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Massachusetts's Experience with a State Individual Mandate

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Massachusetts Individual Mandate: Overview of Webinar Topics

- Background on Massachusetts individual mandate origins
- Policy components of mandate:
  - Affordability schedule
  - Coverage standards
  - Penalties
- Appeals and hardships
- Reporting and administration
- Other uses of mandate:
  - Outreach
  - Common benefits floor
  - Revenue
- Public perceptions
- Questions?

Background on MA Individual Mandate

Massachusetts has been administering its own individual mandate since July 1, 2007. It was included as a part of Massachusetts's own health reform law, passed in 2006.

- In 2006, Massachusetts enacted a comprehensive package of landmark health care reforms designed to expand health coverage.
- Among these reforms was a requirement that adult state residents enroll in affordable health coverage or face a penalty. The Massachusetts Health Connector and the Department of Revenue (DOR) have worked together since then to implement this "individual mandate."
- The individual mandate reflected the guiding principle of shared responsibility that governed the Commonwealth's first-in-the-nation health reform effort.
- The mandate went into effect on July 1, 2007, coupled with a comprehensive public awareness campaign.
- In 2015 (the most recent year for which we have tax data), only 3% of adult tax filers reported not carrying coverage that met state standards.

Policy Components of Individual Mandate

The individual mandate is made up of three primary policy components. These elements are largely governed by statute and by regulations set by the Board of Directors of the state's health insurance exchange, the Health Connector.

- First, it includes coverage standards, known as Minimum Creditable Coverage, which an individual's health coverage must meet in order for them to avoid a penalty.
- Second, it requires that the Health Connector Board of Directors define affordability standards to avoid penalizing uninsured individuals whose available insurance options are deemed too costly.
- Third, it defines penalty amounts and exemption standards.
- Some policy details were defined in statute, others have been left to regulatory processes to establish

Coverage Standards

In order to satisfy the individual mandate requirements, state residents must enroll in a health plan that meets Minimum Creditable Coverage ("MCC") standards.

- Some plans are deemed categorically compliant with MCC, per statute:
  - Medicaid (MassHealth)
  - Medicare
  - Qualified Health Plans, as certified for sale by the Health Connector
  - Military and veterans' coverage
  - Federal employee health plans
  - Peace Corps, VISTA, AmeriCorps, and National Civilian Community Corps Coverage
  - Federally qualified high deductible health plans (HDHPs) provided they are coupled with a health savings account or health reimbursement account
  - Student health plans
  - Tribal or Indian Health Service plans
  - Health Care Sharing Ministries

Coverage Standards (Cont'd)

For plans that are not defined as categorically compliant, standards set in MCC regulations related to cost sharing must be met in order to be considered compliant.

- MCC-compliant plans must encompass a broad range of services, and they apply to all members covered by the plan.
- Further, MCC regulations prohibit annual benefit limits on core services and set out parameters for out of pocket spending.
- Compliant plans must cap deductibles at $2,000 for individual coverage and $4,000 for family coverage, with separate prescription drug deductibles capped at $250 for individual coverage and $500 for family coverage.
- The maximum out of pocket amount for a compliant plan may not exceed the maximum defined by the U.S. Department of Health and Human Services each year. (In 2018, this is $7,350 for an individual, and $14,700 for a family.)

Coverage Standards (Cont'd)

For plans that are not defined as categorically compliant, standards set in MCC regulations related to covered benefits must be met in order to be considered compliant.

- Ambulatory services, including outpatient, day surgery and related anesthesia
- Diagnostic imaging and screening procedures, including x-rays
- Emergency services
- Hospitalization
- Maternity and newborn care, including pre- and post-natal care
- Medical/surgical care, including preventive and primary care
- Mental health and substance abuse services
- Prescription drugs
- Radiation therapy and chemotherapy

Note: Differences from EHB are de minimus – on benefits covered, they specifically relate to habilitative services.

Coverage Standards (Cont'd)

Plans that do not meet the exact MCC standards prescribed in regulation can still pursue and be deemed compliant, if approved by the Health Connector.

- If a plan does not precisely meet certain standards outlined in regulation but still provides robust coverage overall, the Health Connector has a process by which a plan sponsor can apply for and receive designation as an MCC-compliant plan.
- Certain deviations from regulatory requirements will not – as a policy matter -- be considered, such as failure to provide a broad range of services, imposition of lifetime limits, or failure to provide services (such as maternity care) to all dependents.
- The Health Connector generally receives several hundred such applications per year.

