



MARKET STABILITY WORKGROUP “2.0”

Tuesday, November 13, 2018
8:30 – 10:30 a.m.
The United Way of Rhode Island

UPDATES SINCE OUR LAST MEETING

- Meeting 3 Follow-ups:
 - 1332 Guidance
 - HRA rule
 - Brief overview of each in appendix

TEN WEEK SYLLABUS

RI Market Stability Workgroup Schedule

Topic(s) for Discussion	Meeting Date
Meeting 1 Regrouping: Workgroup “2.0” + Reinsurance Recap	Wednesday, October 3 rd
Meeting 2 Reinsurance Financing Options	Tuesday, October 16 th
Meeting 3 Affordability Programs in Addition to Reinsurance	Wednesday , October 31 st
Meeting 4 Shared Responsibility Payment	Tuesday, November 13 th
Meeting 5 Wrap-Up/Opportunity for Follow-Up	Tuesday, November 27 th
Meeting 6 Reaching Recommendations	Tuesday, December 11 th
Meeting 7 Recommendations (<i>reserved if needed</i>)	Tuesday, December 18 th

TEN WEEK SYLLABUS

RI Market Stability Workgroup Schedule

Topic(s) for Discussion	Meeting Date
<i>Break for the holidays</i>	Mid-December – early January
Meeting 8 Possible Codification of ACA Consumer and Market Protections	Tuesday, January 8 th
Meeting 9 Legislative Recommendations	Tuesday, January 22 nd
Meeting 10 Legislative Recommendations (<i>reserved if needed</i>)	Tuesday, February 1 st

TODAY'S AGENDA

1. Individual Shared Responsibility Payment

- Review federal penalty structure and discuss impact
- Present alternative options and discuss impact
- Discuss pros/cons of alternatives in the context of all market stability recommendations and the guiding principles

2. Next Steps

RECOMMENDATION FROM JUNE

- **“A state-based shared responsibility requirement:** Rhode Island should implement a state-level shared responsibility requirement to mitigate the impact of the federal health insurance mandate penalty repeal. For the sake of continuity and simplicity, a requirement should be implemented as soon as practicable, with broad-based support, and should use the current federal structure as a basis. Any funds raised through the implementation of a shared responsibility requirement should be primarily designated for initiatives aimed at protecting the affordability of health coverage for the individual market.”
- **“Future market stability actions required:** Rhode Island should focus next on how to fund a state reinsurance program and how to best design and implement a shared responsibility requirement.”

From Market Stability Workgroup June report, page 1-2.

REMINDER: WORKGROUP GUIDING PRINCIPLES

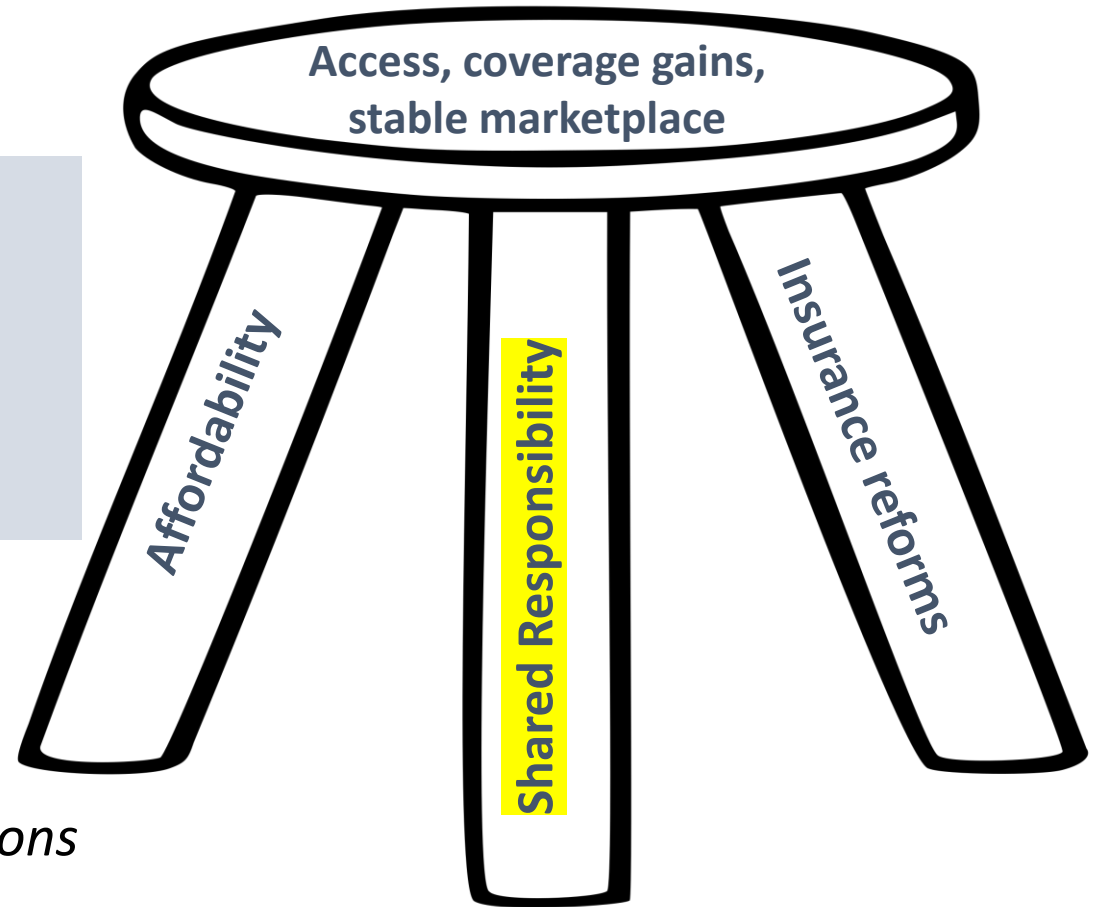
Guiding Principles

1. Sustain a balanced risk pool;
2. Maintain a market that is attractive to carriers, consumers and providers; and
3. Protect coverage gains achieved under the ACA.

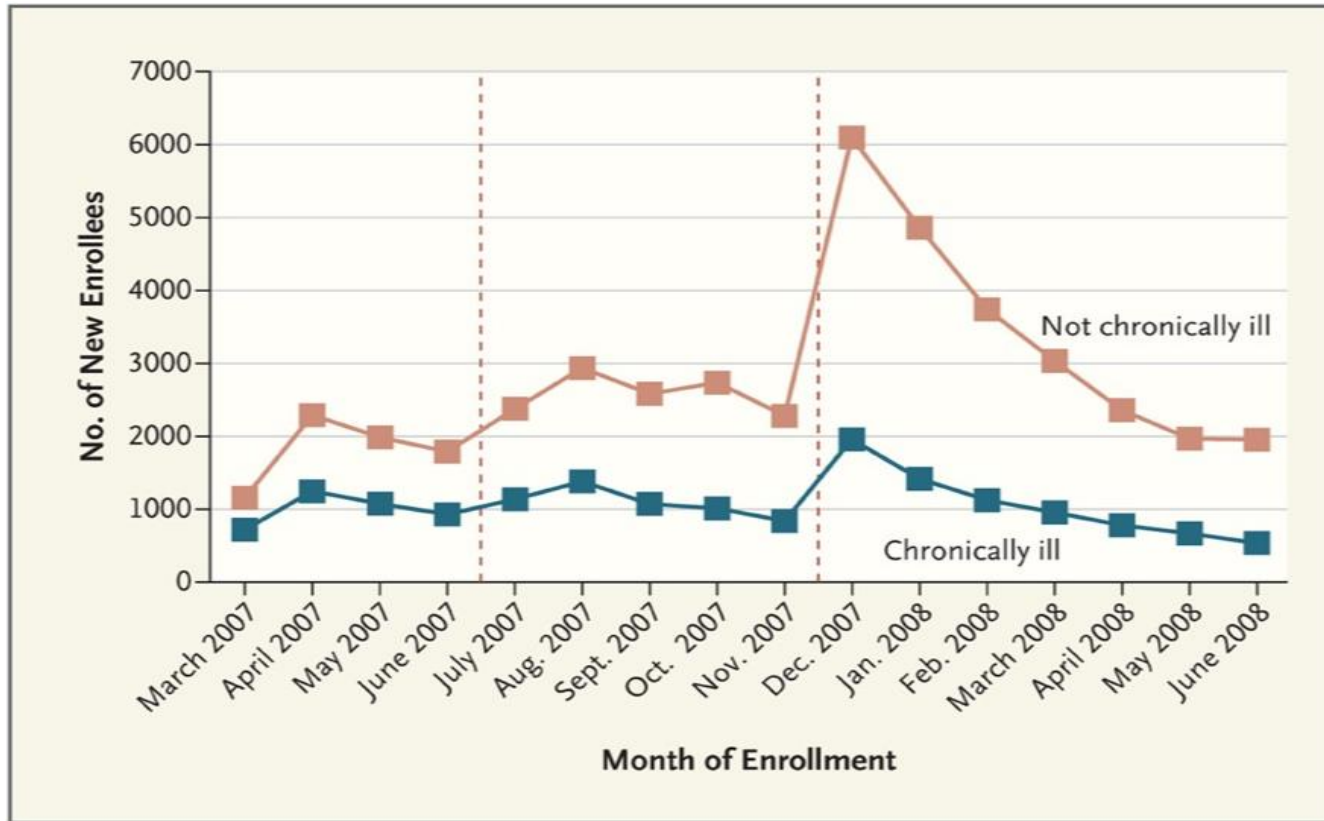


Goal

Identify and propose sensible, state-based policy options for RI that will be in service to those Principles



REMINDER: WHY A REQUIREMENT TO BUY INSURANCE?



