



Massachusetts Health Connector and
Department of Revenue

Data on the Individual Mandate

Tax Year 2008

Key Findings:

This report provides further analysis of tax year 2008 data on the health insurance status of adult tax filers in Massachusetts, and is a follow-up to the preliminary analysis published by the Department of Revenue in December 2009. This analysis demonstrates that there was continued strong compliance with the health insurance tax filing requirement in Massachusetts in 2008. The results of this analysis are also consistent with other data reports which suggest a continued high rate of insurance coverage in the state.

- Ninety-seven percent of tax filers required to file a Schedule HC for tax year 2008 complied with the filing requirement.
- Of those adult tax filers who complied with the filing requirement, 95% (3,800,000) reported being insured for all of tax year 2008.
- Less than 2% of filers, or 71,000, reported being uninsured for part of tax year 2008.¹
- Of these filers with part-year insurance, 65%, or 46,000, were not subject to a penalty because they reported income that was below 150% of the Federal Poverty Level (FPL). Twenty-five thousand filers, or 35%, reported being able to afford insurance and were assessed a penalty. There were very small numbers of filers with part-year insurance who reported that insurance was not affordable, requested an exemption for religious reasons, sought an appeal, or had a permissible gap in coverage.
- 3.7% of filers, or 150,000, reported being uninsured for all of tax year 2008.
- Of the adults who were uninsured for all of tax year 2008, approximately 26,000 (17%) were assessed a penalty. An additional 4,000 (2.7%) sought to appeal the penalty. Approximately 91,000 (61%) were exempt from a penalty because they reported income below 150% FPL; 22,000 (15%) were exempt because insurance was not affordable, based on their application of the affordability schedule; and 5,000 (3.5%) claimed a religious exemption. An insignificant number of uninsured filers had a Certificate of Exemption from the Health Connector.

Introduction and Background

Massachusetts passed its landmark health reform law in April 2006. The cornerstone of the law is shared responsibility: under the new law, government, individuals, employers, and health insurers all took on new responsibilities in order to improve and expand access to health insurance in Massachusetts. A key feature of reform in Massachusetts is the requirement that all adult residents who can afford health insurance must maintain coverage, or pay a penalty. This requirement is enforced by the Department of Revenue (DOR) through the income tax filing process. Massachusetts residents and certain part-year residents are required to report information about their health insurance coverage on Schedule HC.

For tax year 2007, which was the first year of the mandate, tax filers were required to indicate if they had insurance as of December 31, 2007. The penalty for noncompliance with the mandate in 2007 was loss of the personal income tax exemption, or \$219. Data previously reported by DOR on the individual mandate for tax year 2007 showed that only 5% of the approximately 3.9 million adult tax filers subject to the mandate reported being uninsured as of December 31, 2007.²

¹ Due to improvements made by DOR to the system for categorizing insurance status, results for individuals classified as having “part-year” insurance differ significantly between the preliminary report and this analysis.

² Massachusetts Department of Revenue, Data on the Individual Mandate and Uninsured Tax Filers: Tax Year 2007, October 2008.

Starting in January 2008, the health reform legislation authorized a penalty of up to 50% of the lowest cost health insurance premium available through the Health Connector for every month the individual failed to comply with the mandate. In filing their 2008 tax return, individuals were required to indicate whether they had coverage in each month of 2008. If affordable coverage were available to the individual, as defined by the affordability schedule, but the individual did not have health insurance coverage, then the individual was assessed a penalty. Individuals with income below 150% FPL (\$15,612 for a single person in 2008) were exempt from the penalty. A religious exemption is available for individuals who have a sincerely held religious belief that is the basis of their refusal to obtain and maintain health insurance coverage. An individual may also obtain a Certificate of Exemption or waiver prior to filing their taxes, if they do not have access to affordable coverage or if they have suffered a hardship which prevents them from being able to afford the lowest-cost available health plan.

This report analyzes data on the individual mandate for tax year 2008.

Methodology

This analysis was compiled by the Massachusetts Health Connector, using data provided by the Department of Revenue, under a Memorandum of Understanding between the agencies. All individual level identifiers were removed prior to sharing data with the Health Connector and conducting this data analysis.

In December 2009, DOR published a preliminary summary of the health insurance status of adult tax filers based on information collected from completed tax year 2008 returns filed and processed by DOR through October 5, 2009.³ This report presents additional analyses of returns filed and processed by DOR as of August 12, 2010. As of this date, there were approximately 3.5 million returns, representing 4.8 million tax filers.⁴ Based on tax year 2007 filings, the returns to date represent approximately 99% of all expected tax year 2008 returns.

This analysis relies primarily on information as reported by tax filers. This information is subject to tax filer reporting errors and inconsistencies, as well as post-filing verification, enforcement and audit efforts by DOR. The analyses presented focus on adult tax filers aged 19 and over, and thus do not reflect the health insurance status of children, individuals who are not required to file a tax return, or individuals who did not file a return despite being required to do so. While the mandate applies to adult tax filers (age 18 and over), for purposes of simplicity this report excludes individuals who turned 18 during the tax year.⁵ In addition, in the period between the 2008 preliminary report and this analysis, there were improvements made by DOR to the system for categorizing insurance status, resulting in differences in the reported results, particularly for individuals with part-year insurance.

Given the significant policy changes between the 2007 and 2008 tax years and the continual evolution of the coverage reporting and mandate enforcement processes, comparisons between tax years 2007 and 2008 should be made with great caution.

Numbers in this report are rounded to two significant digits. Percentages, where provided, may not add to 100% due to rounding.

³ Massachusetts Department of Revenue, Individual Mandate: 2008 Preliminary Data Analysis, December 2009.

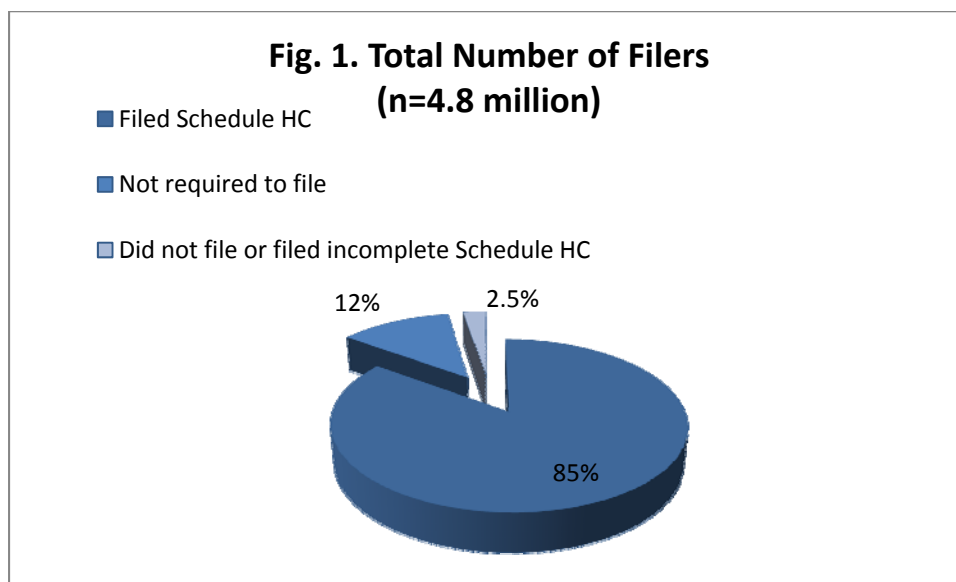
⁴ There may be one or two tax filers per tax return.

⁵ Individuals who turned 18 during the tax year became subject to the mandate on the first day of the month following their birthday.

Results

Overview of All Filers

Figure 1 shows the total number of tax filers for tax year 2008, and the number that filed a Schedule HC. Tax filers subject to the individual mandate are required to file a Schedule HC with their income tax return, to document their compliance with the individual mandate. Of 4.8 million filers, 4.1 million, or 85% percent, filed a Schedule HC. Of those who did not file, approximately 590,000 (12%) were not required to file. This includes non-residents, certain part-year residents, and individuals under 18. The remaining 120,000 (2.5%) were subject to the mandate but did not file a Schedule HC or filed it with incomplete information.⁶ Ninety-seven percent of the 4.2 million filers required to file complied with the filing requirement.



The subsequent analyses presented in this report include information for only those tax filers who submitted a completed Schedule HC, and who were age 19 and older.

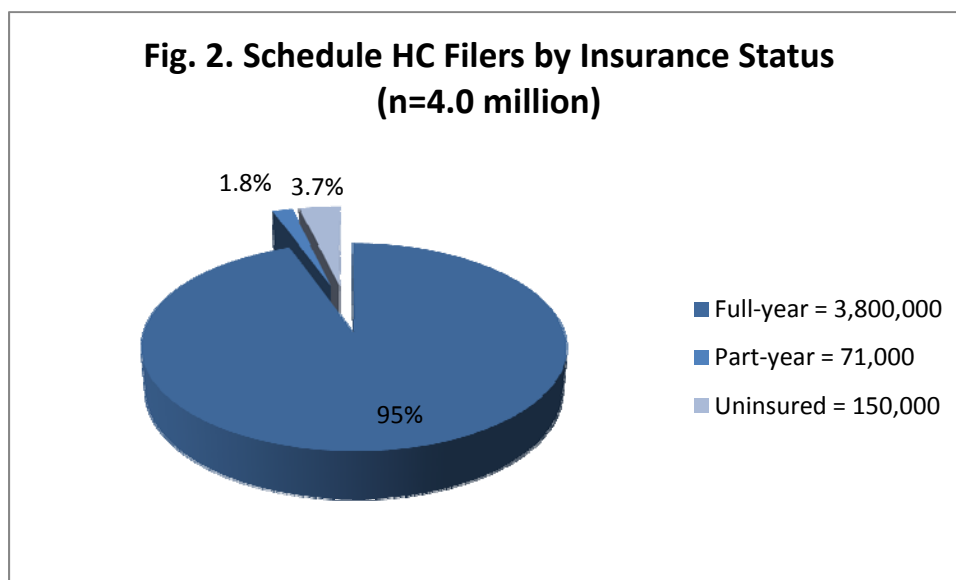
⁶ DOR corresponds with tax filers who either did not file a Schedule HC or filed it with insufficient information to determine the applicability of the individual mandate.

