

# Massachusetts Health Care Reform: One Year Update



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Commonwealth Health Insurance Connector Authority  
October 25, 2007



# Agenda

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- I. Background of Healthcare Reform
- II. Who is the Health Connector
- III. Progress to Date
- IV. Health Connector Programs
  - A. Commonwealth Care
  - B. Commonwealth Choice
- V. Individual Mandate
- VI. Employer Responsibilities
- VII. Financing Healthcare Reform
- VIII. Challenges Ahead



## I. Background: Why so much attention?

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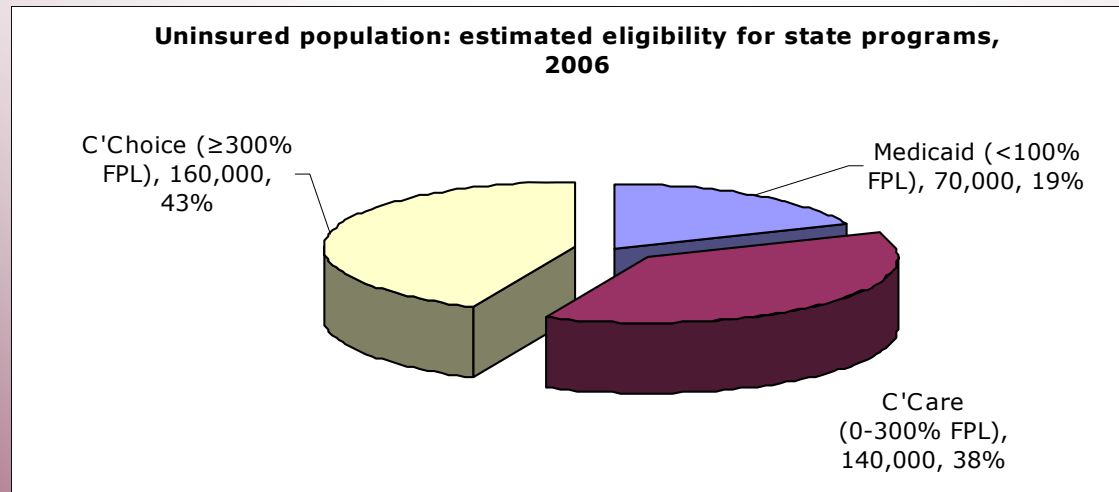
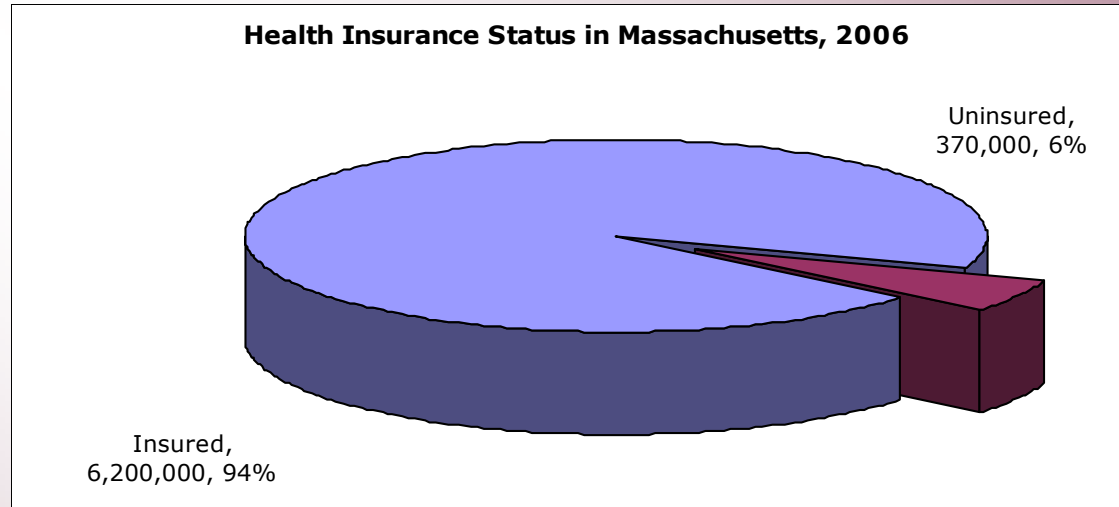
- Ambitious goal of near universal coverage
- Law is based on novel approaches and a set of key principles:
  - Shared responsibilities - individual mandate, employer requirements, and government support;
  - More affordable choice – merger of small-group and non-group insurance markets;
  - Expanded access – creation of Commonwealth Care and Commonwealth Choice programs