- Phased in separately from subsidies
- Increased enrollment in general
- Significant and disproportionate effect on healthy population
- MA rollout accompanied by messaging campaign

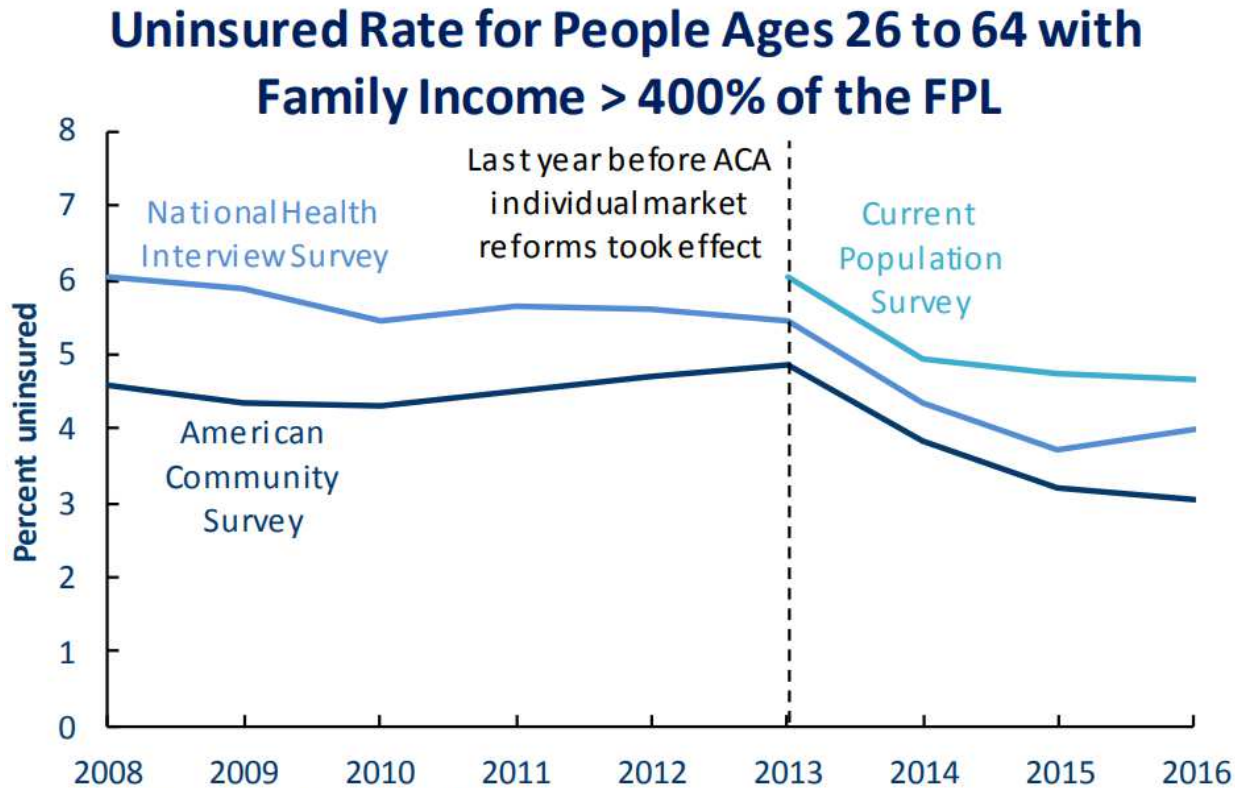
Number of New Enrollees in Commonwealth Care, According to Chronic-Illness Status.

The two vertical dashed lines represent the start of the mandate phase-in period (from July through November 2007) and the start of the period when the mandate became fully operational (from December 2007 onward)

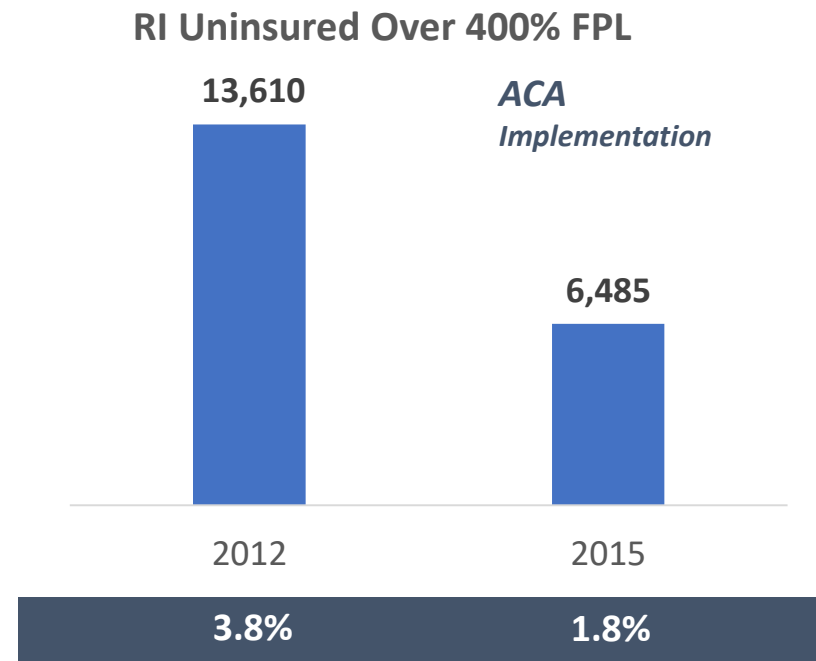
Source: <https://www.nejm.org/doi/full/10.1056/NEJMp1013067>

REMINDER: WHY A REQUIREMENT TO BUY INSURANCE?

- Unsubsidized population
- Notable drop post-mandate implementation
- Mandate not the only 2014 ACA change



Source: NHIS; CPS; ACS; author's calculations.



SHARED RESPONSIBILITY REQUIREMENT COMPONENTS

Affordability
Exemption

Penalty Structure

Focus of Today's Discussion
Explore Alternative Options

- Should RI revise the main federal exemption structure?
- Should RI change the structure of the penalty amount?
- Using 2016 revenue as a baseline, how would potential changes affect revenue?