Insurance Status of Schedule HC filers

In filing the 2008 tax return, individuals were required to indicate on their Schedule HC whether they were insured for all, part, or none of 2008. Individuals who reported having federal government insurance were considered to have full-year insurance.⁷

Ninety-five percent (3.8 million) of adult filers who submitted a completed Schedule HC reported having health insurance for the full tax year (Figure 2).⁸ The same percentage of filers reported being insured in 2007. However, the requirement for reporting insurance in 2007 was limited to whether the filer was insured for one day (as of December 31, 2007). This data point therefore is not directly comparable to the data from 2008, which distinguishes between full and part-year coverage.

The remaining Schedule HC filers were distributed between those with insurance for part of 2008 (71,000) and those who were uninsured for all of 2008 (150,000).⁹



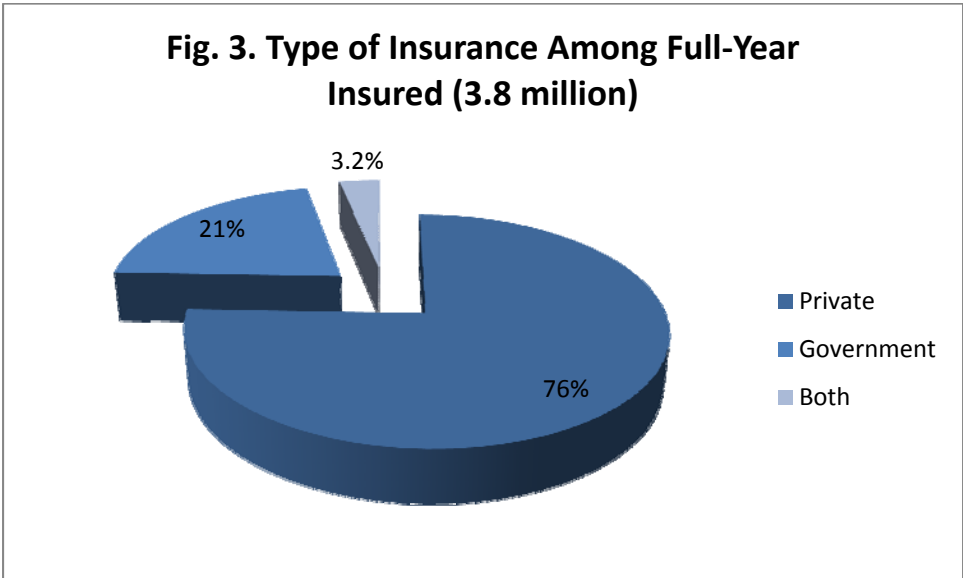
⁷ Federal government insurance includes Medicare, the Veterans Administration Program, Tri-Care or "Other" government health coverage, as indicated in Question 5 on the 2008 Schedule HC. MassHealth or Commonwealth Care were not considered to be federal government insurance.

⁸ The full-year insured category includes 53,000 part-year residents who met the requirements of the mandate for the entire period that the mandate applied to them.

⁹ The part-year insured category includes 6,100 part-year residents who indicated insurance for some but not all of the period for which the mandate applied to them.

Type of Insurance Among Full-Year Insured

Among those who reported having full-year insurance coverage on their Schedule HC, private insurance was the most common source of health insurance coverage (Figure 3). Seventy-six percent (2.9 million) of adult filers with full-year coverage reported having private insurance. An additional 3.2% (120,000) reported having both private and government insurance. This could be either concurrent or consecutive coverage. The remaining 21% (800,000) of filers with full-year health insurance coverage reported having government insurance.¹⁰



¹⁰ Government insurance includes federal government insurance (such as Medicare, the Veterans Administration Program, and Tricare) as well as MassHealth and Commonwealth Care.

Uninsured Filers

Approximately 150,000 adult filers indicated on their Schedule HC that they were uninsured for all of 2008. This represents 3.7% of all adult Schedule HC filers.

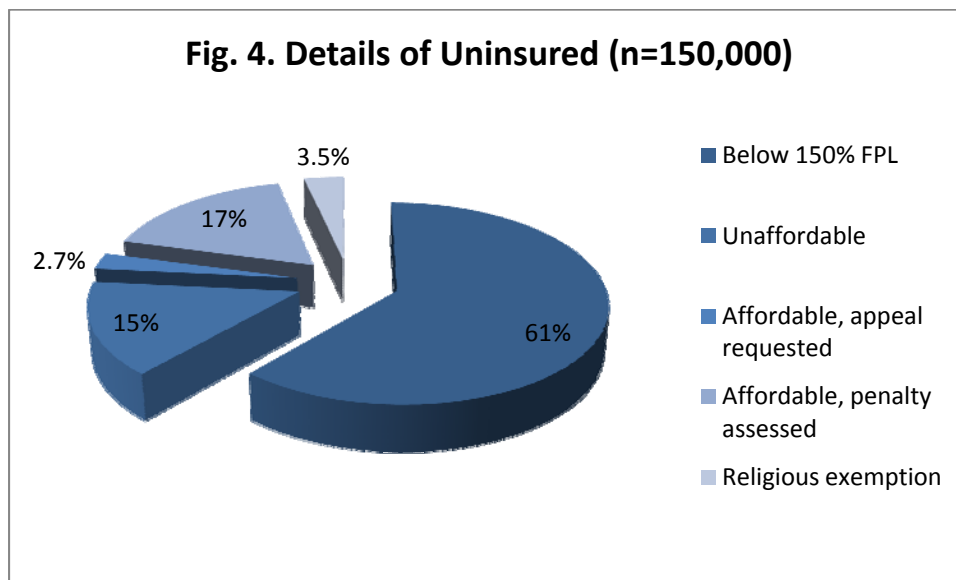


Figure 4 shows details of Schedule HC filers who reported being uninsured for all of 2008. Sixty-one percent (91,000) of uninsured adult filers reported that their income was at or below 150% FPL. Individuals with income at or below 150% FPL are exempt from the individual mandate penalty. An additional 15% (22,000) of adult filers reported that health insurance was not affordable for them, based on their application of the affordability schedule.

Of the remaining uninsured adult filers, approximately 5,100 claimed a religious exemption. The rest were subject to the penalty. Approximately 17% (26,000) of uninsured filers were assessed a penalty because affordable insurance was available to them. An additional 2.7% (4,000) of uninsured filers sought to file an appeal of the penalty.

The number of filers reporting a Certificate of Exemption (31) from the Health Connector is too small to be shown in this figure.

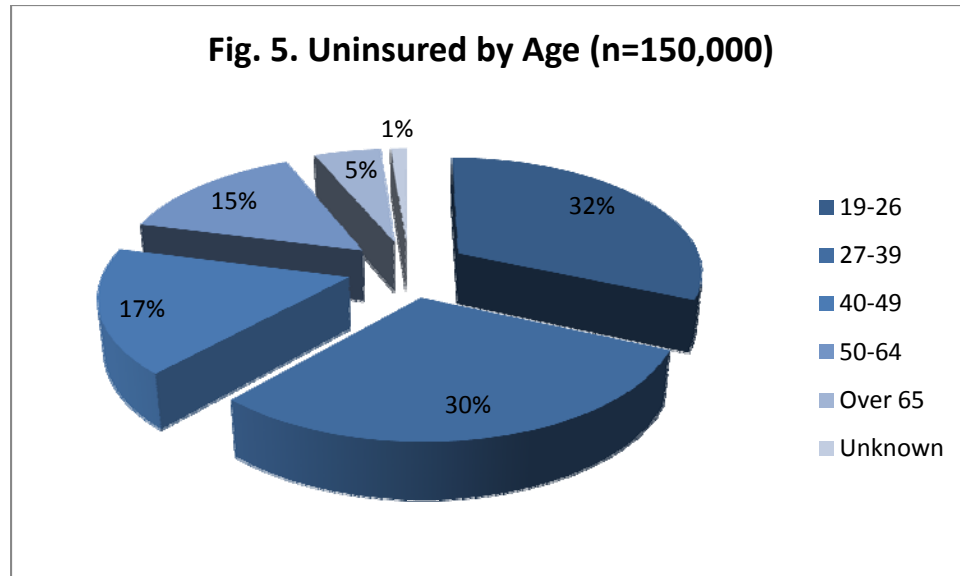


Figure 5 shows the distribution of adult Schedule HC filers who were uninsured for all of 2008 by age category. This figure also includes 1,800 filers whose age could not be determined.¹¹ Consistent with findings of other studies, our analysis of tax return data shows that young adults are overrepresented among uninsured adults in Massachusetts. Adults aged 19 to 26 represented 15% of all adult residents aged 19 or over based on 2008 population estimates from the U.S. Census Bureau. However, they comprised about one-third (32%) of uninsured Schedule HC filers in 2008.

