Monthly Premium)	Bottom	Top
0 - 150%	\$0	\$30,135	0%		
150.1 - 200%	\$30,136	\$40,180	3.45%	\$87	\$116
200.1 - 250%	\$40,181	\$50,225	4.90%	\$164	\$205
250.1 - 300%	\$50,226	\$60,270	5.90%	\$247	\$296
300.1 - 350%	\$60,271	\$70,315	7.40%	\$372	\$434
350.1 - 400%	\$70,316	\$80,360	7.60%	\$445	\$509
Above 400%	\$80,361		8.30%	\$556	

# Next Steps

- Request Board vote to approve proposed CY 2015 and 2016 Affordability Schedules for public comment
- At upcoming Board meeting, summarize public comments and revisit vote on final CY 2015 and 2016 Affordability Schedules

# VOTE



**Moved that the Board approve the issuance for public comment of the Draft Affordability Schedules for Individuals, Couples and Families for Calendar Year 2015 & 2016, as set forth in the staff proposal.**