Definition of
Qualifying
Coverage

Hardship/
Other
Exemptions

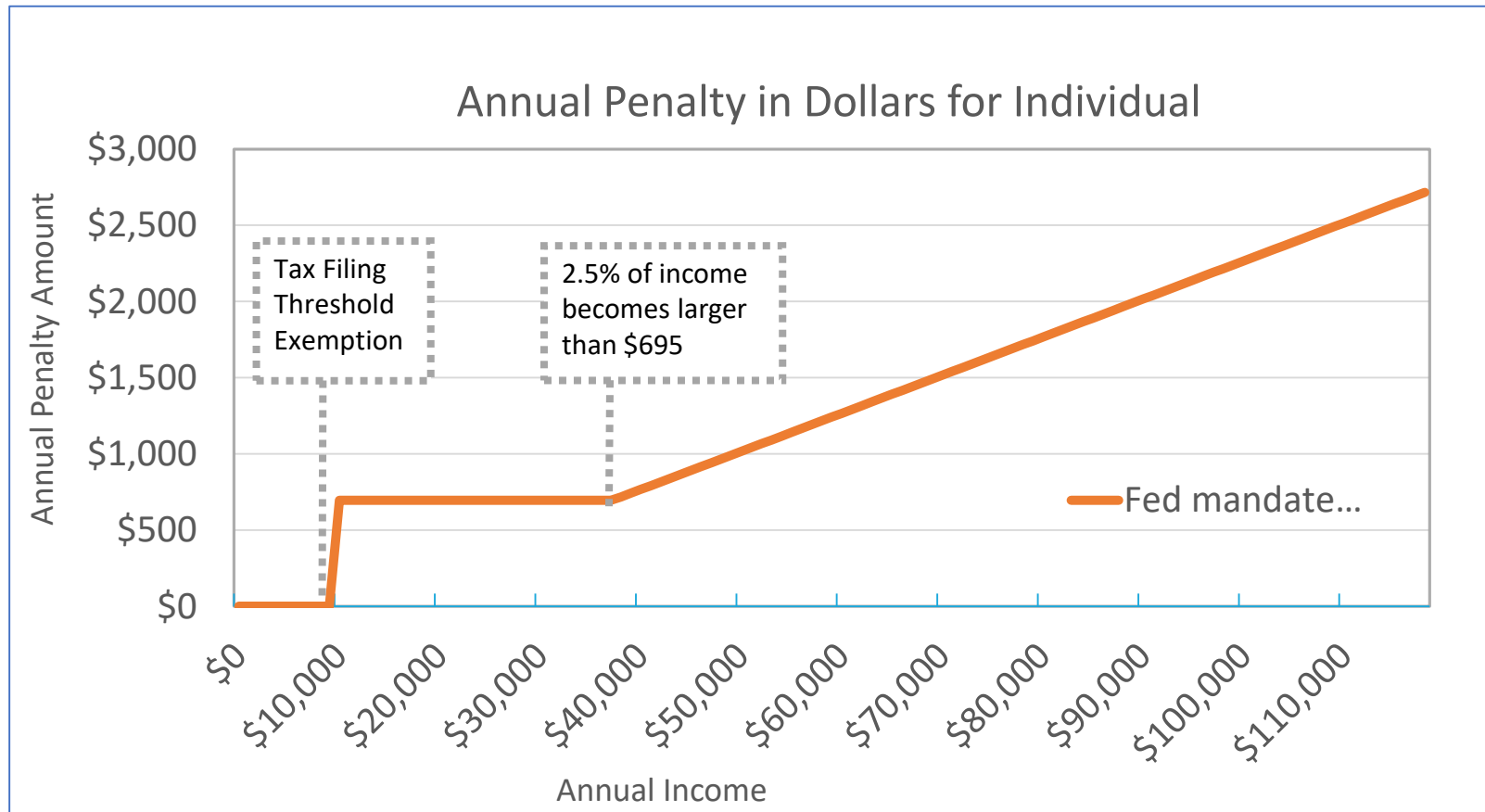
Reporting
Requirements

Outreach to
Uninsured

Mimic Current Federal Structure for Smooth State Transition
No Need for Changes to Federal Parameters

FEDERAL PENALTY STRUCTURE (ending 12/31/18)

Larger of 1) \$695 per adult, or 2) 2.5% of income above filing threshold*



KEY EXEMPTIONS

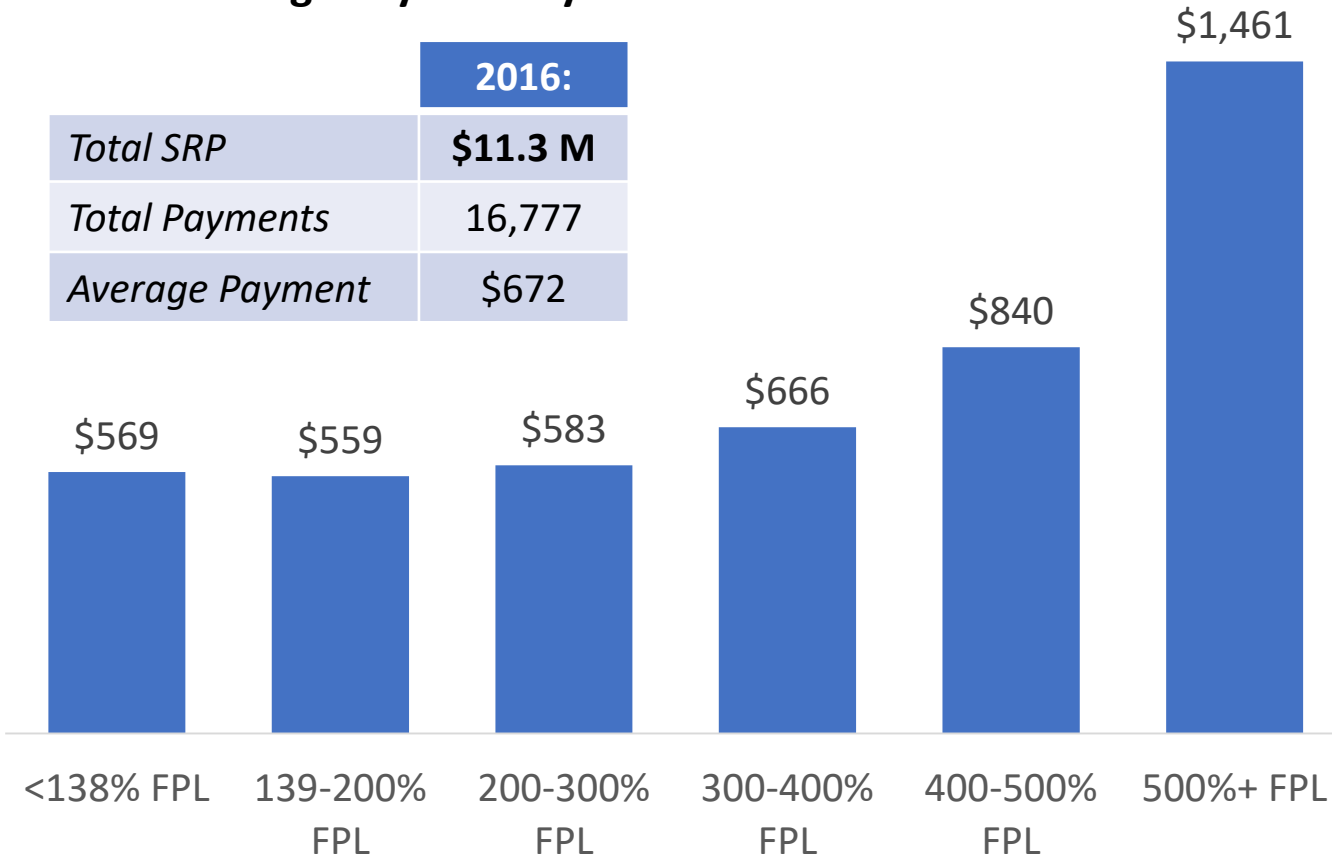
- **Income Exemption** if income below tax filing threshold
- **Affordability Exemption** if coverage costs more than 8.13% of income
- **Hardship Exemption** in case of bankruptcy, flood/fire, death in family, etc.

*Half dollar amount for children, and max per family is equivalent of 3 adults. Overall max set at bronze plan cost