The Affordability Schedule

The affordability schedule determines whether an individual must pay a penalty for not having Minimum Creditable Coverage (MCC).

- Supports consumers as they make choices about coverage and their household budgets by defining the maximum amount they would be expected to contribute toward coverage or face a penalty
- Does not require employers, issuers or other coverage providers to offer plans deemed affordable by the schedule or subject them to penalties if individuals fail to enroll in the affordable coverage they offered
- The Health Connector has historically aligned base enrollee premiums for subsidized individuals up to 300% of the federal poverty level (FPL) with the state's affordability schedule, such that Massachusetts's ConnectorCare program, which supplements ACA subsidies with state-funded premium and cost sharing subsidies, is considered affordable, but it is not required to do so under the law
- Does not affect the assessment of a federal penalty for failing to enroll in coverage

2018 Affordability Schedule for Individuals

CY 2018 Affordability Schedule: INDIVIDUALS					
Income Bracket				Monthly Dollar Amount	
% of FPL	Bottom	Top	Monthly Affordability Standard	Bottom	Top
0 - 150%	$0	$18,090	0%		
150.1 - 200%	$18,091	$24,120	2.90%	$44	$58
200.1 - 250%	$24,121	$30,150	4.20%	$84	$106
250.1 - 300%	$30,151	$36,180	5.00%	$126	$151
300.1 - 350%	$36,181	$42,210	7.45%	$225	$262
350.1 - 400%	$42,211	$48,240	7.60%	$267	$306
Above 400%	$48,241		8.05%	$324	

Note: The state also develops schedules for couples and families that are based on the same amounts.

Penalties

State residents determine if they owe a penalty for not complying with the state individual mandate when they file their state income tax return.

- Since 2008, penalties for non-compliance with the state's individual mandate have been set at half of the lowest cost Health Connector plan available to the individual, pursuant to the formula set by statute.
- The penalty schedule is published by DOR in a Technical Information Release (TIR) and reprinted in the state income tax form.
- The penalty is imposed if an individual has more than three consecutive months without insurance.

Penalties (Cont'd)

State penalties for failing to obtain insurance are progressive with income, mirroring the availability of premium subsidies for lower income individuals.

- Individuals below 150% FPL are not assessed a penalty for not carrying health coverage, since they have access to a zero dollar enrollee contribution plan through ConnectorCare

Massachusetts Individual Mandate Penalties - 2017					
Income category	150.1-200% FPL	200.1-250% FPL	250.1-300% FPL	Above 300% FPL - Age 18-30	Above 300% FPL – Age 31+
Penalty	$21/month $252/year	$41/month $492/year	$62/month $744/year	$74/month $888/year	$96/month $1,152/year

- Beginning in 2014, Massachusetts allowed for the "netting out" of any owed federal penalty from any owed state penalty, in order to avoid "double penalizing" any residents.

Appeals and Hardship Waivers

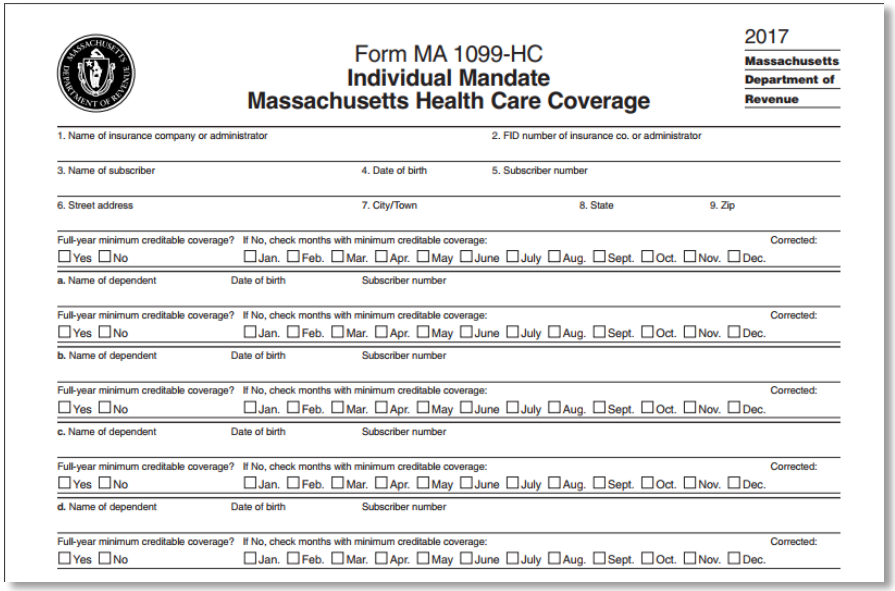
The Health Connector administers and sets rules for hardship waivers and appeals.