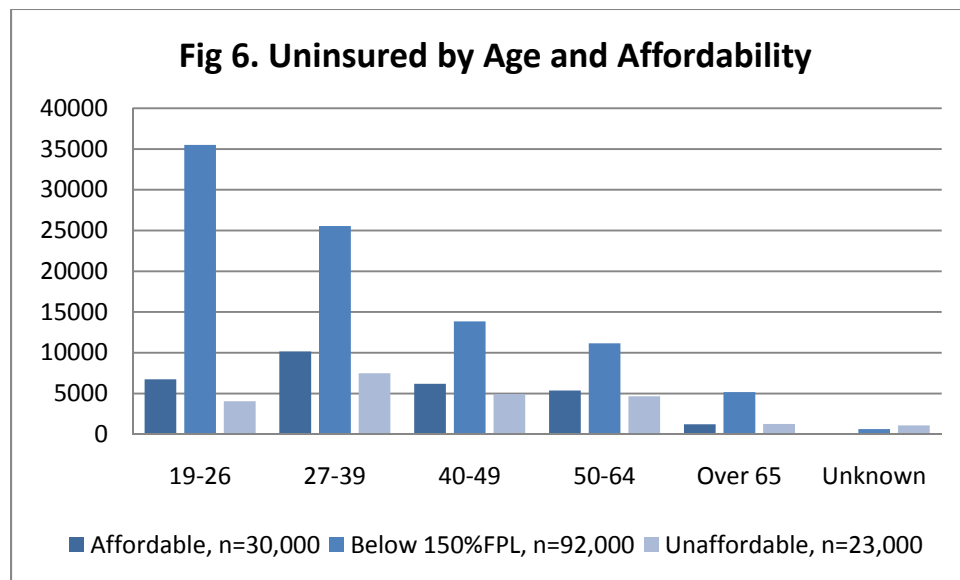


Figure 6 shows the age distribution of uninsured Schedule HC filers who reported being able to afford coverage, who were exempt from penalty because their income was below 150% FPL, and who reported being unable to afford coverage.

¹¹ These filers with “unknown” age are only included in figures which show age distribution (Figures 5, 6, 17, 18). The remaining analyses in this report are limited to filers with a known age that is greater than or equal to 19.

The “affordable” category (30,000 filers in total) includes those who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty.

Filers who claimed a religious exemption or a certificate of exemption were not included in this analysis, because they were not asked to provide information about whether affordable insurance was available to them.

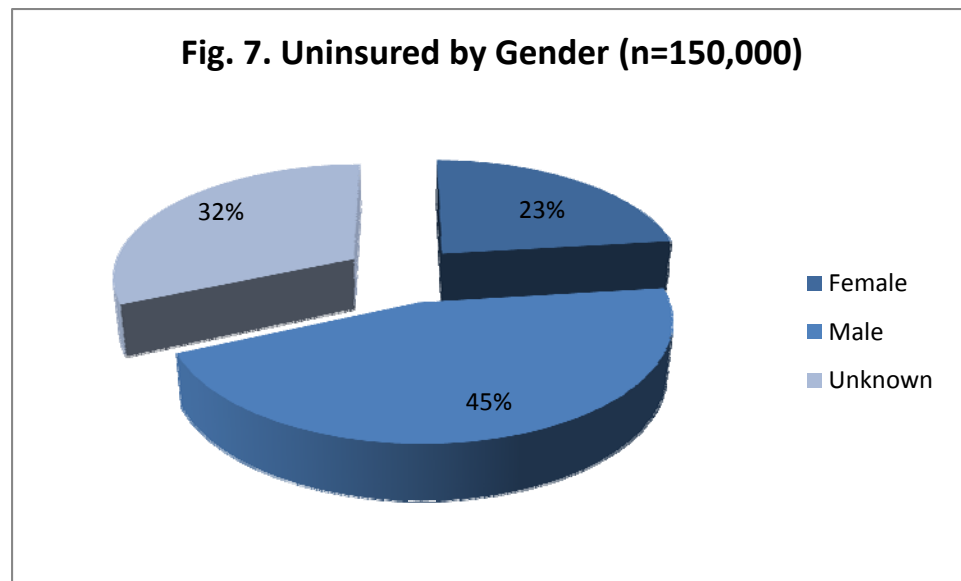


Figure 7 shows information on the gender of uninsured adult Schedule HC filers. Gender information was available for 68% of filers. Among the filers for whom gender information was available, two-thirds (66%) were male. This is similar to findings for the 2007 tax year.

The first column of Table 1 (below) shows the distribution of uninsured filers by region. The regions are defined based on the groupings used for the affordability schedule worksheet. The affordability worksheet included with the Schedule HC, used to help uninsured tax filers determine whether affordable insurance is available to them, lists the monthly premiums that are available in each of three geographic regions. These regions are composed of counties which have similar insurance costs. Region 1 includes Berkshire, Franklin, and Hampshire counties. Region 2 includes Bristol, Essex, Hampden, Middlesex, Norfolk, Suffolk, and Worcester counties. Region 3 includes Barnstable, Dukes, Nantucket, and Plymouth counties.

The second column shows the total adult population (age 18 and over) in each region, based on 2008 Census Bureau estimates. The third column presents the number of uninsured adult Schedule HC filers in each region as a percentage of the region's total adult population. This percentage should not be interpreted as an uninsurance rate. The numerator (the number of uninsured filers in each region) includes only those who filed a Schedule HC, and thus excludes people, such as those below the tax filing threshold, who are not required to file. In addition, there is a slight discrepancy in the age cut-offs used: the Schedule HC data includes those ages 19 and over, whereas the Census data includes those ages 18 and over. Individuals with an out-of-state filing address are also excluded.

Table 1. Uninsured by Region (n=150,000)

	Number Uninsured Adult Schedule HC Filers	2008 Region Adult Population	Uninsured Filers as % Adult Population
Region 1: Berkshire, Franklin, and Hampshire Counties	6,600	292,904	2.2%
Region 2: Bristol, Essex, Hampden, Middlesex, Norfolk, Suffolk, and Worcester Counties	110,000	4,199,909	2.7%
Region 3: Barnstable, Dukes, Nantucket, and Plymouth Counties	18,000	578,121	3.2%
Out of State	12,000	N/A	N/A

Figure 8 shows the distribution of filers who were uninsured for all of 2008, by region and affordability of insurance. The “affordable” category includes filers who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty. “Below 150% FPL” includes filers who were exempt from the penalty because their income was below 150% FPL. “Unaffordable” includes filers who reported being unable to afford coverage. Filers with a Certificate of Exemption or who claimed a religious exemption are excluded from this analysis.

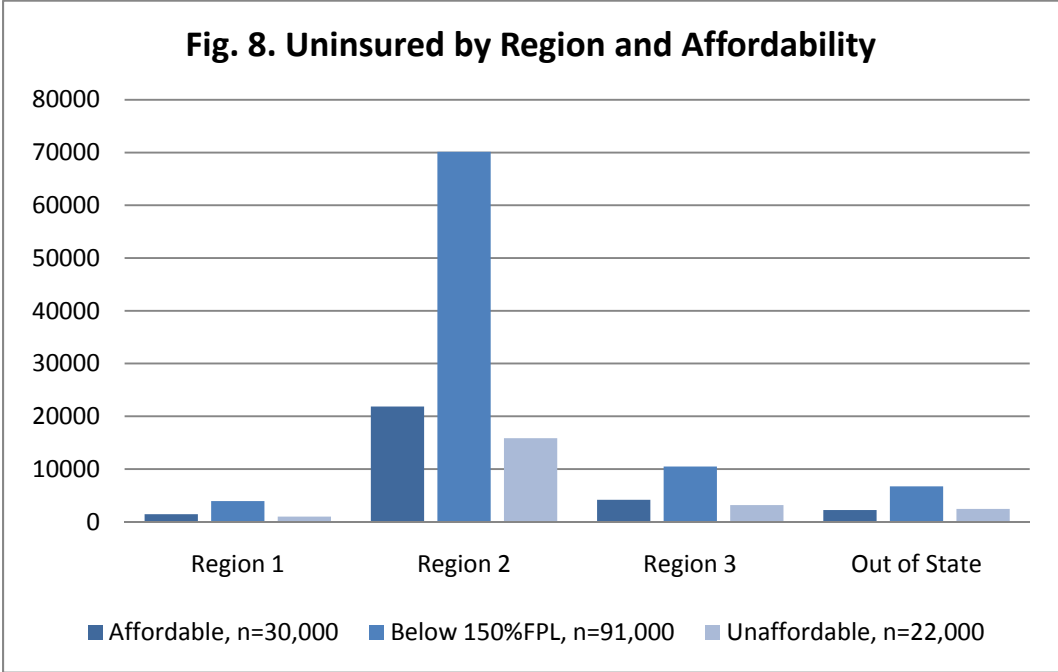
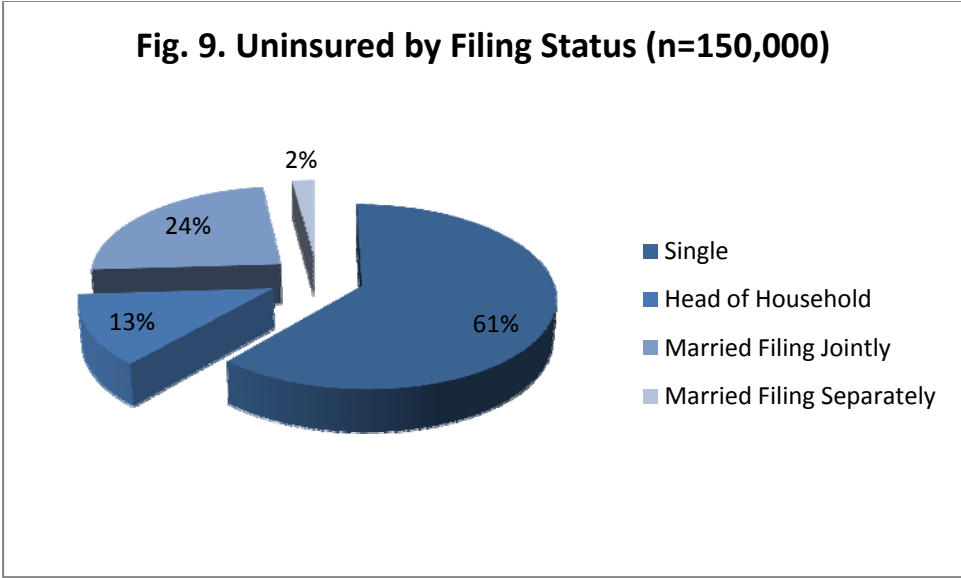