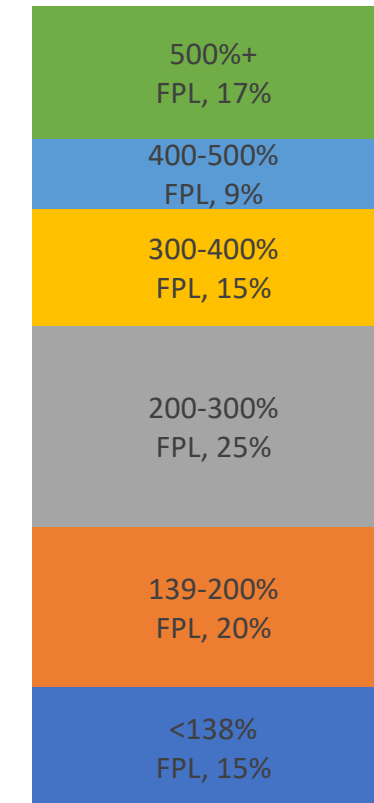
RI SHARED RESPONSIBILITY PAYMENTS: 2016

2016 Average Payment by FPL

	2016:
Total SRP	\$11.3 M
Total Payments	16,777
Average Payment	\$672



Share of Total Paid Amount by FPL

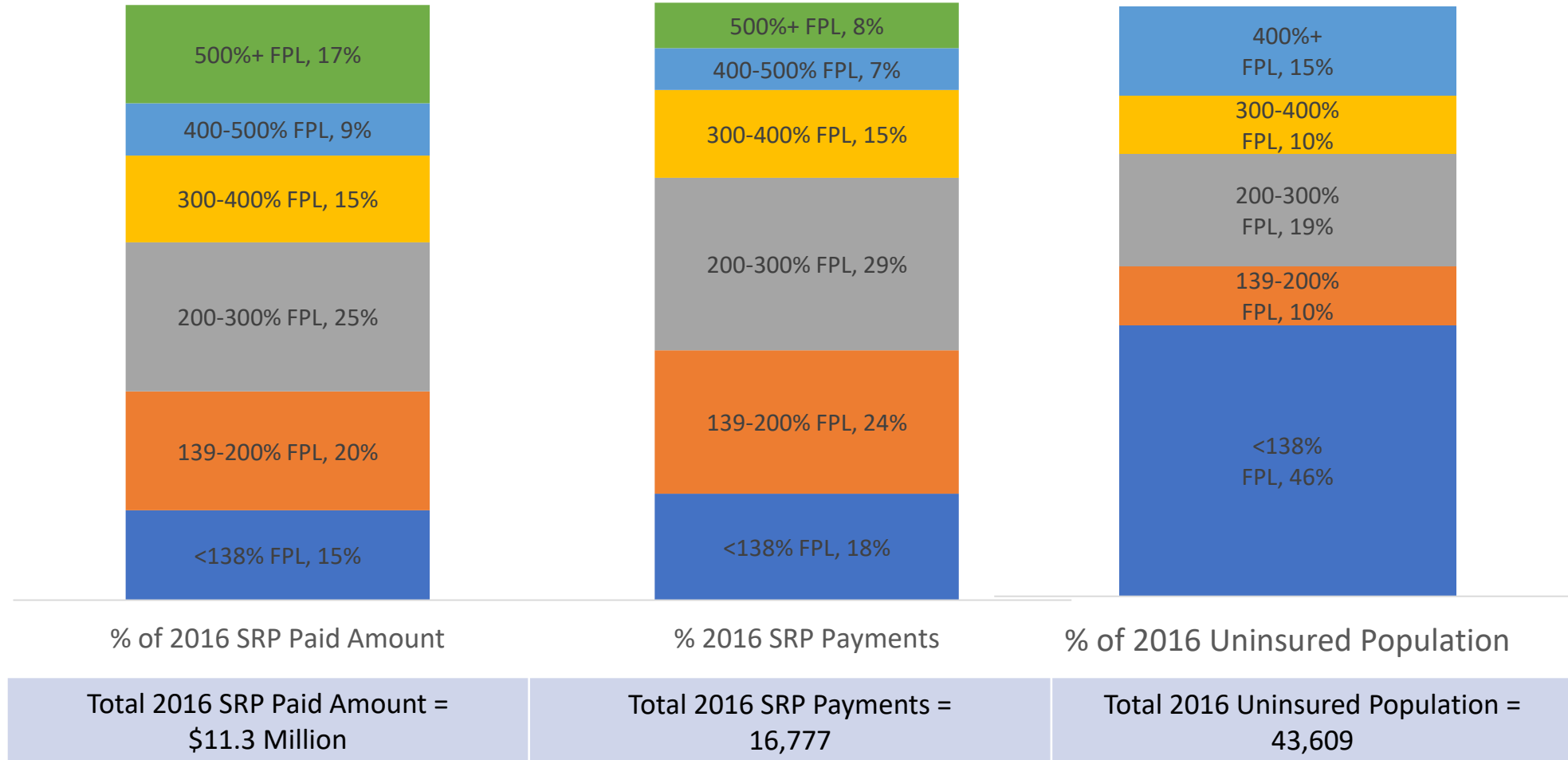


# Payments	<138% FPL	139-200% FPL	200-300% FPL	300-400% FPL	400-500% FPL	500%+ FPL
	2,993	4,027	4,840	2,467	1,177	1,274

% of 2016 SRP Paid Amount

SHARE OF PAYMENTS VS. SHARE OF UNINSURED

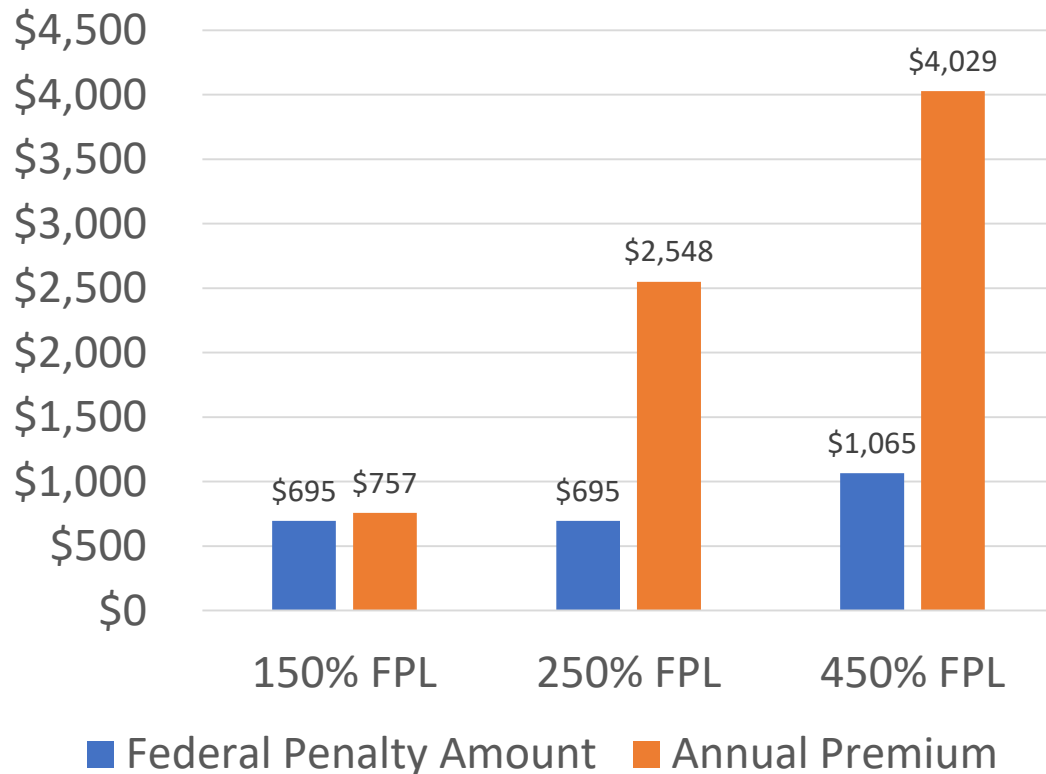
Breakdowns by FPL



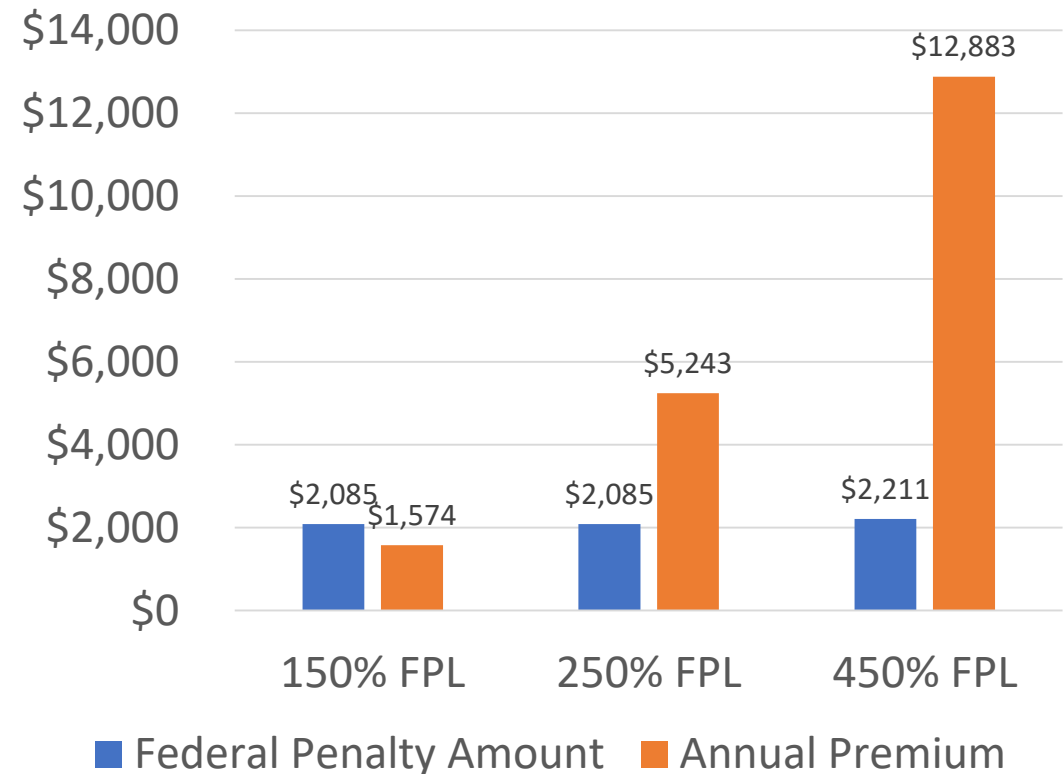
FEDERAL PENALTY AMOUNTS VS. ANNUAL PREMIUM

2019 benchmark plan, after APTC if eligible

Individual Age 40



Family of 4, Age 40, 40, 12, and 8



DISCUSSION

- Is the penalty overly burdensome on certain income groups? Or is it appropriate as an incentive for coverage?
- Any other specific concerns (other than impact across income groupings) to look at in more detail in a future meeting?

ALTERNATIVE OPTIONS FOR SRP

Levers Available:

- Income Based Exemption
- Flat Penalty Amount (\$695)
- % of Income Penalty Amount (2.5%)

