

MEMORANDUM

To: Health Connector Board of Directors
Cc: Louis Gutierrez, Executive Director
From: Marissa Woltmann, Senior Policy Analyst and ACA Implementation Specialist
Date: March 12, 2015
Re: Calendar Year 2015 and 2016 Affordability Schedules – Public Comment Summary and Adoption of Final Schedule

Health Connector staff recommend a final vote on the proposed Calendar Year (CY) 2015 and 2016 affordability schedules as presented to the Health Connector Board at the February 12, 2015 Board meeting, with a technical correction. Following the February Board meeting, the Health Connector issued the proposed affordability schedules for public comment. This memorandum summarizes public comments related to the Health Connector's proposals and offers recommended final schedules for adoption that only differ from the proposed due to a technical correction.

BACKGROUND

The Health Connector serves as the primary policymaker with regard to the Commonwealth's requirement that individuals carry health insurance, also called the individual mandate. The Health Connector Board is required to devise a schedule that describes the percentage of income an individual should be expected to contribute towards the purchase of health insurance.¹ An adult is considered able to purchase affordable health insurance if his or her monthly contribution to Employer Sponsored Insurance (ESI), publicly subsidized insurance, or the lowest cost commercial insurance plan available through the Health Connector does not exceed the corresponding maximum monthly premium for his or her income bracket.

Last month, Health Connector staff proposed draft affordability schedules for 2015 and 2016 for the Board's consideration. The 2015 schedule completes the multi-year transition to percentage-of-income based affordability standards, as contemplated by the Board beginning in 2013. Changing from dollar-based standards to percentage-based standards is one aspect of the state's work to streamline state policies with the Affordable Care Act (ACA), which instituted an affordability standard of 8% of income for the federal individual mandate.²

Although it uses a new methodology, the proposed 2015 schedule is consistent with prior policy in its approach to determining what a household is considered able to pay for coverage. Households up to 300% of the Federal Poverty Level (FPL) are asked to contribute percentages of income commensurate with the premiums available to them through the Health Connector's subsidized ConnectorCare

¹ M.G.L. 176Q § 3.

² The ACA outlines an indexing methodology that accounts for the rate of growth in premiums divided by the rate of growth in income. Growth is considered for national figures for the preceding calendar year compared to 2013. This new rate is applied to the 8% standard. For 2015, the U.S. Secretary of Health and Human Services considered the rate of premium growth from 2013 to 2014, divided by the rate of income growth from 2013 to 2014, and multiplied by 8%, resulting in a new maximum expected contribution to health insurance of 8.05% of income.

program. Households between 300% and 400% FPL are asked to contribute percentages of income representing the average affordability standards over the last several years. Individuals over 400% FPL are asked to contribute 8.05% of income, a standard that matches the federal requirement for 2015.

The proposed 2016 schedule includes the first updates to affordability standards for households up to 300% FPL since 2012. For individuals up to 300% FPL, we propose an increase in the affordability standards that returns to the percentage of income required by the 2012 schedule. This will correct the gradual reduction in the required percentage of income that resulted from holding dollar-based standards constant as the income associated with the corresponding FPL brackets increased over the last several years. For households between 300% and 400% FPL, we recommend slight increases over the proposed CY 2015 schedule to reflect updates made to other income brackets in 2016, ensuring progressivity throughout the schedule. For households over 400% FPL, we propose continued parity with the federal affordability standard. The proposed schedule erroneously listed this standard as 8.3%; the recommended schedule below reflects the correct standard of 8.13%. By proposing the 2016 schedule now, these standards can inform the Seal of Approval plan certification process that will begin in earnest this month.

DISCUSSION AND ANALYSIS OF PUBLIC COMMENTS

The Health Connector issued the CY 2015 and 2016 affordability schedules for public comment following the Board meeting on February 12, 2015. The Health Connector received written comments from the Affordable Care Today (ACT!!) Coalition.