# I. Background: Historical context

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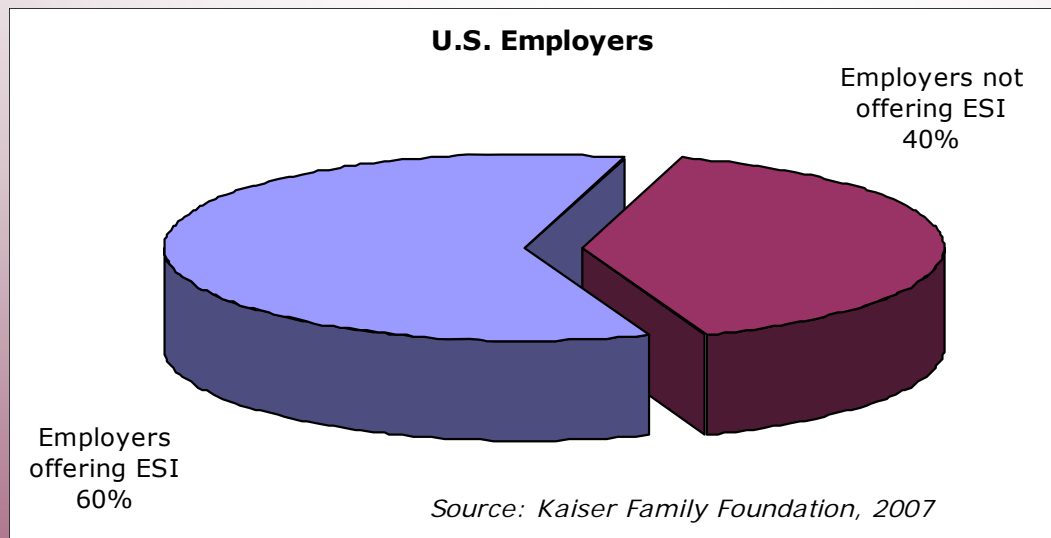
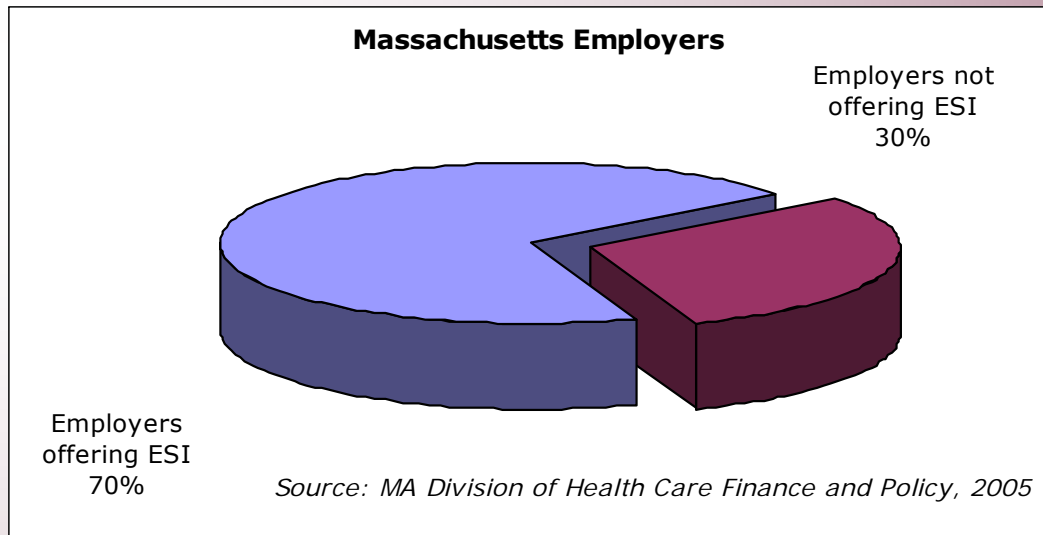
- Relatively low rate of uninsurance ~6%
- Broad Medicaid program
- Uncompensated Care Pool
- Highly regulated small group and non-group health insurance markets

# I. Background: The numbers



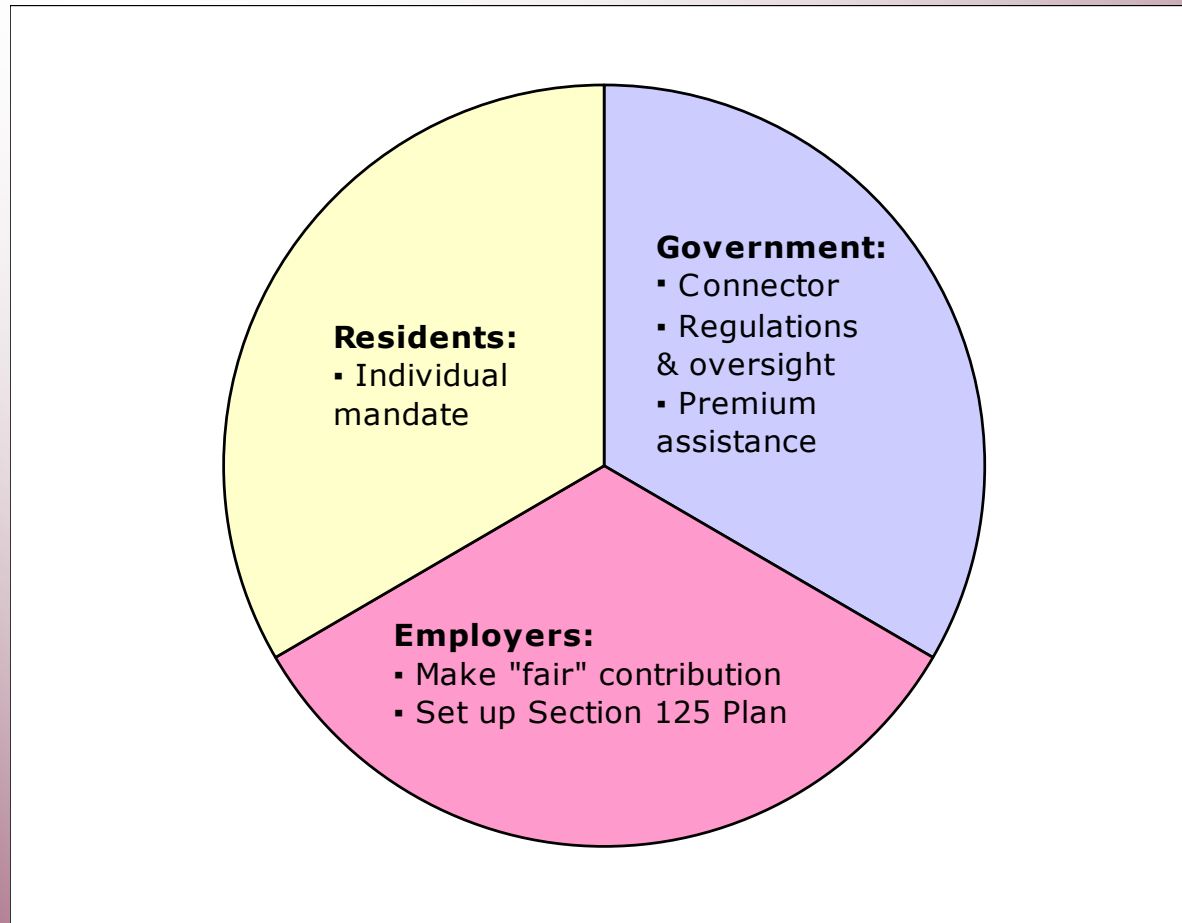
Note: Charts based on August 2006 Division of Health Care Finance and Policy statewide survey