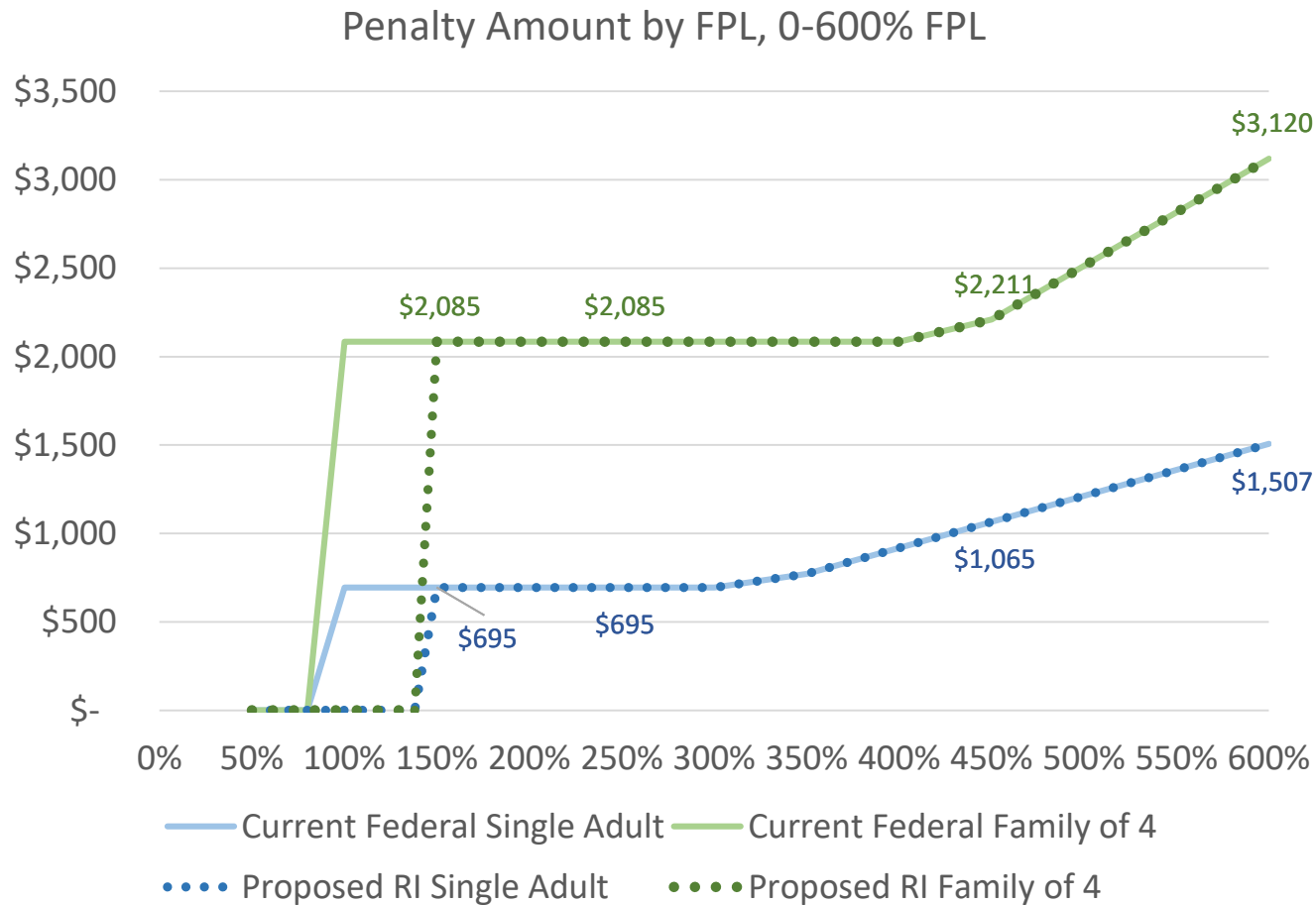
Variations Modeled:

1. Exemption under 138% FPL
2. Flat Penalty Amount reduced by half (\$350)
3. Flat Penalty Amount eliminated (\$0)
4. Exemption under 138% FPL combined with increased income percentage to 3.5%

About the model:

- Developed by DOR using IRS and RI tax filing data.
- Aggregates 2016 filers into categories based on their family size and FPL
- Models a change by applying an estimate to each category
- See appendix for assumptions

VARIATION 1: EXEMPTION UNDER 138% FPL



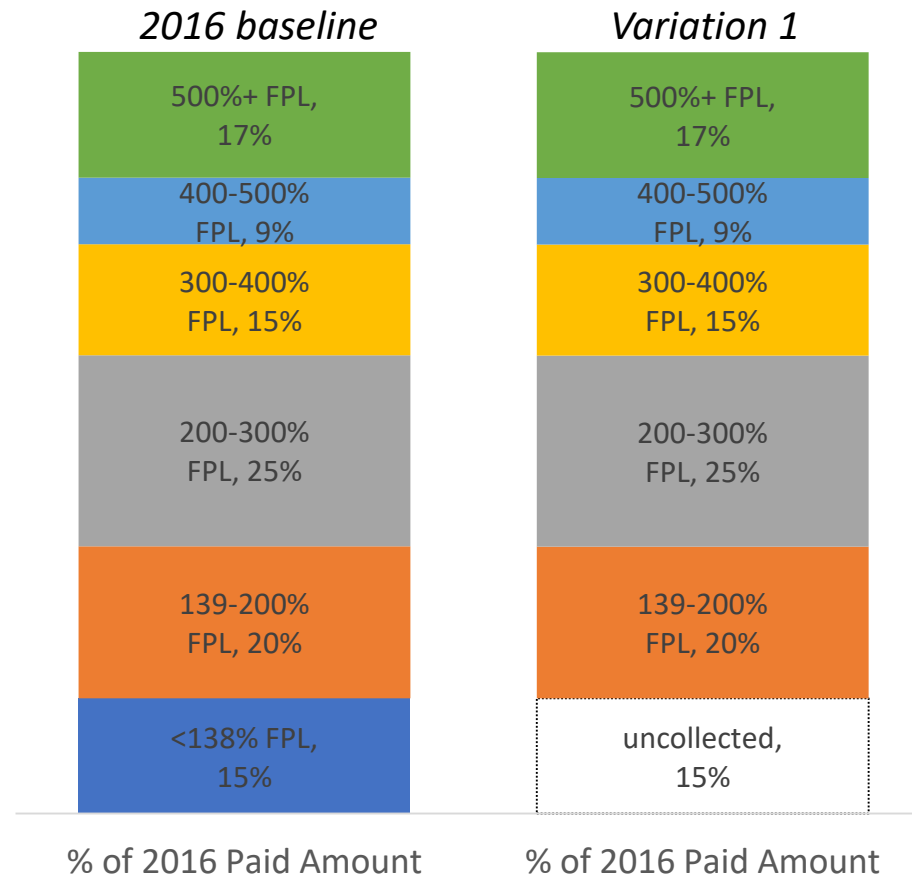
- Corresponds with Medicaid eligibility for most adults
- Many ought to be exempt via affordability exemption, but simplification may make it easier to avoid being penalized
- Estimated revenue reduction of \$1.7M
- 100% reduction at lowest income ranges. No impact above that
- Could be “revenue neutral” if the percentage were also increased to 3.5%

VARIATION 1: EXEMPTION UNDER 138% FPL

Payment by FPL: 2016 vs. Variation 1

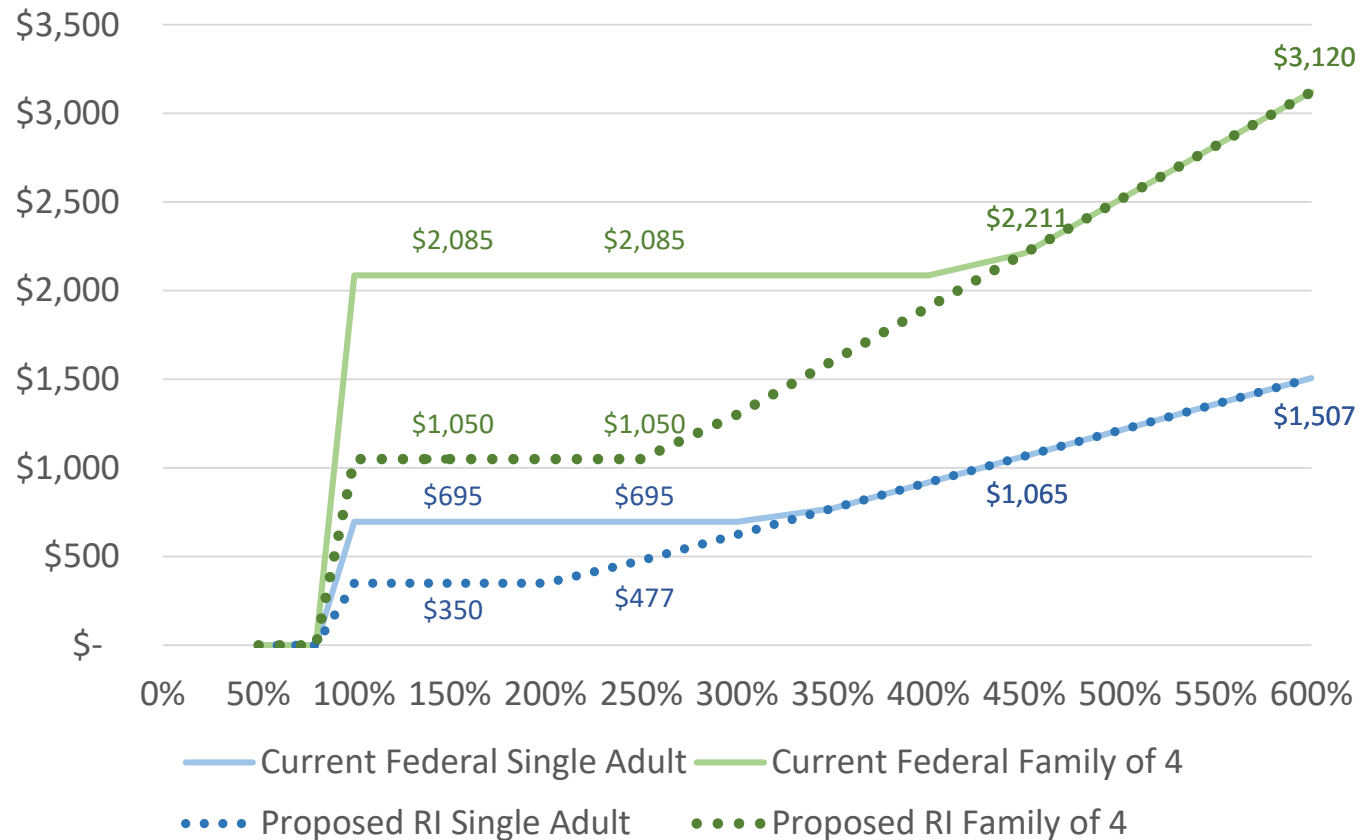
	2016:	Variation 1:	Difference
Total SRP	\$11.3 M	\$9.6 M	-\$1.7 M
Total Payments	16,777	13,784	-2,993
Average Payment	\$672	\$694	+\$22