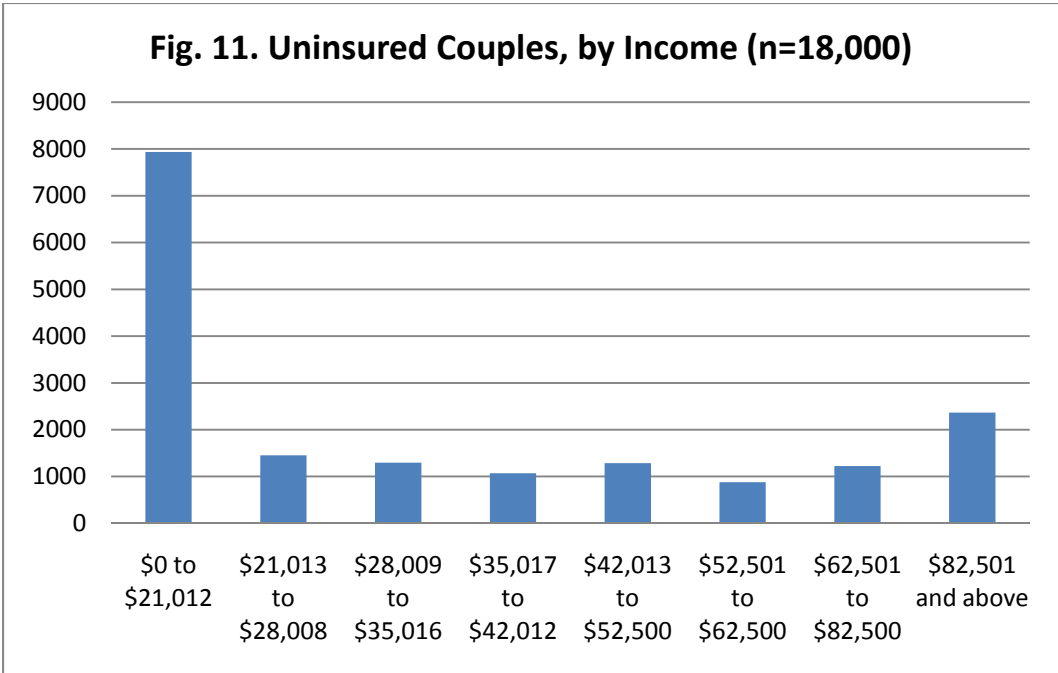
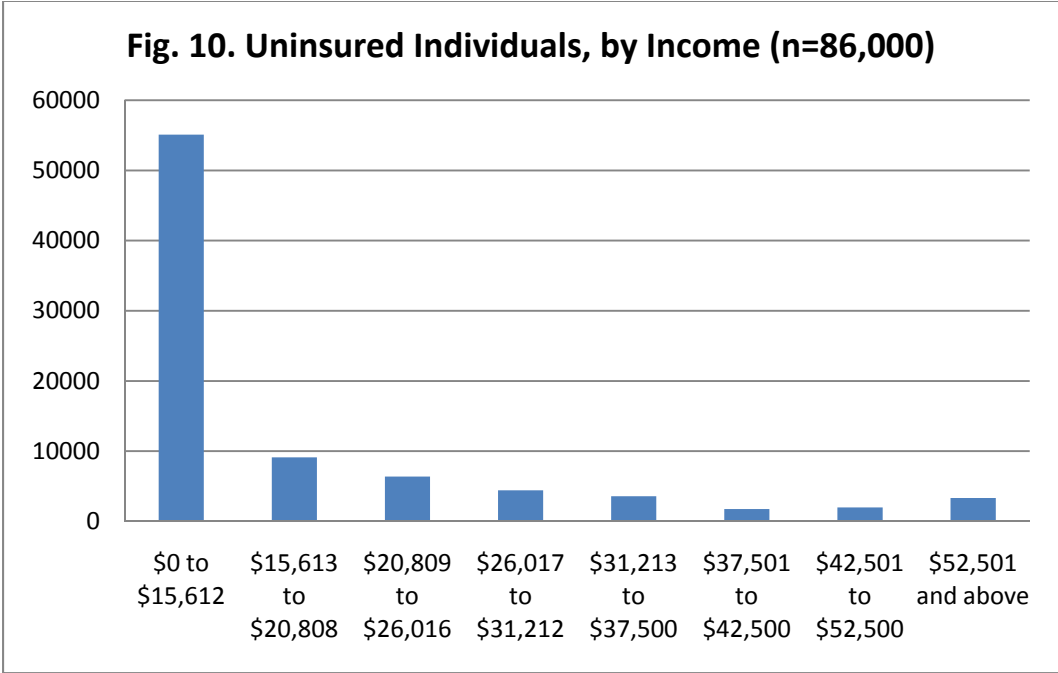
Figure 9 shows the distribution of filers uninsured for all of 2008 by filing status. The most common filing status among uninsured filers was single (61%).

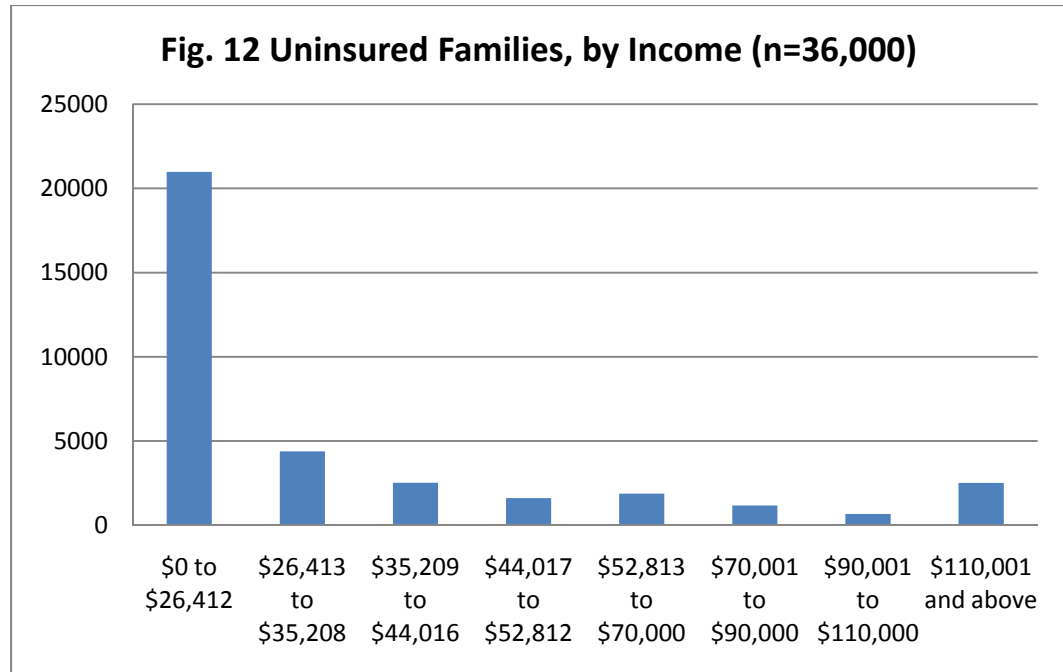


To analyze the distribution of uninsured adult Schedule HC filers by income, filers were categorized as individuals, couples, or families, based on filing status and family size. This aligns with the categories used in the affordability schedule. “Individuals” include taxpayers with a filing status of single or married filing separately, with no dependents. There were 86,000 taxpayers in this category. “Couples” include taxpayers with a filing status of married filing jointly, with no dependents. There were 18,000 filers in this category. “Families” include head of household, married filing jointly, or married filing separately with one or more dependents. There were 36,000 filers who were categorized as families. There were an additional 9,600 filers who could not be categorized as individuals, couples, or families on the basis of the information provided on the Schedule HC.¹²

¹² Information about dependents was not directly reported on the Schedule HC. Therefore, the number of dependents was inferred based on family size, which was self-reported by tax filers on the Schedule HC. “Individuals” included taxpayers with a filing status of single or married filing separately and a self-reported family size of one. “Couples” included taxpayers with a filing status of married filing jointly and a family size of two. “Families” included filers with (1) filing status of married filing jointly and family size of more than two; (2) filing status of married filing separately and family size of two or more; and (3) filing status of head of household and family size of two or more. The filers who could not be categorized as individuals, couples or families included filers who reported a family size of 0.