# I. Background: High rate of *ESI* in MA



## I. Background: *The Law - Shared Responsibility*

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## II. Who is the Health Connector

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- The Health Connector was established by the law as an independent public authority overseen by a board of ten directors.
- Designed to be an insurance exchange offering:
  - Standardized benefit plans and
  - More affordable coverage options (complements small-group/non-group market merger)
- Role of the Health Connector spans a broad range of business and policy functions

## II. Mission and Responsibilities

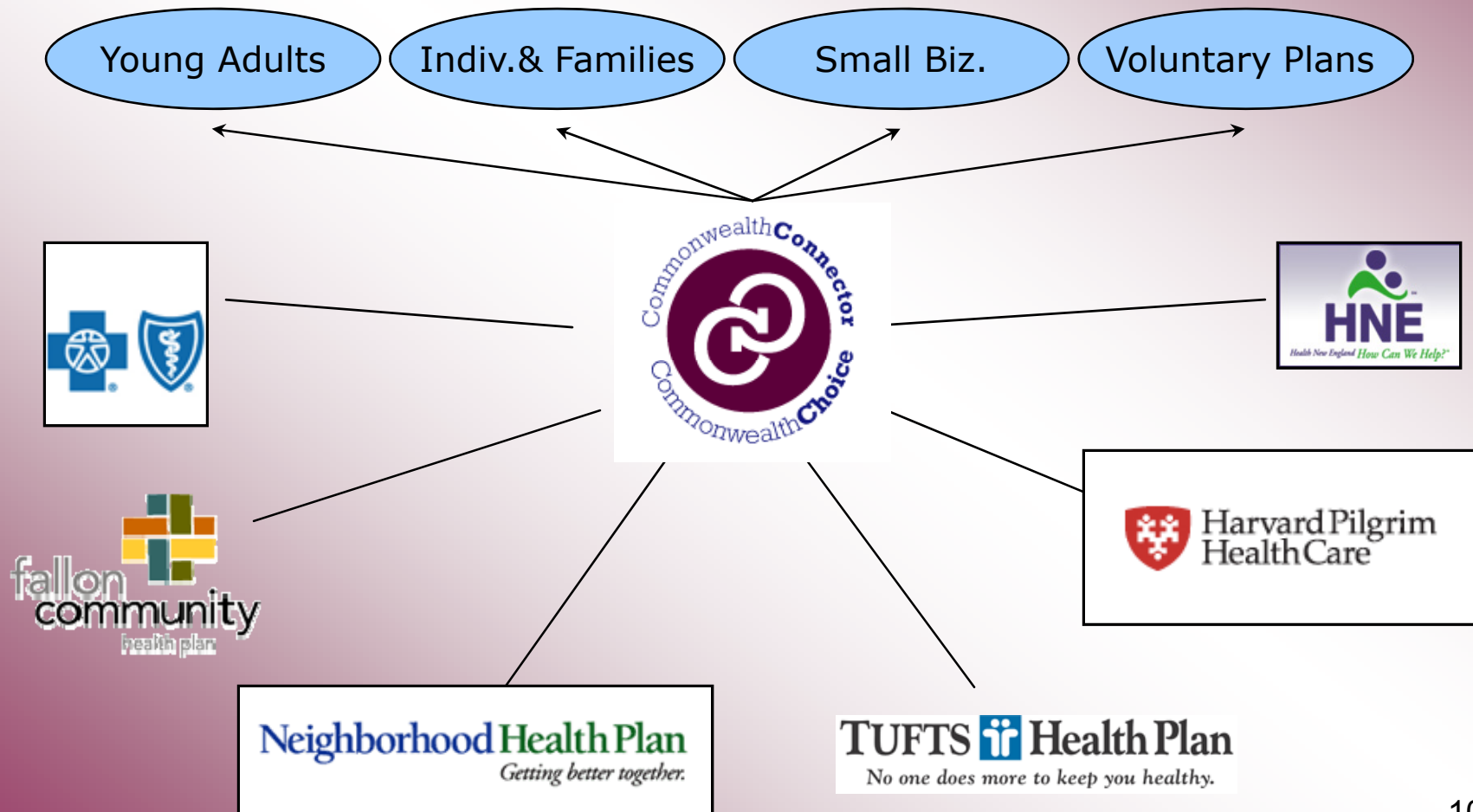
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*Mission Statement: To promote health care coverage across the state.*

The Connector is accomplishing this mission by:

- Developing government-subsidized health insurance for qualified uninsured individuals (“Commonwealth Care”)
- Increasing choice and promoting more affordable health insurance products for small groups and individuals (e.g. select networks, more than 2 non-group products now) (“Commonwealth Choice”)
- Defining “minimum creditable coverage” and determining who, if anyone, will be excused from the individual mandate
- Offering employees of participating firms the opportunity to purchase Connector products on a pre-tax basis by taking advantage of the federal tax code (Section 125 Plans).