Share of 2016 Paid Amount by FPL



VARIATION 2: CUT FLAT PENALTY AMOUNT IN HALF

Penalty Amount by FPL, 0-600% FPL



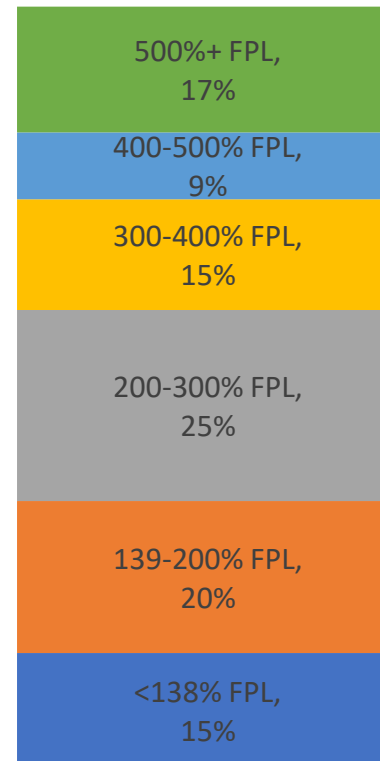
- Estimated revenue reduction of \$3.3M
- Impact largest at lowest income ranges—aggregate 50+% reduction below 200% FPL
- Modification phases out as income increases—aggregate 30-44% reduction for 200%-300% FPL
- No impact above 450% FPL
- Could be “revenue neutral” if the percentage were also increased to 3.9%

VARIATION 2: CUT FLAT PENALTY AMOUNT IN HALF

Payment by FPL: 2016 vs. Variation 2

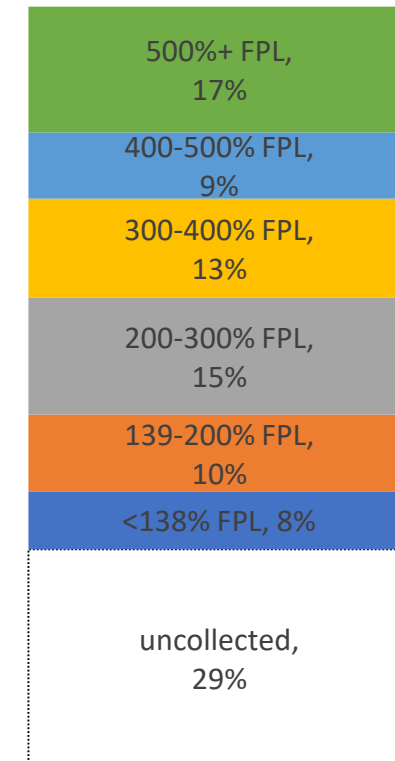
	2016:	Variation 2:	Difference
Total SRP	\$11.3 M	\$8.1 M	-\$3.3 M
Total Payments	16,777	16,777	-
Average Payment	\$672	\$479	-\$193

Share of 2016 Paid Amount by FPL
2016 baseline



% of 2016 Paid Amount

Variation 2



% of 2016 Paid Amount

% of :
Variation 2
Paid Amt

23%

12%

18%

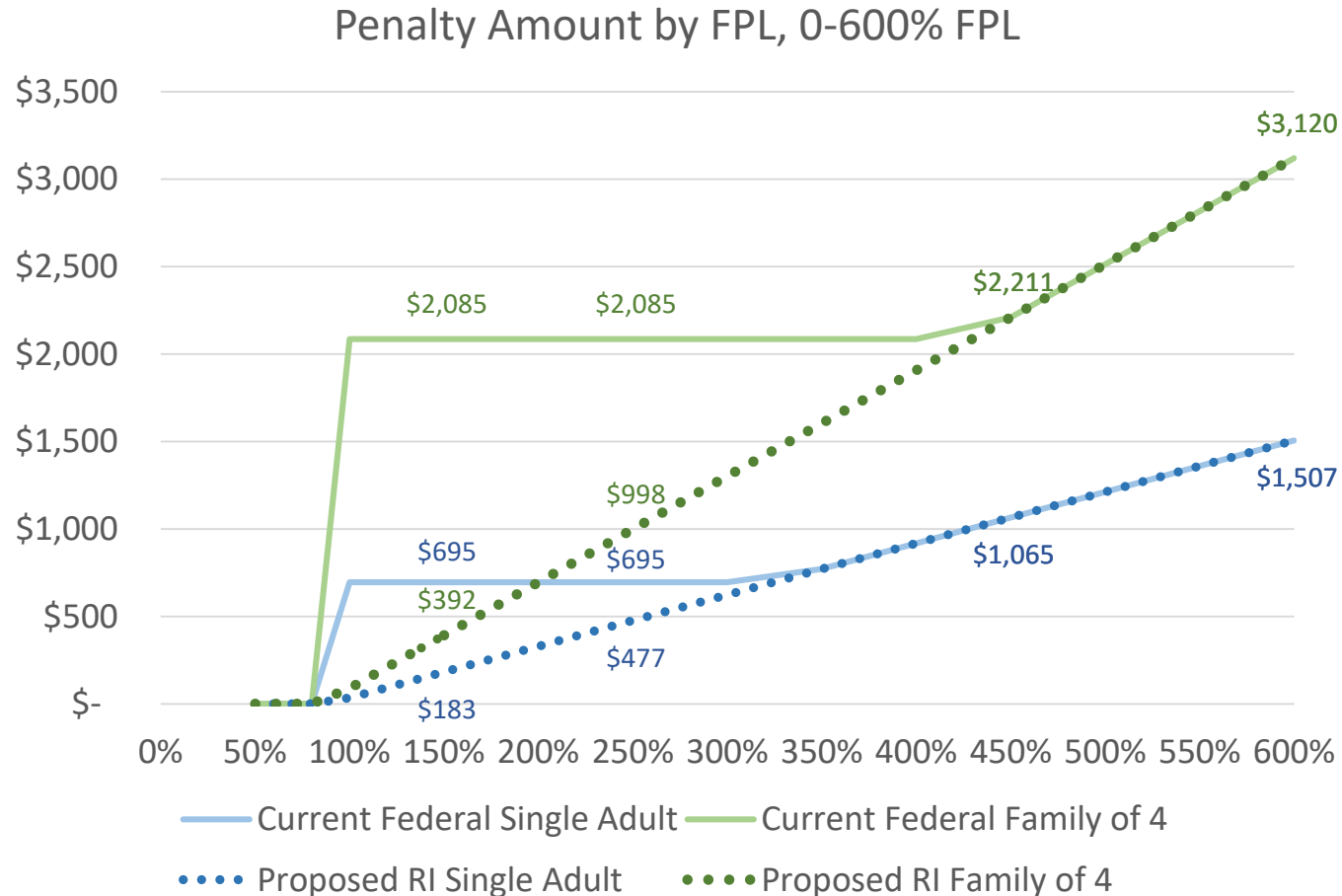
22%

14%

11%

-

VARIATION 3: REMOVE FLAT PENALTY AMOUNT



- Slightly simplifies filing process
- Estimated revenue reduction of \$4.6M
- Impact largest at lowest income ranges—aggregate 80+% reduction below 150% FPL
- Modification phases out as income increases—aggregate 31-50% reduction for 200%-300% FPL
- No impact above 450% FPL
- Could be “revenue neutral” if the percentage were also increased to 4.25%