- Exemptions from the mandate are available for individuals who claim a sincerely held religious belief as the reason for remaining uninsured.
- Additionally, the Health Connector can waive the penalty if the individual appeals claiming a "financial hardship." A hardship includes circumstances such as eviction or foreclosure, shutoff of utilities, or sudden increase in expenses due to disaster, death in the family, domestic violence or unanticipated family care.
- Appeals are heard by independent hearing officers engaged by the Health Connector. On average, the Health Connector has reviewed ~2,400 hardship appeals each year since 2007
  - The numbers have declined in recent years, to an average of approximately 1,300, probably because persons subject to the federal credit could offset their state penalty, if any, thus reducing the number of people who were subject to a state penalty.

Reporting and Administration

Coverage reporting to operationalize and enforce the mandate requires activity on the part of plan sponsors/employers, health plans, and residents.

- Plan sponsors (employers) or health plans must send enrollees evidence of each month during the calendar year in which they were enrolled in MCC for at least 15 days.
  - This report is known as the 1099-HC and is sent in January for individuals to use when filing their state income tax returns
- As a practical matter, 1099s are usually sent by health plans (or third party administrators of self-insured plans) rather than the employer.



Form MA 1099-HC
Individual Mandate
Massachusetts Health Care Coverage

2017
Massachusetts Department of Revenue

1. Name of insurance company or administrator
2. FID number of insurance co. or administrator
3. Name of subscriber
4. Date of birth
5. Subscriber number
6. Street address
7. City/Town
8. State
9. Zip

Full-year minimum creditable coverage? ☐Yes ☐No
If No, check months with minimum creditable coverage: ☐Jan. ☐Feb. ☐Mar. ☐Apr. ☐May ☐June ☐July ☐Aug. ☐Sept. ☐Oct. ☐Nov. ☐Dec.
Corrected:

a. Name of dependent — Date of birth — Subscriber number

Full-year minimum creditable coverage? ☐Yes ☐No
If No, check months with minimum creditable coverage: ☐Jan. ☐Feb. ☐Mar. ☐Apr. ☐May ☐June ☐July ☐Aug. ☐Sept. ☐Oct. ☐Nov. ☐Dec.
Corrected:

b. Name of dependent — Date of birth — Subscriber number

Full-year minimum creditable coverage? ☐Yes ☐No
If No, check months with minimum creditable coverage: ☐Jan. ☐Feb. ☐Mar. ☐Apr. ☐May ☐June ☐July ☐Aug. ☐Sept. ☐Oct. ☐Nov. ☐Dec.
Corrected:

c. Name of dependent — Date of birth — Subscriber number

Full-year minimum creditable coverage? ☐Yes ☐No
If No, check months with minimum creditable coverage: ☐Jan. ☐Feb. ☐Mar. ☐Apr. ☐May ☐June ☐July ☐Aug. ☐Sept. ☐Oct. ☐Nov. ☐Dec.
Corrected:

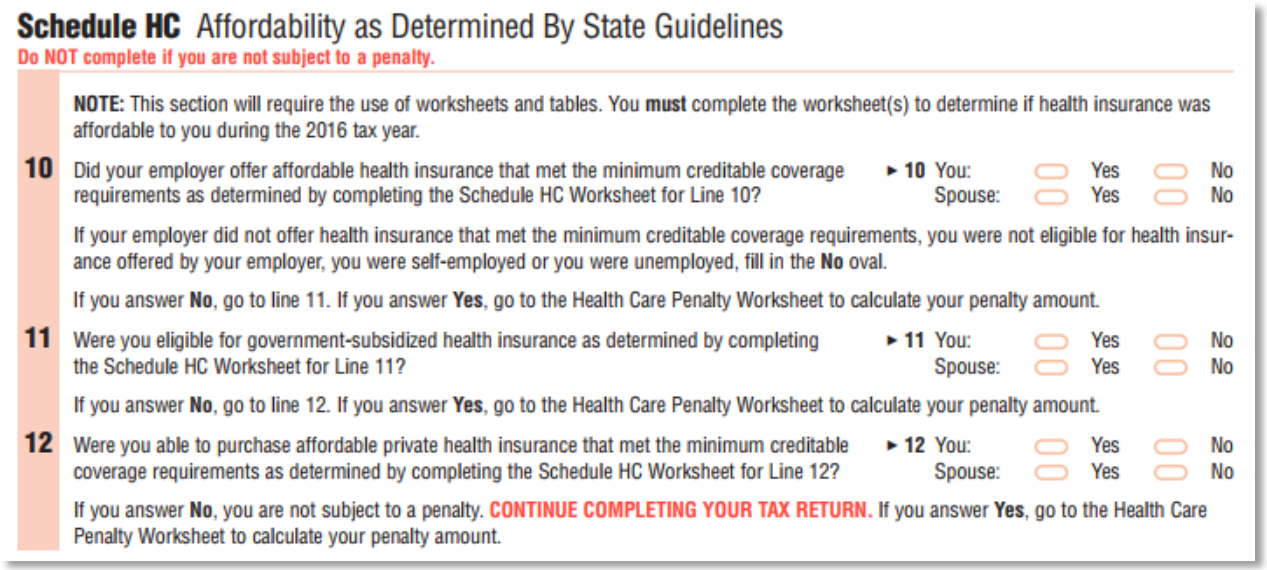
d. Name of dependent — Date of birth — Subscriber number

Full-year minimum creditable coverage? ☐Yes ☐No
If No, check months with minimum creditable coverage: ☐Jan. ☐Feb. ☐Mar. ☐Apr. ☐May ☐June ☐July ☐Aug. ☐Sept. ☐Oct. ☐Nov. ☐Dec.
Corrected:

Taxpayer Process

The state income tax return includes a "Schedule HC" that helps taxpayers report coverage, determine penalties that may apply to gaps in coverage, and request an appeal of any penalty owed.

- On the Schedule HC, uninsured taxpayers determine whether affordable coverage was available to them through an employer, through the subsidized ConnectorCare program, or on the unsubsidized non-group market
- Worksheets are provided to answer affordability questions and to calculate the penalty



Schedule HC Affordability as Determined By State Guidelines

Do NOT complete if you are not subject to a penalty.

NOTE: This section will require the use of worksheets and tables. You **must** complete the worksheet(s) to determine if health insurance was affordable to you during the 2016 tax year.

10 Did your employer offer affordable health insurance that met the minimum creditable coverage requirements as determined by completing the Schedule HC Worksheet for Line 10? ▸ **10** You: ◯ Yes ◯ No Spouse: ◯ Yes ◯ No

If your employer did not offer health insurance that met the minimum creditable coverage requirements, you were not eligible for health insurance offered by your employer, you were self-employed or you were unemployed, fill in the **No** oval.

If you answer **No**, go to line 11. If you answer **Yes**, go to the Health Care Penalty Worksheet to calculate your penalty amount.

11 Were you eligible for government-subsidized health insurance as determined by completing the Schedule HC Worksheet for Line 11? ▸ **11** You: ◯ Yes ◯ No Spouse: ◯ Yes ◯ No

If you answer **No**, go to line 12. If you answer **Yes**, go to the Health Care Penalty Worksheet to calculate your penalty amount.

12 Were you able to purchase affordable private health insurance that met the minimum creditable coverage requirements as determined by completing the Schedule HC Worksheet for Line 12? ▸ **12** You: ◯ Yes ◯ No Spouse: ◯ Yes ◯ No

If you answer **No**, you are not subject to a penalty. **CONTINUE COMPLETING YOUR TAX RETURN.** If you answer **Yes**, go to the Health Care Penalty Worksheet to calculate your penalty amount.