## II. Mission and Responsibilities



## III. Progress to Date

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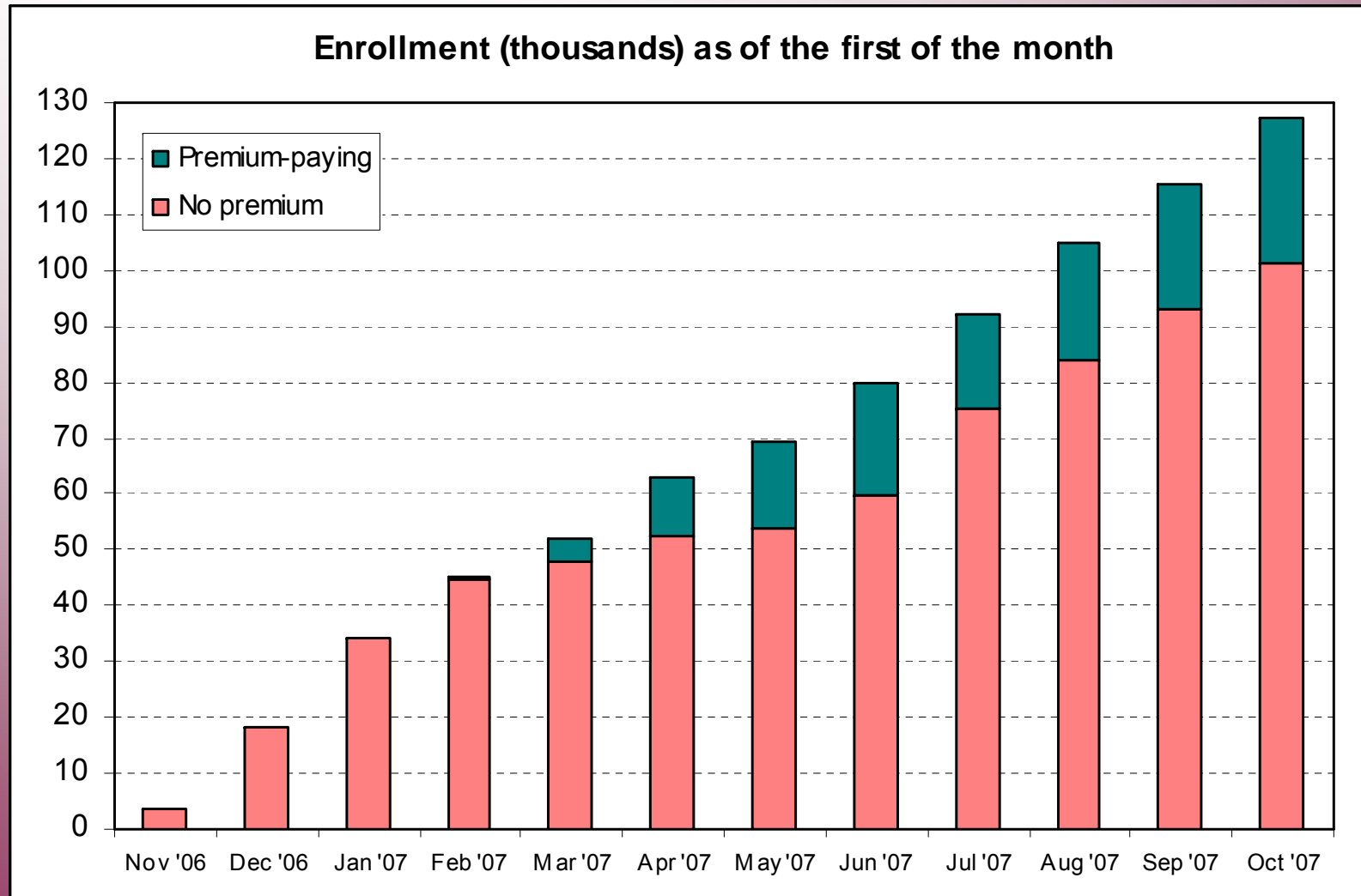
- Summer 2006: Connector Authority (“The Health Connector”) begins operations
- October 1, 2006: Commonwealth Care Phase I (for those with income up to 100% FPL) launched
- January 1, 2007: Commonwealth Care Phase II (for those with income 100-300% FPL) launched
- Spring 2007: Board makes key policy decisions on minimum creditable coverage and affordability
- May 1, 2007: Commonwealth Choice launches
- July 1, 2007: Individual mandate goes into effect

## IV. The Health Connector: *Commonwealth Care (subsidized program)*

- Government-subsidized, comprehensive health insurance for uninsured individuals with incomes up to 300 percent of the federal poverty level (FPL)
- Coverage is through a choice of four private health insurance plans – Medicaid Managed Care Organizations (MMCOS)
- Sliding fee scale with least expensive enrollee contributions ranging from \$0 to \$105 per month:

<b>Commonwealth Care minimum monthly premiums – effective July 1, 2007</b>		
<b>Income (% of FPL)</b>	<b>Income (\$)</b>	<b>Min. monthly premium</b>
0-150%	\$0-\$15,318	N/A
150.1%-200%	\$15,319-\$20,424	\$35
200.1%-250%	\$20,425-\$25,530	\$70
250.1%-300%	\$25,531-\$30,636	\$105