VARIATION 3: REMOVE FLAT PENALTY AMOUNT

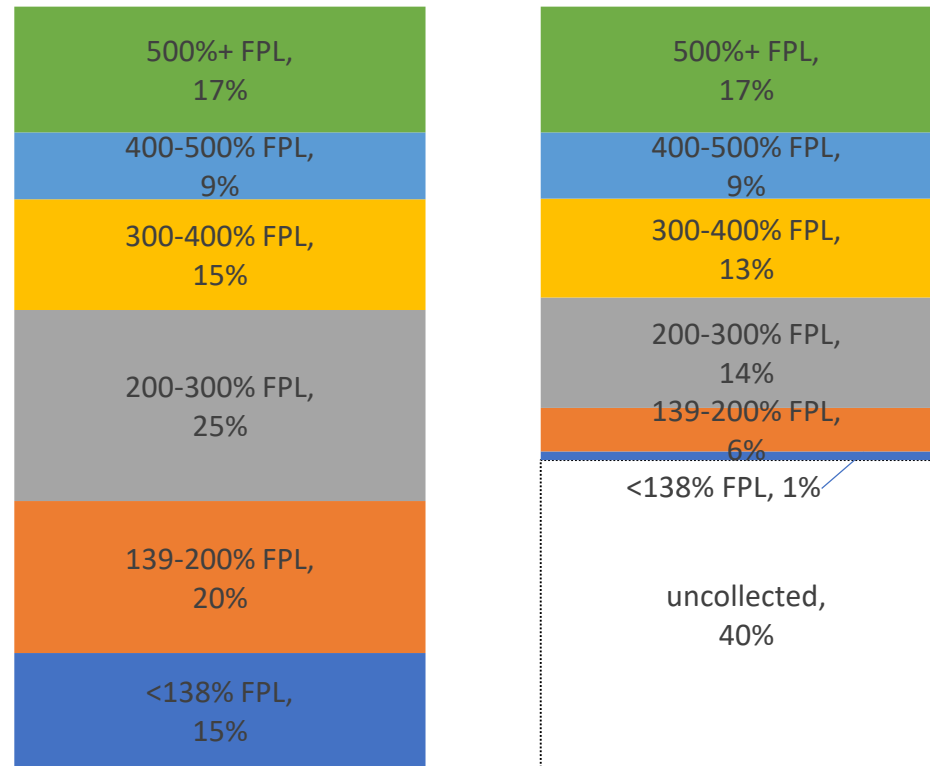
Payment by FPL: 2016 vs. Variation 3

	2016:	Variation 3:	Difference
Total SRP	\$11.3 M	\$6.7 M	-\$4.6 M
Total Payments	16,777	16,777	-
Average Payment	\$672	\$400	-\$272

Share of 2016 Paid Amount by FPL

2016 baseline

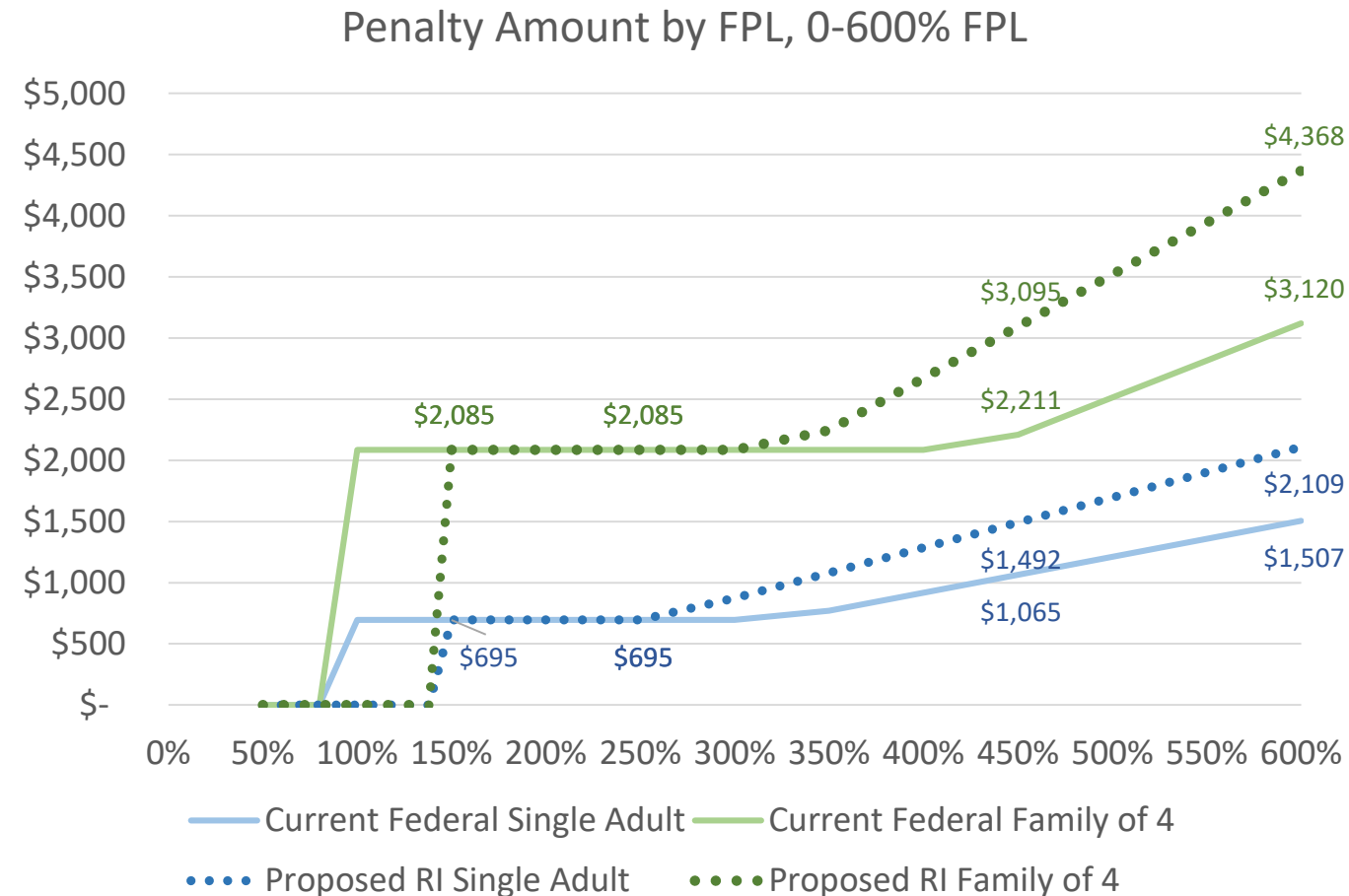
Variation 3



% of 2016 Paid Amount

% of 2016 Paid Amount

VARIATION 4: EXEMPTION UNDER 138% FPL COMBINED WITH INCREASED INCOME PERCENTAGE TO 3.5%



- Estimated revenue reduction of \$0.1M
- Exemption matches Medicaid eligibility for most adults
- 100% reduction at lowest income ranges
- Increased penalty begins at 300% FPL and phases in fully by 450% FPL
- Penalty 40% higher for those above 450% FPL

VARIATION 4: EXEMPTION UNDER 138% FPL COMBINED WITH INCREASED INCOME PERCENTAGE TO 3.5%

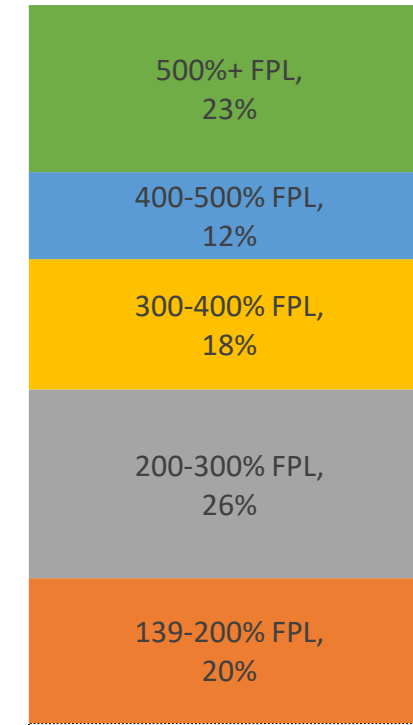
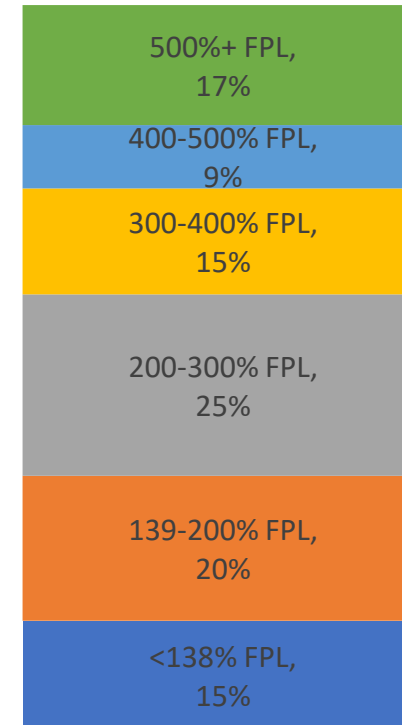
Average Payment by FPL: 2016 vs. Scenario 4

	2016:	Scenario 4:	Difference
<i>Total SRP</i>	\$11.3 M	\$11.2 M	-\$0.1 M
<i>Total Payments</i>	16,777	13,784	-2,993
<i>Avg Payment</i>	\$672	\$813	+\$142

Share of 2016 Paid Amount by FPL

2016 baseline

Scenario 4



Uncollected <1%

% of 2016 Paid Amount

% of 2016 Paid Amount

SUMMARY OF VARIATIONS + DISCUSSION

Variation	Revenue Change from \$11.3M	Description
Use federal model	N/A	<ul style="list-style-type: none"> No change
1. <138% Exemption	-\$1.7M	<ul style="list-style-type: none"> 100% reduction at lowest incomes (Medicaid level) No impact above 138%
2. Half Flat Amount	-\$3.3M	<ul style="list-style-type: none"> Phased impact 50+% reduction below 200% FPL No impact above 450%
3. No Flat Amount	-\$4.5M	<ul style="list-style-type: none"> Phased impact 80+% reduction below 150% FPL No impact above 450%
4. <138% Exemption + increase to 3.5%	-\$0.1	<ul style="list-style-type: none"> 100% reduction at lowest incomes (Medicaid level) Higher payments above 300% FPL

- Which options, if any, seem attractive to you?
- How do the options, including revenue impacts, fit in with other priorities for market stability?
 - reinsurance program funding and/or
 - additional affordability programs

Do these options support the Workgroup's Guiding Principles:

(1) Sustain balanced risk pool; (2) Maintain attractive market, or; (3) Protect coverage gains achieved under the ACA?