Other uses of the individual mandate

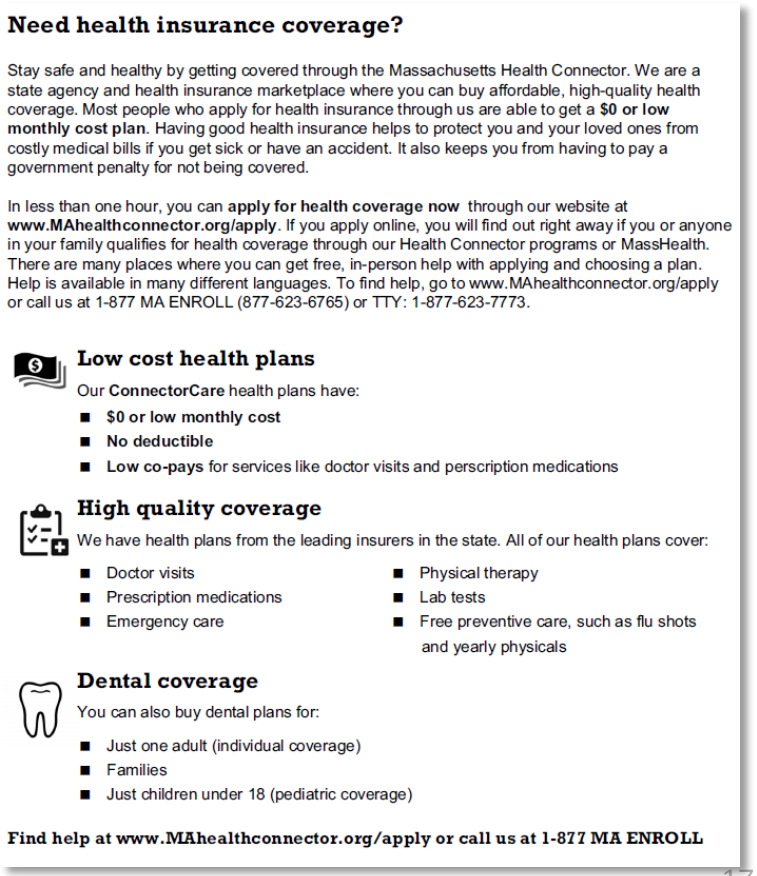
Outreach Uses of State Mandate

Administration of a state-level individual mandate has afforded Massachusetts the opportunity to analyze and use detailed administrative data on health insurance coverage of its residents.

- Analyses of state tax data has allowed the Health Connector to better understand the demographics of adult tax filers who remain without coverage. These insights have allowed us to further tailor our outreach and communications to the uninsured

- Starting in 2015, Massachusetts began sending direct mail to individual tax filers who reported being without MCC to provide them practical information about how to get coverage, allowing the ability to move from proxy-based general outreach to targeted outreach

- In December, the Commonwealth sent a mailing (see right) to ~129K residents who had reported full-year uninsurance during 2016



Need health insurance coverage?

Stay safe and healthy by getting covered through the Massachusetts Health Connector. We are a state agency and health insurance marketplace where you can buy affordable, high-quality health coverage. Most people who apply for health insurance through us are able to get a **$0 or low monthly cost plan**. Having good health insurance helps to protect you and your loved ones from costly medical bills if you get sick or have an accident. It also keeps you from having to pay a government penalty for not being covered.

In less than one hour, you can **apply for health coverage now** through our website at **www.MAhealthconnector.org/apply**. If you apply online, you will find out right away if you or anyone in your family qualifies for health coverage through our Health Connector programs or MassHealth. There are many places where you can get free, in-person help with applying and choosing a plan. Help is available in many different languages. To find help, go to www.MAhealthconnector.org/apply or call us at 1-877 MA ENROLL (877-623-6765) or TTY: 1-877-623-7773.

Low cost health plans

Our **ConnectorCare** health plans have:

- **$0 or low monthly cost**
- **No deductible**
- **Low co-pays** for services like doctor visits and perscription medications

High quality coverage

We have health plans from the leading insurers in the state. All of our health plans cover:

- Doctor visits
- Prescription medications
- Emergency care
- Physical therapy
- Lab tests
- Free preventive care, such as flu shots and yearly physicals

Dental coverage

You can also buy dental plans for:

- Just one adult (individual coverage)
- Families
- Just children under 18 (pediatric coverage)

Find help at www.MAhealthconnector.org/apply or call us at 1-877 MA ENROLL

Common Benefits Floor

MCC has allowed Massachusetts to promote and encourage the concept of a minimum benefits floor across market segments. As market rule changes are being proposed federally, Massachusetts's MCC standards give us an extra policy tool to help ensure coverage standards are not eroded.