## IV. The Health Connector: *Commonwealth Care Enrollment*

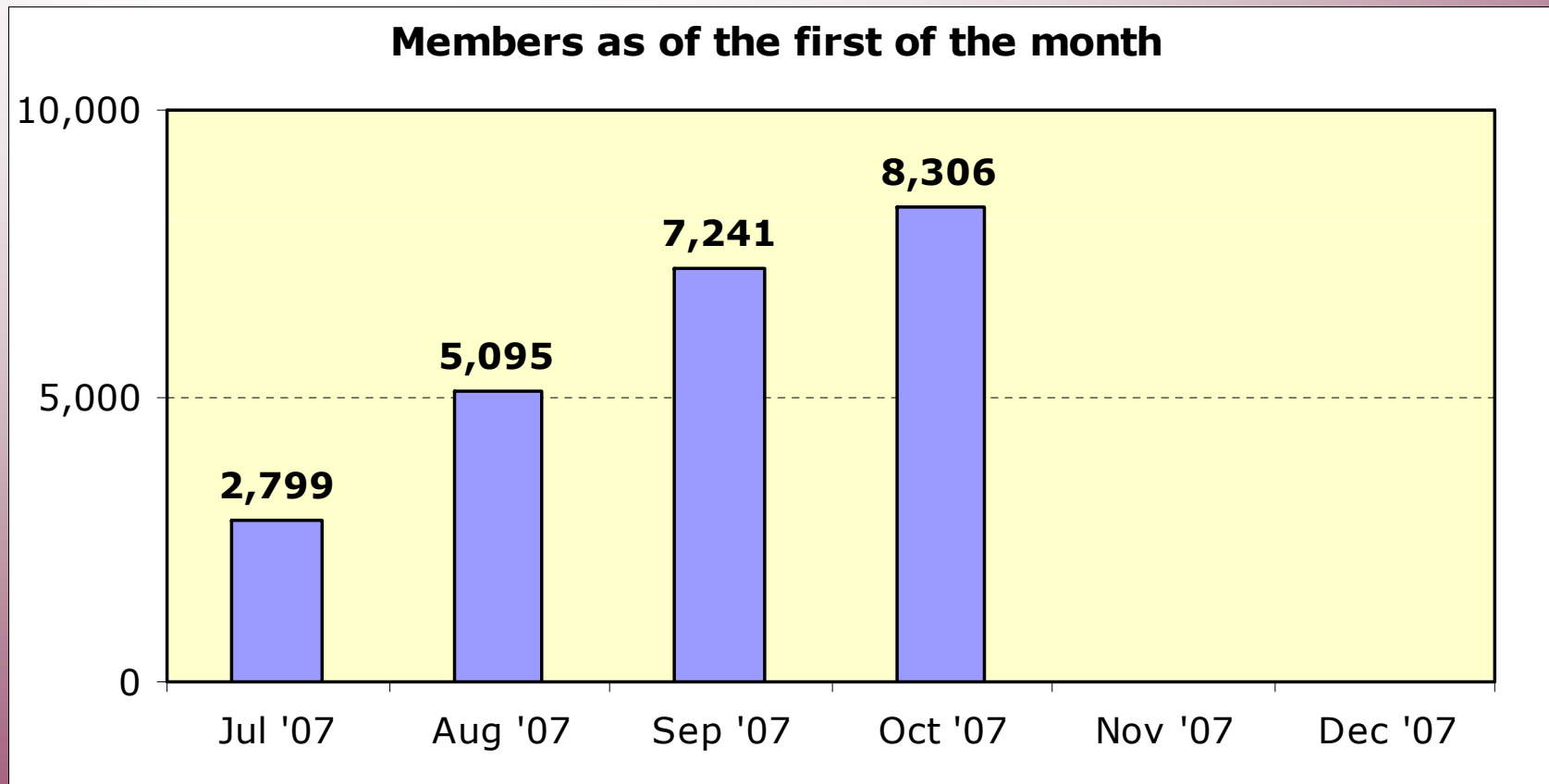


## **IV. The Health Connector:** ***Commonwealth Choice (unsubsidized program)***

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- The Connector offers a broad choice of approved health plans primarily to individuals and small employers ( $\leq 50$  employees):
  - There are three tiers of health plans (bronze, silver, gold).
  - There is a fourth tier available only to young adults (19-26 years old).
- The Connector can assist individuals in both choosing and enrolling in a health plan that works for them:
  - Customers can pay premiums using pre-tax dollars (if available).
  - On-line tools are key.
- Enrollment began on May 1, 2007 for coverage effective July 1, 2007.