Figures 10, 11, and 12 show the distribution of uninsured individuals, couples, and families by income. Across all categories, most uninsured filers were low-income.





Figures 13 through 15 show the distribution of uninsured Schedule HC individuals, couples, and families by income category and affordability. The “affordable” category includes filers who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty. “Below 150% FPL” includes filers who were exempt from penalty because their income was below 150% FPL. “Unaffordable” includes filers who reported being unable to afford coverage. Filers with a Certificate of Exemption or who claimed a religious exemption are excluded.

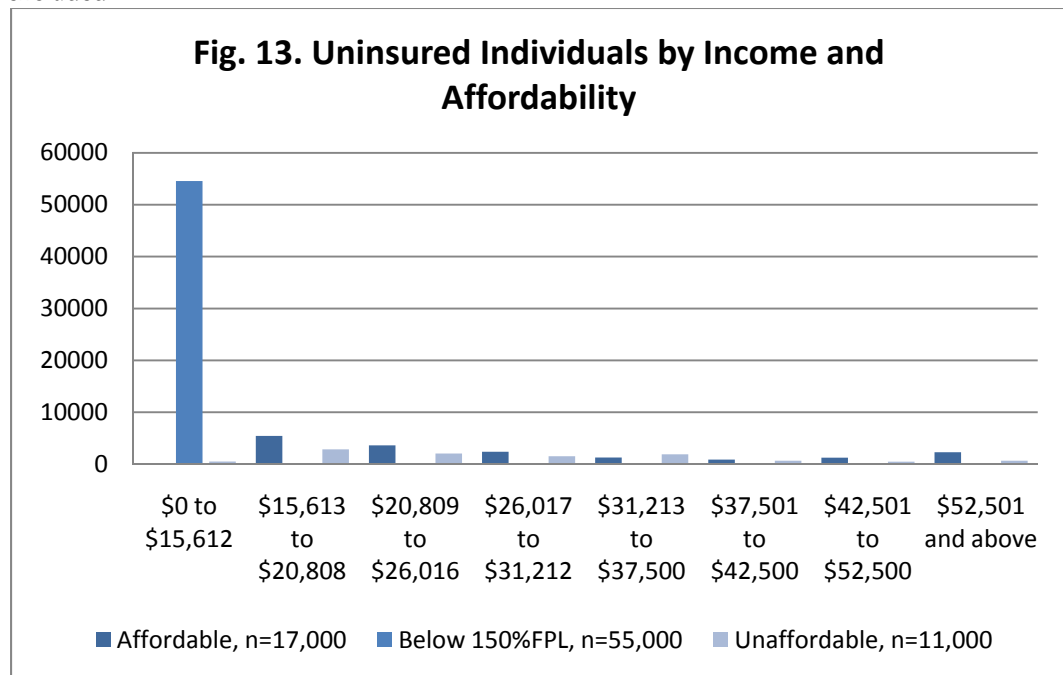


Fig. 14. Uninsured Couples by Income and Affordability

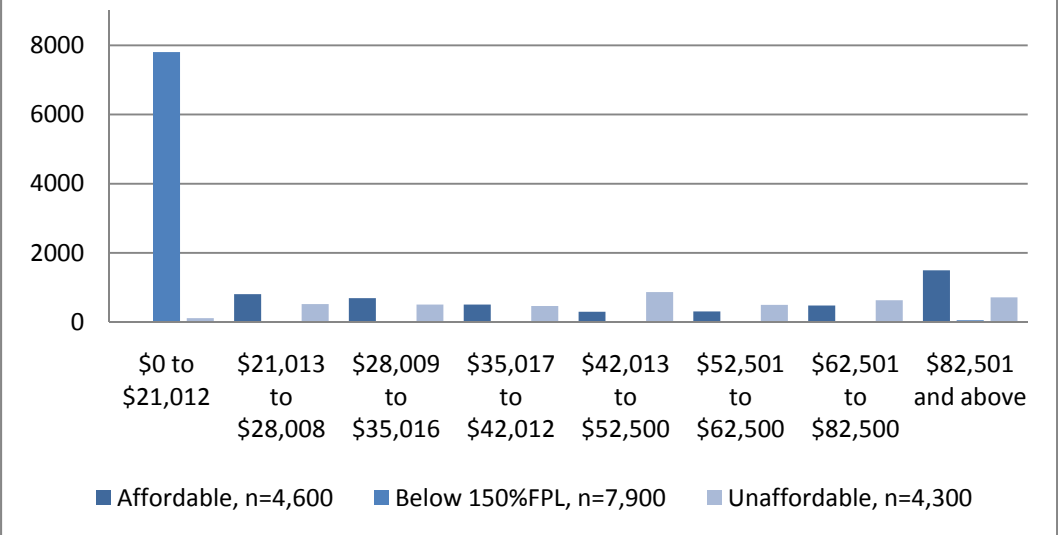
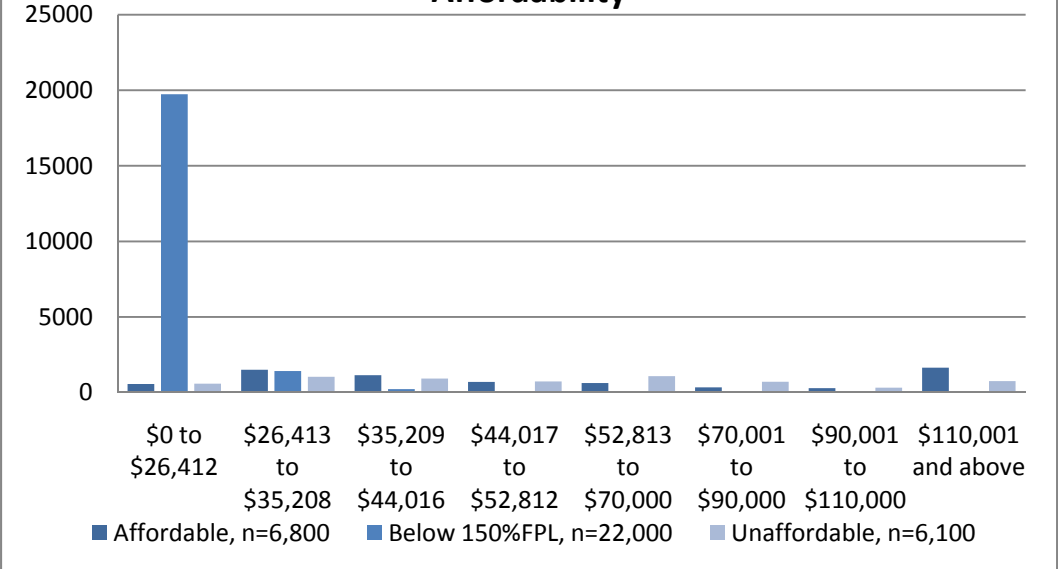


Fig. 15. Uninsured Families by Income and Affordability



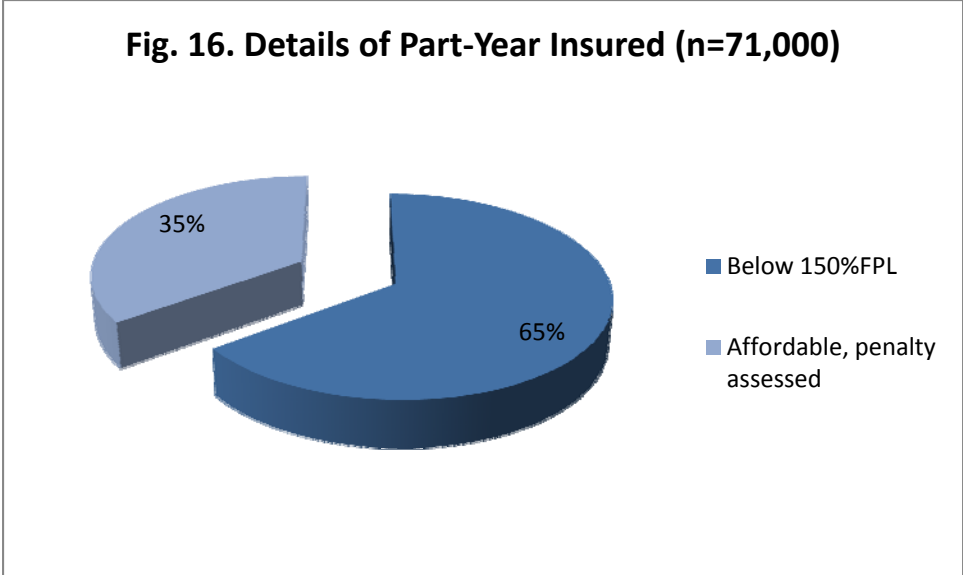
Filers with Part-Year Insurance

Approximately 71,000 Schedule HC filers, or 1.8%, reported having insurance for only part of tax year 2008. This is a new category of filers that was not captured on the 2007 Schedule HC. In tax year 2007, the first year of the mandate, filers were only required to indicate whether they had insurance as of December 31, 2007.

The 2008 Schedule HC required filers to indicate whether they had insurance at any point in 2008. It also asked filers whether they were insured for all of 2008. Those who were uninsured for part, but not all, of 2008 were asked to indicate each month in which they had coverage.

In total, there were 71,000 filers who reported having insurance for part, but not all, of 2008 (Figure 16). Two-thirds of these filers (65%, or 46,000) had income below 150% FPL and thus were not subject to a penalty. For the remainder (35%, or 25,000), affordable insurance was available and therefore these filers were subject to a penalty.

A negligible number of filers (21) reported not being able to afford insurance, reported being exempt for religious reasons, had a coverage gap of three months or less, or requested an appeal.



