

CONNECTOR UPDATE

April 17, 2007

I like to think of healthcare reform as a protective tent. Over the last year, we've been busy staking out the ground, preparing to raise a tent large and sturdy enough to cover virtually everyone in Massachusetts.

At its most recent meeting, the Connector's Board of Directors unanimously approved a draft schedule of affordability that spells out who is obliged to obtain health insurance. This is the last in a series of (health policy) stakes that the Connector Board and other state agencies have put in the ground.

At the conclusion of a 3-month bid process in March, the Connector selected health plans that offered considerably reduced premiums and increased value. Two weeks later, the Board approved landmark standards for minimum coverage, including drug coverage, but allowed employers and individuals time to meet the higher standard. Last week, the Board approved perhaps the most controversial element—our collective judgment as to who can afford health insurance at what price.

All these votes won unanimous support across a broad spectrum of “stakeholders.” Now that we have put (policy) stakes in the ground, we are preparing to raise the tent. Since last November, we have enrolled nearly 70,000 members in our subsidized Commonwealth Care for the low-income uninsured—well ahead of plan. On May 1st, the Health Connector will begin to roll out our second major program, Commonwealth Choice, a shopping mall for private insurance.

The schedule of affordability, emergency regulations on pre-tax, payroll deduction plans, and Minimum Creditable Coverage standards will help cover most of the uninsured. We will bring these pieces together in a flexible and humane way that utilizes a constructive process for phasing enforcement and recognizing exceptions.

Draft 2007 Affordability Schedule

The affordability schedule specifies maximum affordable monthly premiums for individuals, couples and families based on a progressive, sliding income scale. Under this schedule, residents will be considered able to purchase affordable health insurance, if the monthly contribution to employer-sponsored insurance or the monthly premium for individual insurance in the Health Connector does not exceed the corresponding “Monthly Premium” for their income bracket. As approved, these draft regulations will oblige more than 80 percent of the Commonwealth's 328,000 uninsured adults to participate, and will allow us to cover 99 percent of adults residing in the Commonwealth.

To illustrate how this affordability schedule would work, let's take a look at an example. An individual with a gross annual income of \$38,000 would fall into the \$35,001 - \$40k bracket. This individual would be obliged to obtain health insurance, if the monthly cost to him for employer-sponsored insurance or minimally creditable coverage that he could purchase directly through Commonwealth Choice were \$200 or less.

2007 Affordability Schedule					
Individual		Couple		Family (3+ individuals)	
Gross Annual Income	Monthly Premium	Gross Annual Income	Monthly Premium	Gross Annual Income	Monthly Premium
\$0 - \$15,315	\$0	\$0 - \$20,535	\$0	\$0 - \$25,755	\$0
\$15,316 - \$20,420	\$35	\$20,536 - \$27,380	\$70	\$25,756 - \$34,340	\$70
\$20,421 - \$25,525	\$70	\$27,381 - \$34,225	\$140	\$34,341 - \$42,925	\$140
\$25,526 - \$30,630	\$105	\$34,225 - \$41,070	\$210	\$42,926 - \$51,510	\$210
\$30,631 - \$35k	\$150	\$41,071 - \$50k	\$270	\$51,511 - \$70k	\$320
\$35,001 - \$40k	\$200	\$50,001 - \$60k	\$360	\$70,001 - \$90k	\$500
\$40,001 - \$50k	\$300	\$60,001 - \$80k	\$500	\$90,001 - \$110k	\$720
≥ \$50,001	Affordable	≥ \$80,001	Affordable	≥ \$110,001	Affordable

Alternatively, if someone is eligible for Commonwealth Care, the subsidized program for low-income uninsured adults, they are required under the draft affordability schedule to participate. As of July 1, 2007, the income threshold for an individual who receives full subsidy and pays zero toward the premium for Commonwealth Care will increase from 100 percent of the federal poverty level (\$10,210) to 150 percent (\$15,315). Enrollee contribution rates for those in higher income brackets will also be revised, consistent with the maximum affordable monthly premiums spelled out in the affordability schedule above.

Reducing enrollee contribution rates under Commonwealth Care and making eligibility synonymous with affordability represents an effort to keep coverage affordable and the rules of participation simple and understandable.

Constructive and Generous Waiver Process

The draft affordability regulations also establish criteria for exceptions to the affordability schedule. Individuals will be able to request exceptions: (1) by applying for a waiver prospectively – on the grounds that the individual cannot afford any available health insurance products; or (2) by filing an appeal retrospectively at tax time.

Criteria include, among other things:

1. Issues of individual hardship generally applicable in financial hardship waivers;

2. Consideration of deductibles beyond those allowed under minimum creditable coverage (MCC) and the net cost of employee contributions made without the benefit of participation in a Section 125 plan; and
3. Consideration of the timing of open-enrollment decisions on employees' obligation to participate, given that MCC and affordability standards are only now in the process of being defined and publicly communicated.

What's next?

Plenty. The tent will soon go up, but bringing everyone under coverage is an even greater challenge.

Of the 140,000 Massachusetts residents estimated to be eligible for Commonwealth Care, almost half have enrolled, leaving another 70,000 to cover. Commonwealth Choice launches on May 1st. The universal participation requirement goes into effect on July 1st. Penalties will begin to apply for adult residents who do not have insurance by December 2007. Beginning in 2008, plans will begin to meet the new, higher standards for Minimum Creditable Coverage. By 2009, we hope to reach an unprecedented level of health security for 99% of our state.

Much remains to be done, and we are excited about continuing the success of the Health Connector.

I thank you for your continued interest in the Connector,

Jon Kingsdale
Executive Director