## IV. The Health Connector: *Commonwealth Choice Enrollment*

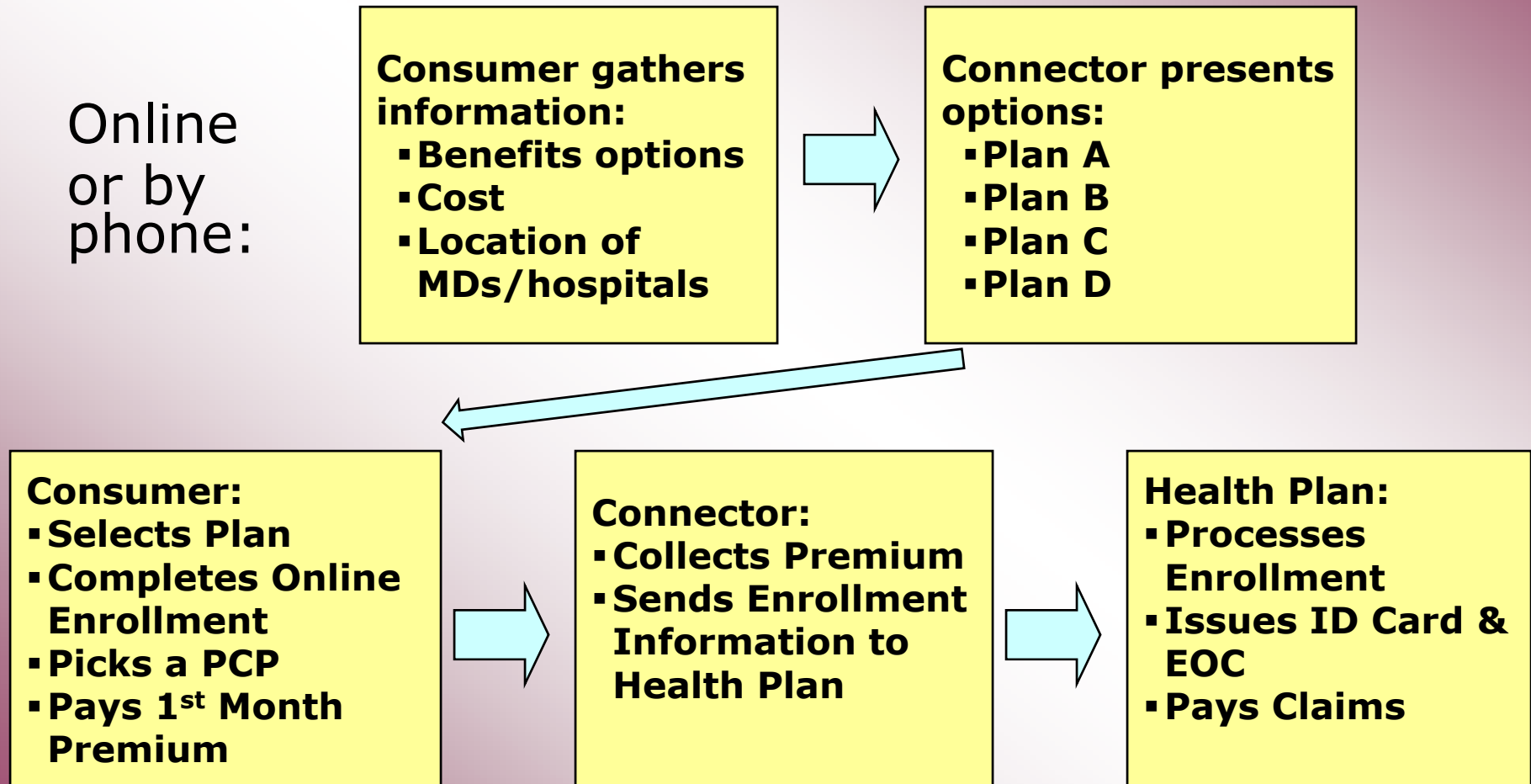


## IV. The Health Connector: *Commonwealth Choice – Plan Tiers*

Tier	Benefits
Gold	<ul style="list-style-type: none"> <li>• Average monthly cost = \$285 to \$570*</li> <li>• No or small payment when you go to the doctor or stay in the hospital</li> <li>• Choice of large number of doctors and hospitals</li> </ul>
Silver	<ul style="list-style-type: none"> <li>• Average monthly cost = \$225 to \$420*</li> <li>• \$15 or more each time you go to the doctor</li> <li>• Additional cost-sharing required at point-of-service</li> <li>• Some plans may limit which doctors and hospitals you can use.</li> </ul>
Bronze	<ul style="list-style-type: none"> <li>• Average monthly cost = \$146 to \$280*</li> <li>• \$20 or more each time you go to the doctor</li> <li>• Highest amount of cost-sharing required at point-of-service</li> <li>• Some plans limit which doctors and hospitals you can use</li> </ul>
Young Adult	<ul style="list-style-type: none"> <li>• Average monthly cost = \$104 to \$205</li> <li>• Highest cost-sharing required at point-of-service</li> <li>• Most plans include an annual benefit maximum</li> <li>• Only available to people between the ages of 19 to 26, without access to employer sponsored insurance</li> </ul>

\* Average monthly costs based on weighted average individual premium for a 37 year old. Actual monthly costs will vary by region and health plan.

## IV. The Health Connector: *Commonwealth Choice – Enrolling*



## IV. The Health Connector: *Commonwealth Choice Value Proposition*

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- Individual choice
- Transparency (e.g. easy to compare benefits and costs across plans)
- Administrative simplicity (e.g. online enrollment)
- Portability of coverage
- Pre-tax premium payment



## IV. The Health Connector: Marketing & Advertising

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- Developed an important partnership for education and outreach

### PRESS RELEASE

05/22/2007 11:29 AM ET

**Connector teams up with Red Sox to build enrollment in new health insurance plans**  
**Other corporate/civic partnerships announced as part of public education campaign**



## V. Individual Mandate: *Key Policy Decisions*

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Law charges Connector with defining:

- “Minimum Creditable Coverage” - determining what constitutes “floor” of health insurance coverage that a Massachusetts resident needs to obtain.
- Affordability Standards - spelling out maximum amount that an individual of a particular income will be expected to spend on health insurance to comply with the individual mandate.

## V. Individual Mandate: *“Minimum Creditable Coverage”*

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Connector Board decided to phase-in implementation:

Through December 31, 2008:

Any state-licensed or self-insured health plans

Beginning January 1, 2009:

1. Comprehensive health plans, including Rx
2. No annual or per sickness benefit maximum
3. No indemnity fee schedule of benefits
4. Deductible capped at \$2,000/\$4,000
5. Cover (3/6) preventive care visits prior to deductible
6. Out-of-pocket max. of \$5,000/\$10,000

# V. Individual Mandate: *Affordability*

## *2007 Affordability Schedule for Individuals*

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Annual Gross Income Range		Monthly Premium
Starting Point	End Point	
\$0	\$15,315	\$0
\$15,316	\$20,420	\$35
\$20,421	\$25,525	\$70
\$25,526	\$30,360	\$105
\$30,361	\$35,000	\$150
\$35,001	\$40,000	\$200
\$40,001	\$50,000	\$300
>\$50,001		Affordable

## V. Individual Mandate: *Penalties*

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- Mandate will be enforced via the state income tax collection process.
- Penalties will be phased-in:
  - 1. For Tax Year 2007:** Loss of personal exemption (approximately \$219) if individual did not have health insurance as of December 31, 2007
  - 2. For Tax Year 2008 and beyond:** Capped at half the monthly cost of the least expensive plan available for each month that individual is uninsured

## VI. Employer Responsibilities

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### 1. Fair Share Assessment

Employers with 11 or more full-time equivalent employees (FTEs) must make a “fair and reasonable” contribution to employees’ health coverage or pay state a fair share assessment of up to \$295 per employee per year.

### 2. Section 125 Plan Requirement/Free Rider Surcharge

Employers with 11 or more FTEs must establish a Section 125 Plan to give employees option to paying premiums on a pre-tax basis. Penalty (“Free Rider Surcharge”) may be assessed if such a plan is not established and employee(s) use state-funded health care services.