- Our mandate requires all adults to carry coverage that meets certain standards, whether they obtain their coverage in the non-group market, from a public program, or through their employer.
- Massachusetts's MCC standards include required covered services that are nearly identical to the ACA's Essential Health Benefits (EHB) package.
- MCC standards also include limitations on cost-sharing, many of which are equivalent to ACA's consumer protection standards applying to insured plans.
- An individual who receives health coverage through a large employer's fully-insured or self-insured plan must also meet MCC standards in order to avoid a penalty. Because individuals are responsible for obtaining MCC-compliant coverage or paying a penalty, all employers have an interest in ensuring that their workers have access to compliant coverage, whether or not their plans are subject to EHB or similar standards.
- We are looking at the role MCC can play in preserving market stability in light of recent/forthcoming federal proposals stemming from the president's Executive Order on Association Health Plans and Short-Term Limited Duration Plans.

Ability to Reinvest Penalty Revenue in Affordable Coverage

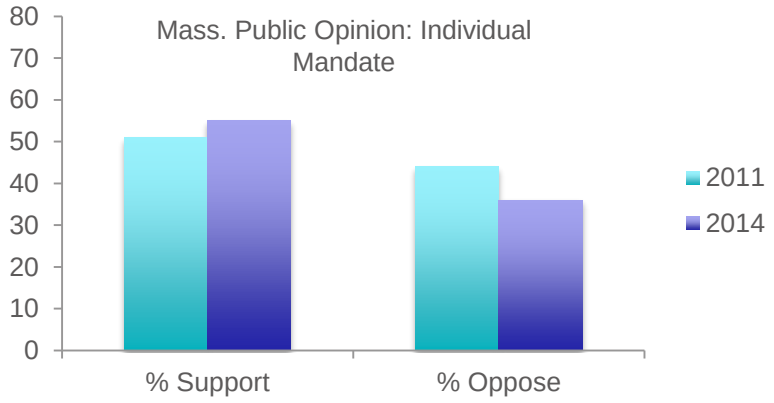
While revenue generation is not the purpose of the state's individual mandate, penalty revenue helps the state fund affordable coverage programs.

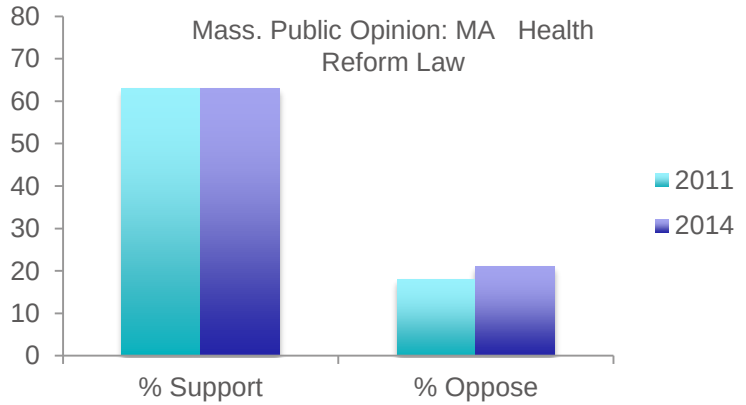
- Overall, the individual mandate penalizes roughly 50,000 taxpayers per year and has generated on average $18M per year in revenue
- Penalty revenue goes to the Commonwealth Care Trust Fund (CCTF) and is used to pay for "state wrap" subsidies that are used to further reduce premium and cost sharing for Health Connector enrollees, augmenting APTC and – prior to October – federal CSR
  - Our CCTF also draws from other sources of revenue (e.g., employer contributions, tobacco tax revenue)
- State investments in affordable coverage for low-income residents has helped our state reach high levels of insurance coverage (now ~97.5% of residents covered, per most recent US Census data)

Market Support and Public Perceptions

The Massachusetts carrier market is broadly supportive of the mandate, and the mandate has not proven to be particularly controversial among the Massachusetts public.

- The Massachusetts individual mandate was introduced in 2007 with relatively little commotion
- It has become seamlessly woven into the fabric of our health care landscape
- Support for MA health reform as an overall construct has remained high
- We receive minimal public comments when we adjust policy features of the mandate, and rarely encounter complaints on the mandate as a concept





Source: Boston Globe/Harvard School of Public Health, PUBLIC PERCEPTIONS OF THE MASSACHUSETTS HEALTH INSURANCE LAW, May 27 – June 2, 2014

Questions?

Additional Information and Contact Information

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Reports and data:

The Massachusetts Individual Mandate: Design, Administration, and Results: https://www.mahealthconnector.org/wp-content/uploads/Individual-Mandate-Report-Nov2017.pdf

More reports and data: https://www.mahealthconnector.org/about/policy-center/reports-publications#individualmandatedata