The age distribution of filers with insurance for part of tax year 2008 is shown in Figure 17. As with the uninsured population described previously, young adults are also overrepresented among part-year insured adults in Massachusetts.

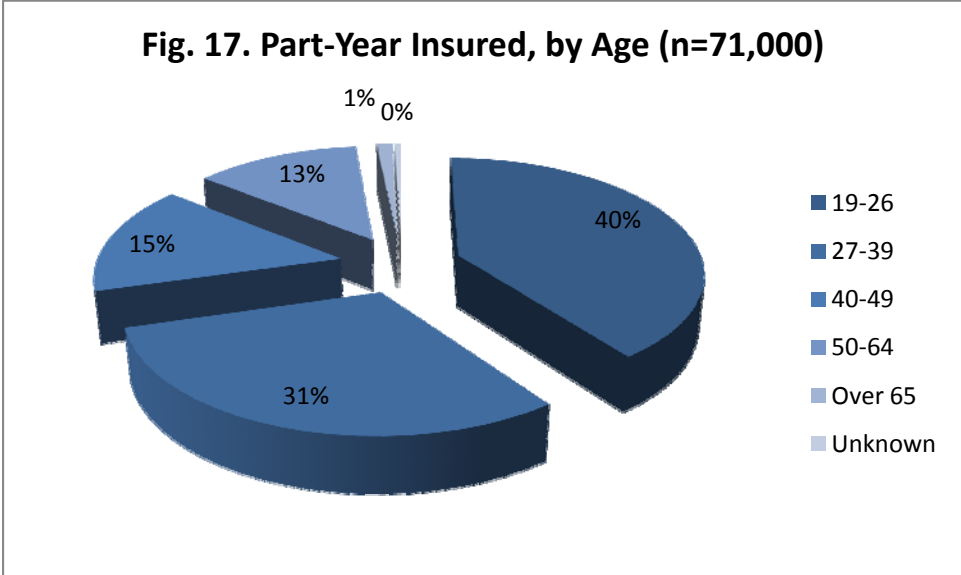


Figure 18 shows the age distribution of part-year insured tax filers for whom affordable coverage was or was not available, by age group. The “affordable” category includes those who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty. The “Below 150% FPL” category includes those tax filers who reported an income below 150% FPL. There were a negligible number of part-year filers who reported that insurance was not affordable to them, based on the affordability schedule. These filers are not shown in the figures below. Filers with a Certificate of Exemption, religious exemption, or permissible coverage gap are also excluded.

When compared to filers who were not insured for the entire year, a higher percentage of filers who were uninsured for part of tax year 2008 reported being uninsured but able to afford coverage (35% of filers with part-year insurance, compared with 20% of filers who were uninsured for all of 2008).

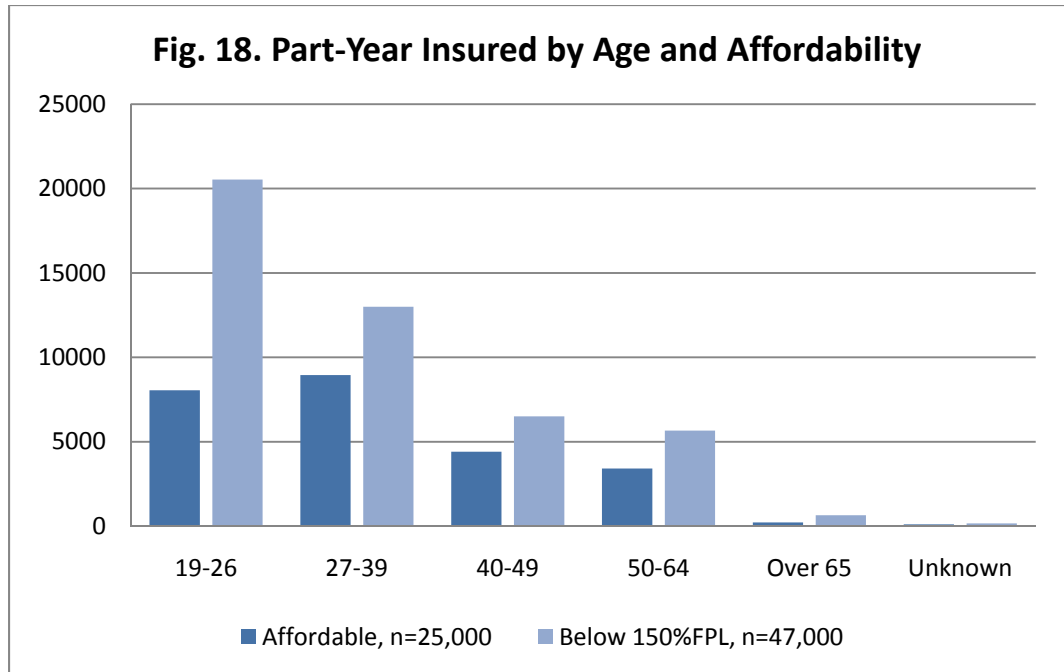


Figure 19 shows the distribution of part-year insured Schedule HC filers by gender. As with uninsured filers, the majority of part-year insured filers for whom gender is known are men.

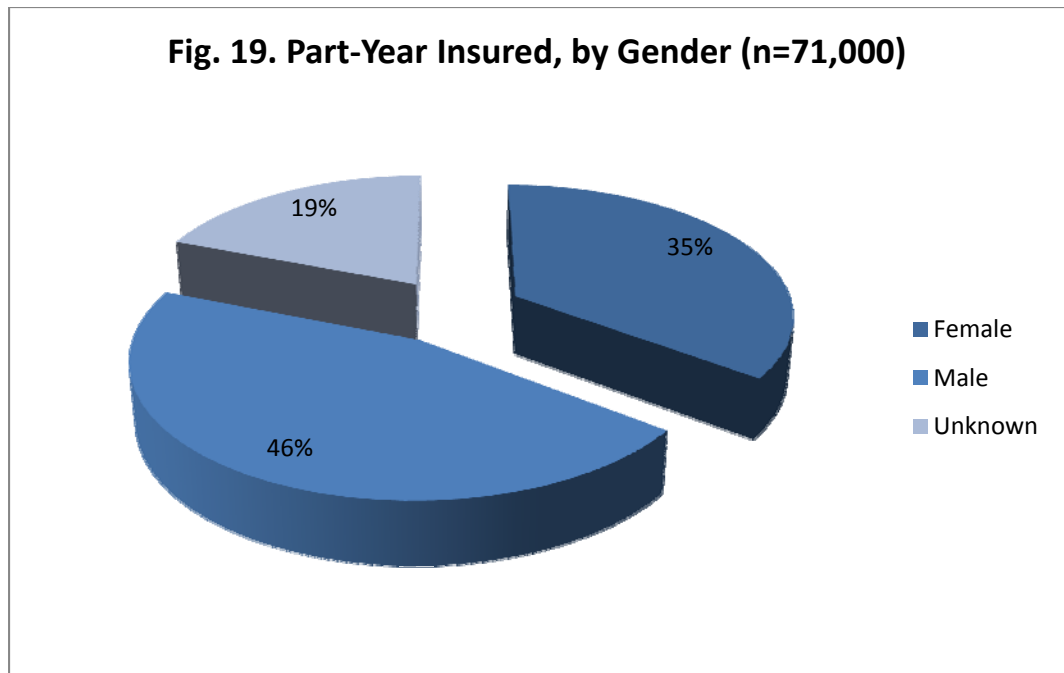


Table 2 shows the regional distribution of filers reporting part-year insurance, compared with the total adult population (age 18 and over) in each region, based on 2008 Census Bureau estimates.

Table 2. Part-Year Insured by Region

	Number Uninsured Adult Schedule HC Filers	2008 Region Adult Population
Region 1: Berkshire, Franklin, and Hampshire Counties	4,800	292,904
Region 2: Bristol, Essex, Hampden, Middlesex, Norfolk, Suffolk, and Worcester Counties	55,000	4,199,909
Region 3: Barnstable, Dukes, Nantucket, and Plymouth Counties	8,500	578,121
Out of State	3,600	N/A

Figure 20 shows the numbers of part-year insured filers who report having affordable insurance available to them compared with the number of part-year insured filers below 150% FPL and thus not subject to a penalty, within each region. As previously described, the “affordable” category includes those who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty. The “Below 150% FPL” category includes those tax filers who reported an income below 150% FPL. There were a negligible number of part-year filers who reported that insurance was not affordable to them, based on the affordability schedule. These filers are not shown in the figures below. Filers with a Certificate of Exemption, religious exemption, or permissible coverage gap are also excluded.