### 3. Health Insurance Responsibility Disclosure (HIRD) Forms

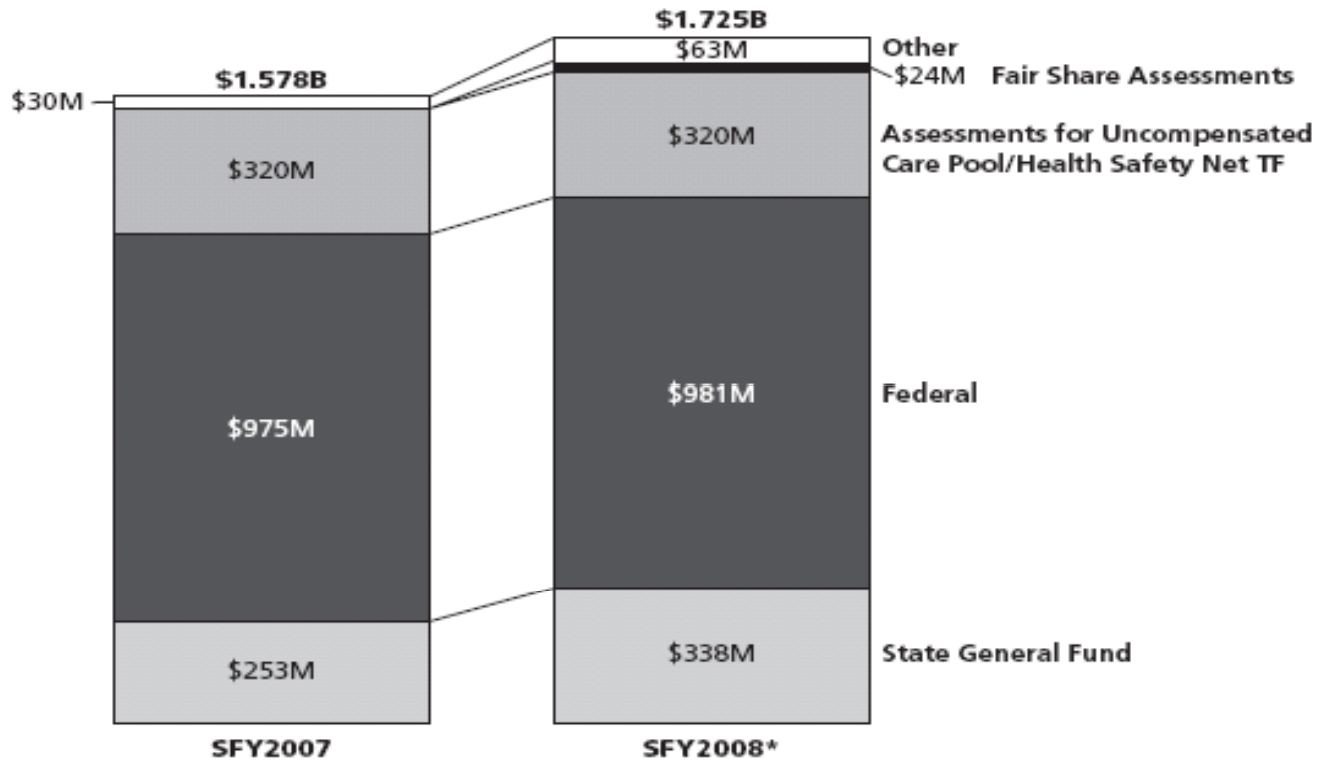
Employers with 11 or more FTEs must report to the state whether they are meeting their responsibilities. They are also required to collect Employee HIRD Forms from those who decline coverage and/or Section 125 participation.

### 4. Non-discrimination Rule

Insurance companies may only provide group coverage to employers who offer same coverage to all full-time employees and who do not offer lower premium contributions to lower-wage employees.