The ACT!! Coalition expressed support for the continued progressive approach to affordability standards proposed for 2015 and 2016. However, they also expressed concern for the increase in the affordable premium amount that individuals at the high end of each subsidized income bracket up to 300% FPL will experience. Individuals at higher incomes within each bracket are considered able to afford slightly higher premiums in actual dollar terms as compared to the base enrollee premium available to them in the ConnectorCare program. ACT!! suggested that the Health Connector modify its approach by choosing a different percentage of income or pursuing a more gradual approach to implementing the proposed standards.

Health Connector staff do not recommend adopting the suggested changes to the standards for households up to 300% FPL. Any decrease to the proposed percentages would result in ConnectorCare base enrollee premiums being considered unaffordable for individuals at the low end of each income bracket. Further, the range of dollar-based premiums considered affordable under the proposed 2015 schedule is within the range of currently available premiums in ConnectorCare. For example, the proposed schedule considers a 4% of income contribution affordable for individuals 200.1% to 250% FPL. This translates to a range of affordable premiums from \$78 to \$97. The available ConnectorCare premiums for this same cohort range from \$78 to \$138. All individuals in this income range are free to choose the \$78 plan, but many choose the higher priced plans. Although the 2016 ConnectorCare premiums have not yet been established, we expect similar access to affordable coverage.

Consistent with comments offered in prior years, the ACT!! Coalition also expressed concern that the affordability schedule does not sufficiently account for point-of-service out-of-pocket expenses a consumer may be required to spend in excess of their monthly premiums. Specifically, ACT!! cited an expansion of plan offerings at lower actuarial values under the ACA that potentially exposes Massachusetts residents to increased cost-sharing requirements. They expressed interest in working with the Health Connector to explore policy options to address this issue.

We recognize that cost-sharing is an important component of the cost of coverage for households, and we look forward to continuing our collaboration with the ACT!! Coalition and other interested stakeholders in exploring options to incorporate cost-sharing into the affordability schedule.

Finally, ACT!! suggested modifications to other aspects of individual mandate implementation regarding the definition of a coverage month and exemptions, which are not part of the affordability schedule and therefore not applicable to the recommended final schedules.

After reviewing the comments submitted, we propose to proceed with the CY 2015 and 2016 affordability schedules as proposed at the February 12, 2015 Board meeting, with the exception of the minor correction to the 2016 schedule noted above (8.13% instead of 8.3% for households in excess of 400% FPL). We appreciate the thoughtful review and analysis by the ACT!! Coalition with regard to how the affordability schedule affects their constituents. We look forward to discussing in more detail the suggested modifications to aspects of individual mandate policy not related to affordability as well as working with ACT!! to further investigate the possibility of incorporating cost-sharing affordability into the schedule.

CONCLUDING REMARKS

We recommend that the Board vote to adopt the recommended affordability schedules for calendar years 2015 and 2016 for individuals, couples, and families. These recommendations represent the final steps to harmonizing the state affordability schedule with changes brought by the ACA. We look forward to working with the Board and interested stakeholders to address future approaches to defining affordability.

RECOMMENDED CALENDAR YEAR 2015 AFFORDABILITY SCHEDULE

INDIVIDUALS					
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
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	

COUPLES					
Income Bracket			Monthly Affordability Standard	Dollar Amount	
% 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	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	

FAMILIES					
Income Bracket			Monthly Affordability Standard	Dollar Amount	
% 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	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	

RECOMMENDED CALENDAR YEAR 2016 AFFORDABILITY SCHEDULE

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
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		8.13%	\$ 319	

COUPLES					
Income Bracket			Monthly Affordability Standard	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
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		8.13%	\$ 432	

FAMILIES					
Income Bracket			Monthly Affordability Standard	Dollar Amount	
% of FPL	Bottom	Top		Bottom	Top
0 - 100%	\$0	\$20,090	0%		
100.1 - 150%	\$20,091	\$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		8.13%	\$ 544	