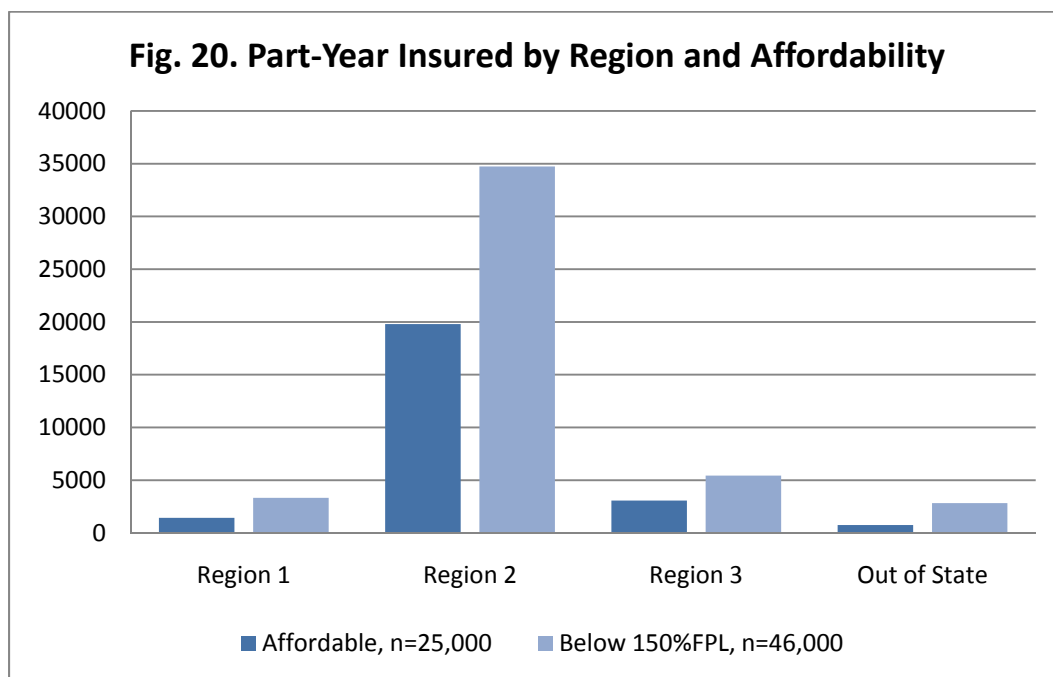
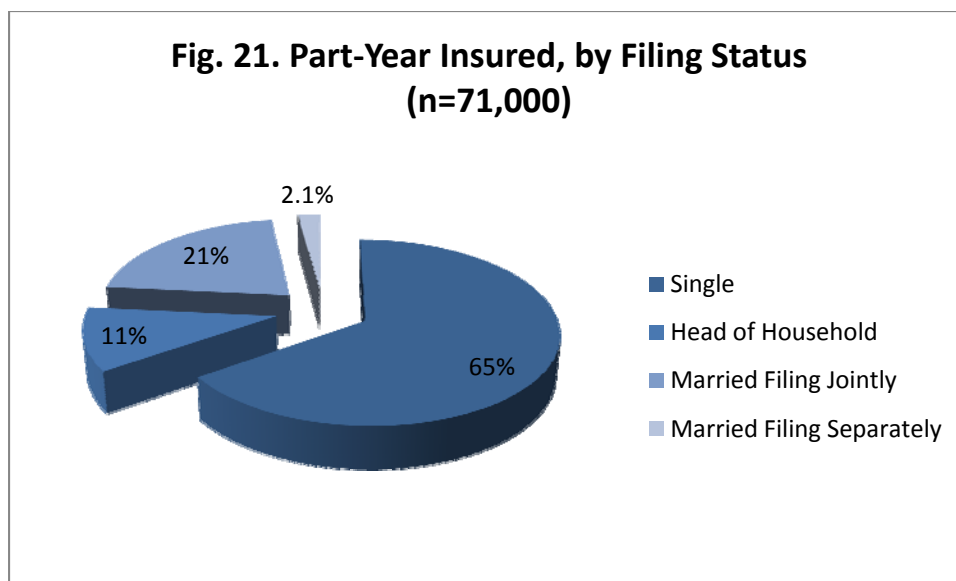
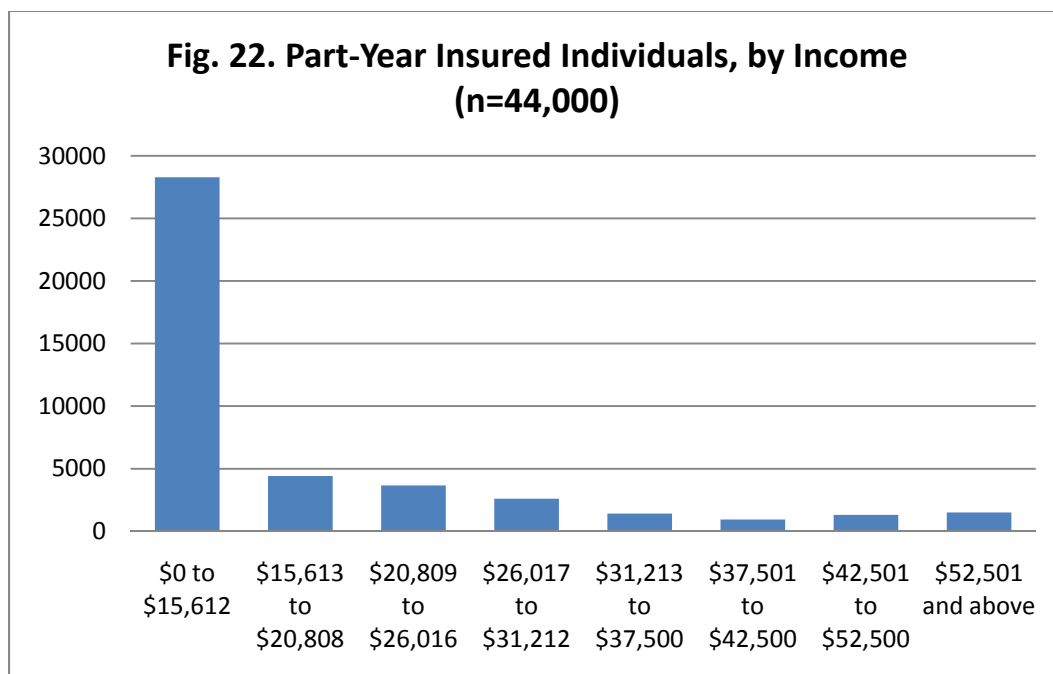
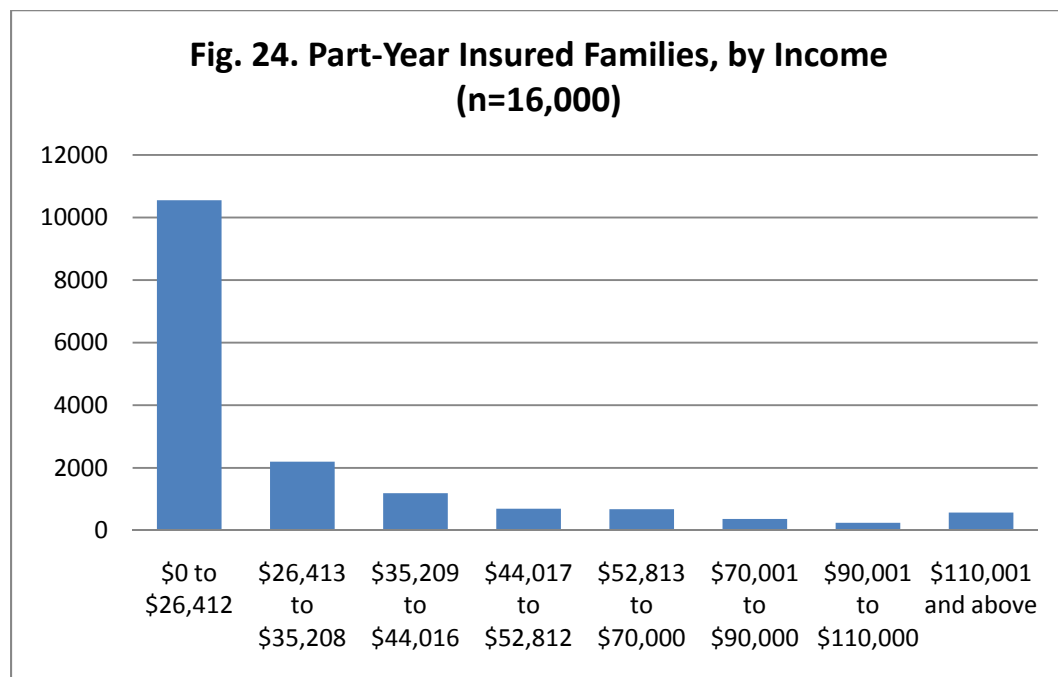
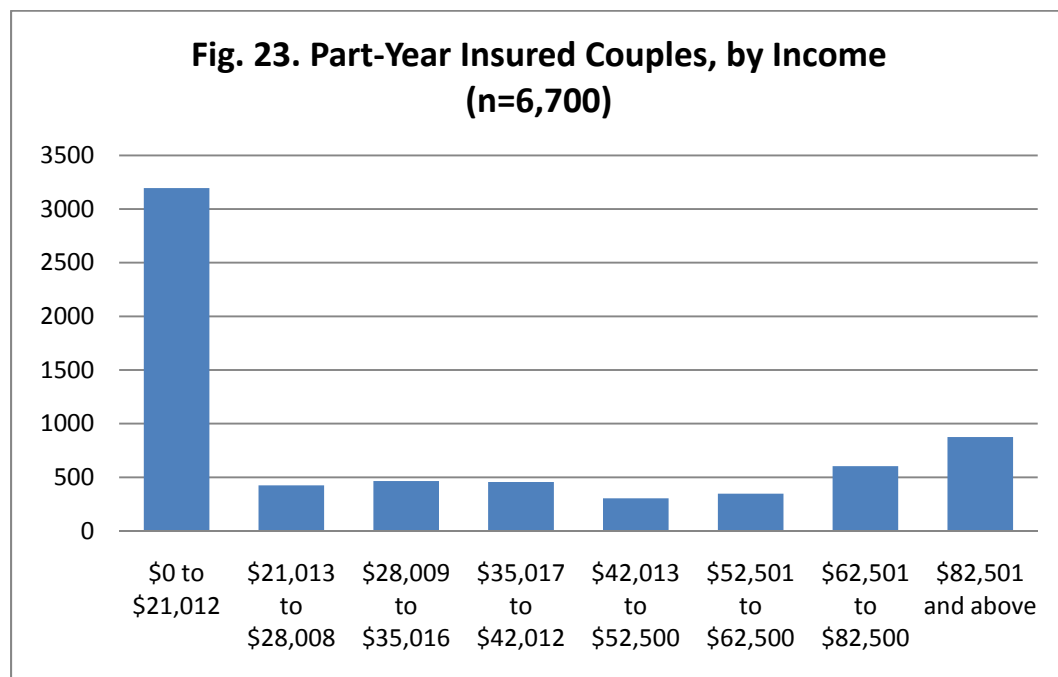


Figure 21 shows the distribution of part-year insured, adult Schedule HC filers by filing status. The majority of filers who were insured for part of 2008 filed as single.