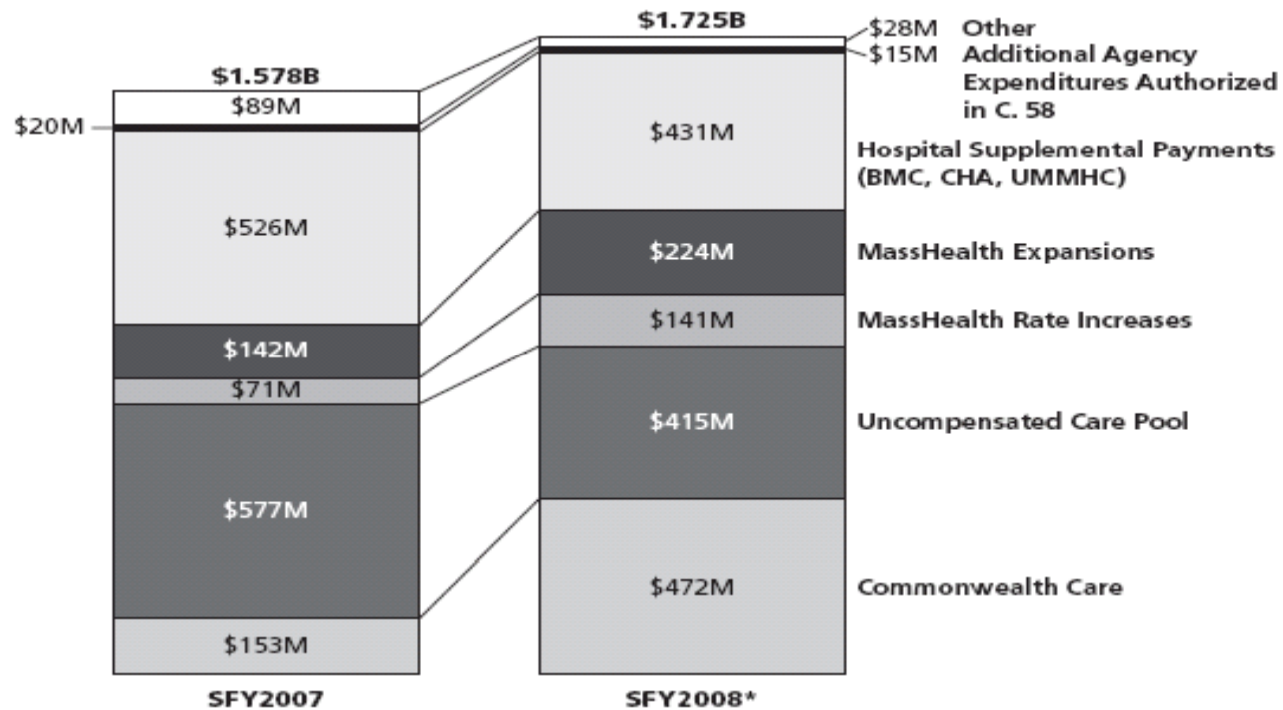
# VII. Financing HCR – Revenue

Revenue Sources for Health Reform, State Fiscal Year 2007-08



# VII. Financing HCR – Spending

Health Reform Spending, State Fiscal Year 2007-08

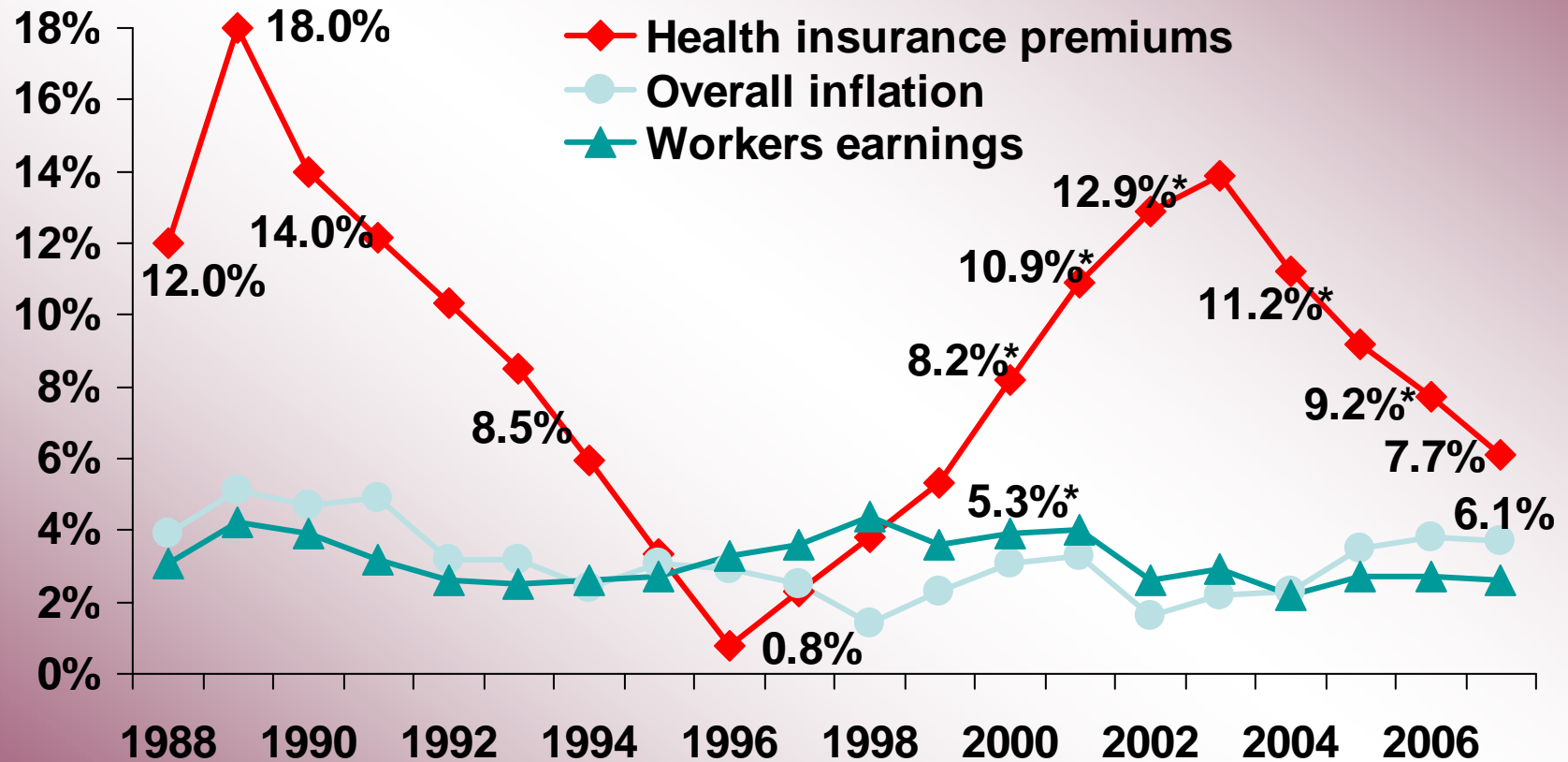


## VIII. Challenges Ahead

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- Continued federal support in the context of a waiver renewal
- Strong state economy
- Sustaining public support
- Education, outreach and enrollment
- Constraining health care trend

## VIII. Challenges Ahead



\*Source: Kaiser Family Foundation

Visit: [www.MAhealthconnector.org](http://www.MAhealthconnector.org)



The screenshot shows the Commonwealth Connector website homepage. At the top right, there are links for [Help](#), [Contact Us](#), and [Mass.gov](#). The main navigation bar includes [Home](#), [Find Insurance](#), [Health Care Reform](#), and [About Us](#). The main content area features a welcome message and a grid of four service categories: Individuals & Families, Employees, Employers, and Brokers, each with a 'Shop now >' link.

**Welcome to the Health Connector!**  
**LEARN. COMPARE. SELECT A HEALTH PLAN.**

Big changes are happening in Massachusetts health care. Most adults must now carry health insurance. We give you the tools and the **facts** you need to **find the right health plan**.

We work to bring you health benefits at better prices. There are choices here for everyone. And if you qualify for a plan at no or low cost, we'll let you know.

Health insurance is an important decision. We are here to help.

**Your Connection to Good Health**

- Individuals & Families**  
Young adults too.  
[Shop now >](#)
- Employees**  
In an employer sponsored health plan.  
[Shop now >](#)
- Employers**  
Shopping for yourself and your employees.  
[Shop now >](#)
- Brokers**  
Exploring on behalf of your employer clients.  
[Shop now >](#)