NEXT STEPS AND UPCOMING MEETINGS

- What tradeoffs are worthwhile across the three areas identified as needing further work:
 - Funding source for reinsurance
 - Additional affordability programs
 - SRP modifications
- How to combine options into a workable package?
- What have we not covered that you need to be comfortable making recommendations?

PUBLIC COMMENT?

1332 WAIVER GUIDANCE UPDATES

- Name Change:
 - 1332 Waiver now known as “State Relief and Empowerment Waivers”
- Budget Neutrality:
 - Total impact must be budget neutral as opposed to each year
- Comprehensiveness and affordability shift:
 - Shift in focusing on covered lives to how many have **access** to affordable and comprehensive insurance
 - Could open door to STLD and AHPs being offered in marketplaces

HRA RULE UPDATES

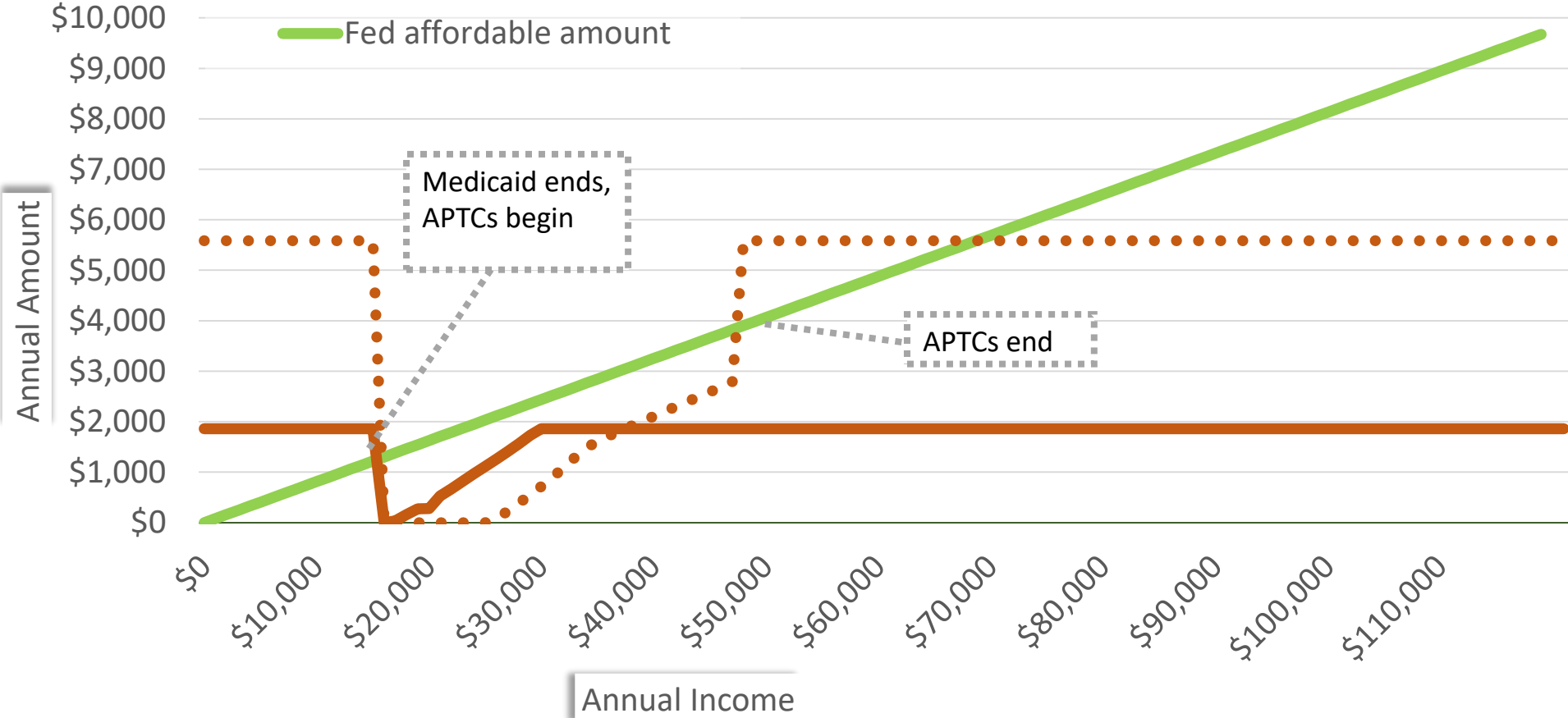
- Creates Two New HRAs
 - “Integrated HRA”
 - Funds used to purchase health insurance on the individual market
 - Not eligible for APTC if affordable; still susceptible to family glitch
 - Eligibility creates Special Enrollment Period
 - “Limited Excepted Benefits HRA”
 - Used to purchase limited plans: dental, vision, or long-term care benefits
 - Limited in scope; could be used for STLD plan purchase

Revenue model assumptions

- Makes assumptions about breakdown of children and adults in family
- Does not consider annual cap at national bronze premium
- Averages all filers that share both an FPL and household size category
- Estimates impact of a change on the 2016 revenue for the category as a whole
- 2016 has generally same structure as 2017 and 2018, but federal tax changes may have an impact
 - Forms revised for easier exemptions
 - 2017 Federal tax reform increased filing threshold
- Other factors, such as uninsured population, may change from 2016 to 2020+
- State implementation may not produce same results as federal implementation

FEDERAL AFFORDABILITY EXEMPTION

Affordability Exemption and 2017 QHP Costs by Income



Definition of Coverage

- The federal definition of coverage that counts as satisfying the requirement to purchase health insurance is referred to as Minimum Essential Coverage (MEC)
- MEC includes:
 - Employer plans
 - Exchange plans
 - Medicare
 - Medicaid
 - Etc.
- When the federal penalty was set to \$0, none of the related definitions and requirements were changed
 - MEC is still defined under federal law and would not require RI to define its own standard
- Because the federal definition of MEC is standardized across the country and does not require plan-by-plan review, it is simpler to retain the definition of MEC rather than creating a new definition specific to RI.

Current Federal Exemptions

Income Related Exemptions
Income is below the filing threshold
The cheapest available plan was unaffordable
Hardship Exemptions
You were homeless
You were evicted or were facing eviction or foreclosure
You received a shut-off notice from a utility company
You experienced domestic violence
You experienced the death of a family member
You experienced a fire, flood, or other natural or human-caused disaster that caused substantial damage to your property
You filed for bankruptcy
You had medical expenses you couldn't pay that resulted in substantial debt
You experienced unexpected increases in necessary expenses due to caring for an ill, disabled, or aging family member
You claim a child as a tax dependent who's been denied coverage for Medicaid and CHIP for 2017, and another person is required by court order to give medical support to the child. In this case you don't have to pay the penalty for the child.
As a result of an eligibility appeals decision, you're eligible for enrollment in a qualified health plan (QHP) through the Marketplace, lower costs on your monthly premiums, or cost-sharing reductions for a time period when you weren't enrolled in a QHP through the Marketplace in 2016
You had another hardship. If you experienced another hardship obtaining health insurance, describe your hardship and apply for an exemption.

Health Coverage-Related Exemptions
You were uninsured for less than 3 consecutive months of the year.
You lived in a state that didn't expand its Medicaid program and your household income was below 138% of the federal poverty level.
Group Membership Exemptions
You're a member of a federally recognized tribe or eligible for services through an Indian Health Services provider.
You're a member of a recognized health care sharing ministry.
You're a member of a recognized religious sect with religious objections to insurance, including Social Security and Medicare. Application required.
Other Exemptions
You're incarcerated (serving a term in prison or jail).
You're a U.S. citizen living abroad, a certain type of non-citizen, or not lawfully present.
A member of your tax household was born or adopted during the year. This exemption applies only to the month of the event and the month before. You can claim this exemption only if you're also claiming another exemption.
A member of your tax household died during the year. This exemption applies only to the month of the death and the month before. You can claim this exemption only if you're also claiming another exemption.
Hardship Exemptions (Not Relevant In RI)
You were determined ineligible for Medicaid because your state didn't expand eligibility for Medicaid in 2017 under the Affordable Care Act
Your "grandfathered" individual insurance plan (a plan you've had since March 23, 2010 or before) was canceled because it doesn't meet the requirements of the Affordable Care Act and you believe other Marketplace plans are unaffordable

Required Reporting

- Employer and carrier reporting to currently in place to IRS and to covered subscriber (e.g. 1095 A, B, or C form)
- Retain this requirement to state tax authority to encourage compliance with state-level requirement

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 prescription 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

2016 Federal Poverty Level (FPL) Chart

Household Size	138%	150%	250%	450%	600%
1	\$16,243	\$17,655	\$29,425	\$52,965	\$70,620
4	\$33,465	\$36,375	\$60,625	\$109,125	\$145,500