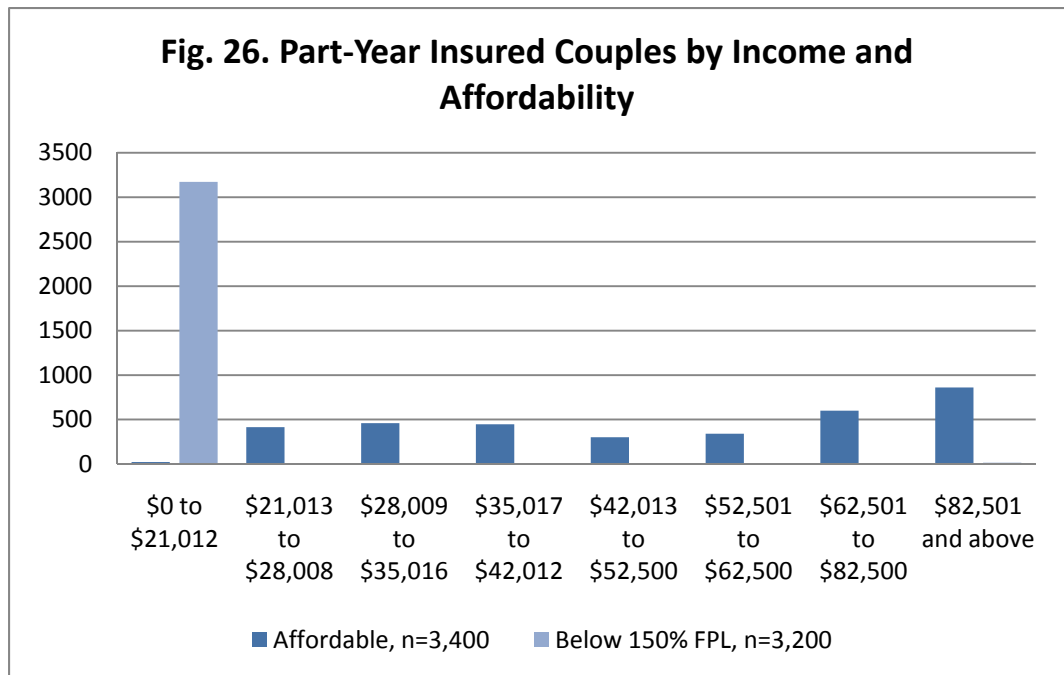
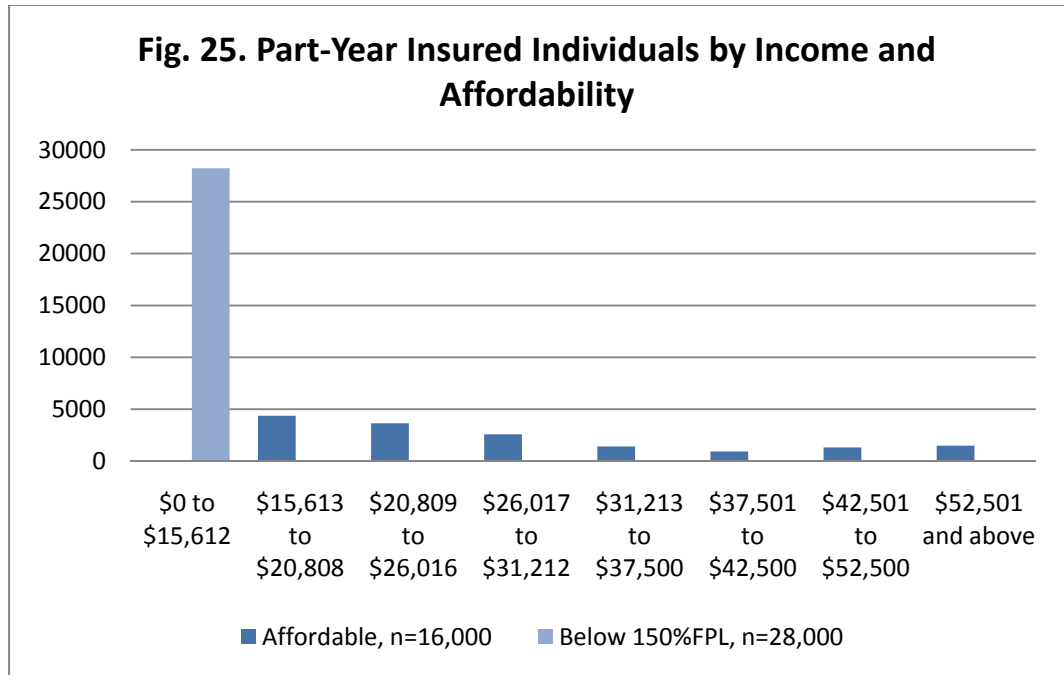
Part-year insured Schedule HC filers were also analyzed by income category, as shown in Figures 22, 23, and 24. As with uninsured filers in the analyses presented above, filers with part-year insurance were categorized as individuals, couples, or families, based on filing status and family size (see footnote 12). Among adult Schedule HC filers with part-year insurance coverage, 44,000 were categorized as individuals, 6,700 as couples, and 16,000 as families. An additional 4,100 filers with part-year insurance could not be categorized on the basis of the information provided.

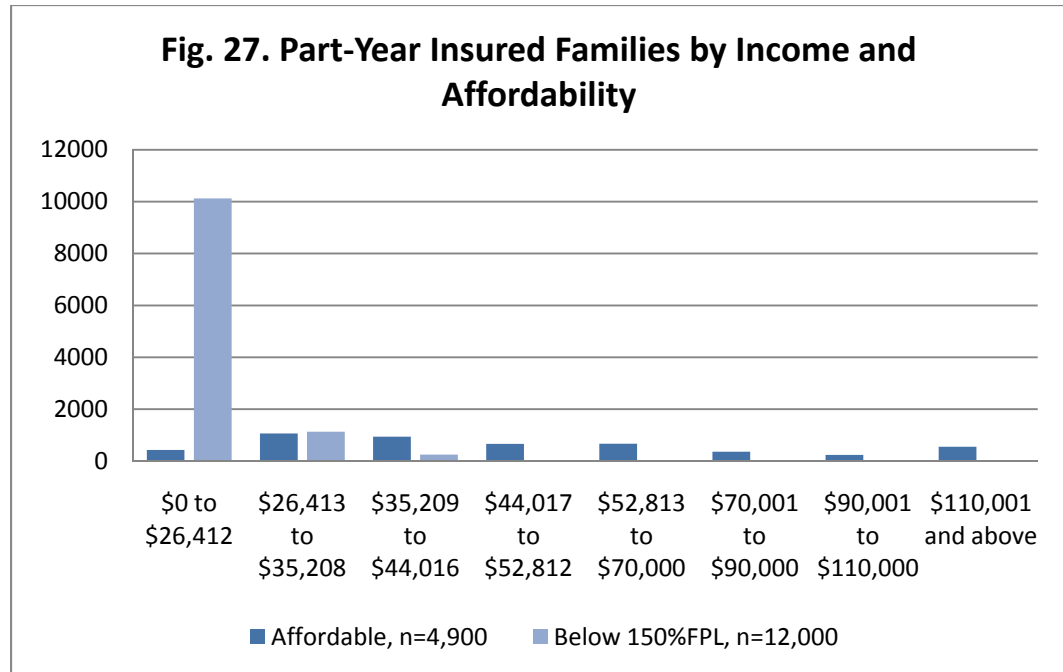




The final set of figures show the distribution of filers with part-year insurance by income and affordability. As previously described, the “affordable” category includes those who reported that they were able to afford insurance and were assessed a penalty, as well as those who reported that they were able to afford insurance but wished to appeal the penalty. The “Below 150% FPL” category includes those tax filers who reported an income below 150% FPL. There were a negligible number of part-year filers who reported that insurance was not affordable to them, based on the affordability schedule. These filers are not shown in the figures below. As with similar analyses presented above, filers with a Certificate of

Exemption, religious exemption, or permissible coverage gap are also excluded from this analysis.





Summary

This analysis demonstrates that in 2008, there continued to be strong compliance with Massachusetts’ health insurance reporting requirements. In addition, there continued to be high rates of insurance coverage. Relatively few filers (30,000 who were uninsured all-year and 25,000 with part-year insurance) were subject to a penalty in 2008. Data for uninsured tax filers is consistent with other reports that suggest that the uninsured in Massachusetts are more likely to be low-income, young, male, and single. This analysis also provides information on a new category of filers with part-year insurance; these filers share some, but not all, demographic characteristics with the uninsured.