

Massachusetts Health Care Reform: An Update



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1. Health Care Reform
2. The Health Connector's mission and function
3. Commonwealth Choice
 - For Employers
 - For Employees and Individuals
4. Where to go for additional information

Who are the Uninsured in Massachusetts?

Total Commonwealth Population	6,200,000
Insured (94%)	<u>5,830,000</u>
Uninsured (6%)	370,000
< 100% FPL Medicaid eligible but not enrolled	70,000
0 – 300% FPL Commonwealth Care	140,000
> 300% FPL Affordable Private Insurance	160,000

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

What is Health Care Reform?

- Subsidizes insurance for low-income uninsured
- Requires individuals age 18 and older to have health insurance by July 1, 2007
- Requires employers w/ 11+ full-time equivalent employees to make a fair and reasonable premium contribution
- Reforms the small group & non-group markets

What is the individual mandate?

- First in the nation
- Beginning July 1, 2007, all adults must have health insurance
- Coverage must meet the definition of “minimum creditable coverage” established by the Connector Board
- Tax consequences beginning with 2007 tax return
- Waiver may be available for individuals if affordable products are not available

2007 Draft Affordability Schedule – for Individuals

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	\$30,630	\$105
\$30,631	\$35,000	\$150
\$35,001	\$40,000	\$200
\$40,001	\$50,000	\$300
>\$50001		Affordable

What is the Health Connector's Mission?

To insure as many people as possible by:

- Developing Commonwealth Care (subsidized) health insurance program for income-eligible adults
- Offering broad choice of affordable (non-subsidized) health insurance products
- Delivering high quality customer service
- Keeping the process simple and transparent
- Improving the portability of health insurance

What does the Health Connector do?

REGULATORY

- Commonwealth Care benefits & premiums
- MCC Regulations
- S. 125 Regulations
- Individual Waivers
- Appeals

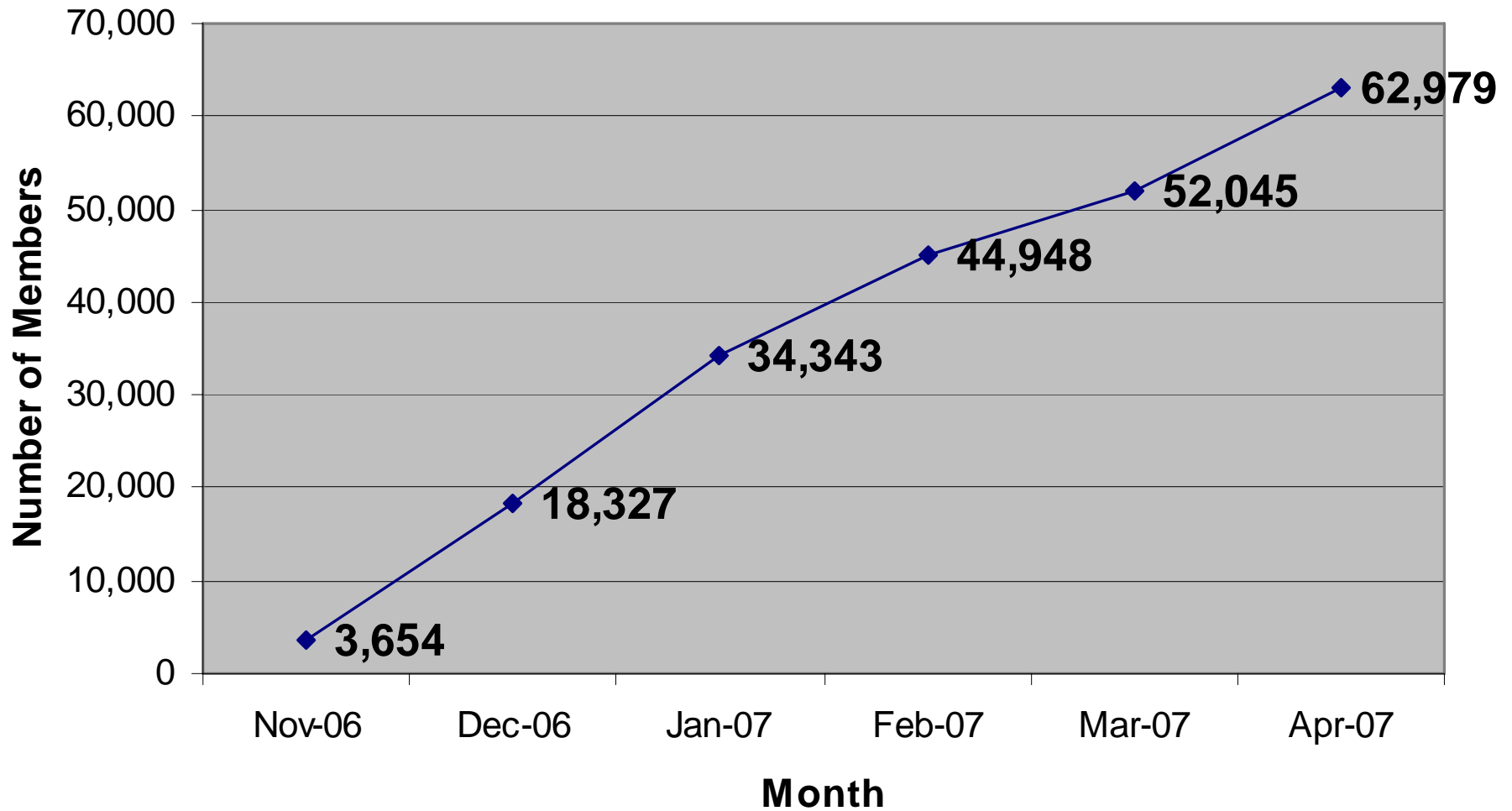
ENTERPRISE

- Qualify & enroll for Commonwealth Care
- Seal of Approval for Commonwealth Choice
- Sell health insurance to:
 - Individuals
 - Non-group employees
 - Small employers

What is CommCare?

- Commonwealth Care (CommChoice) provides subsidized health insurance to uninsured individuals whose gross annual household income is less than 300% of the federal poverty level (around \$30,400 for an individual in 2007).
- Enrollment began October 1, 2006.

Commonwealth Care Enrollment



What is CommChoice?

- Commonwealth Choice (CommChoice) is a health insurance program connecting individuals and small group employers with high quality, affordable, private health insurance plans.
- Enrollment begins May 2007 for coverage effective July 1, 2007.

What benefits are included?

All CommChoice health plans include:

- Preventative and routine care
- Hospitalization (inpatient & outpatient)
- Mental health services
- Rehabilitation services
- Option for prescription drug coverage

What coverage options are available?

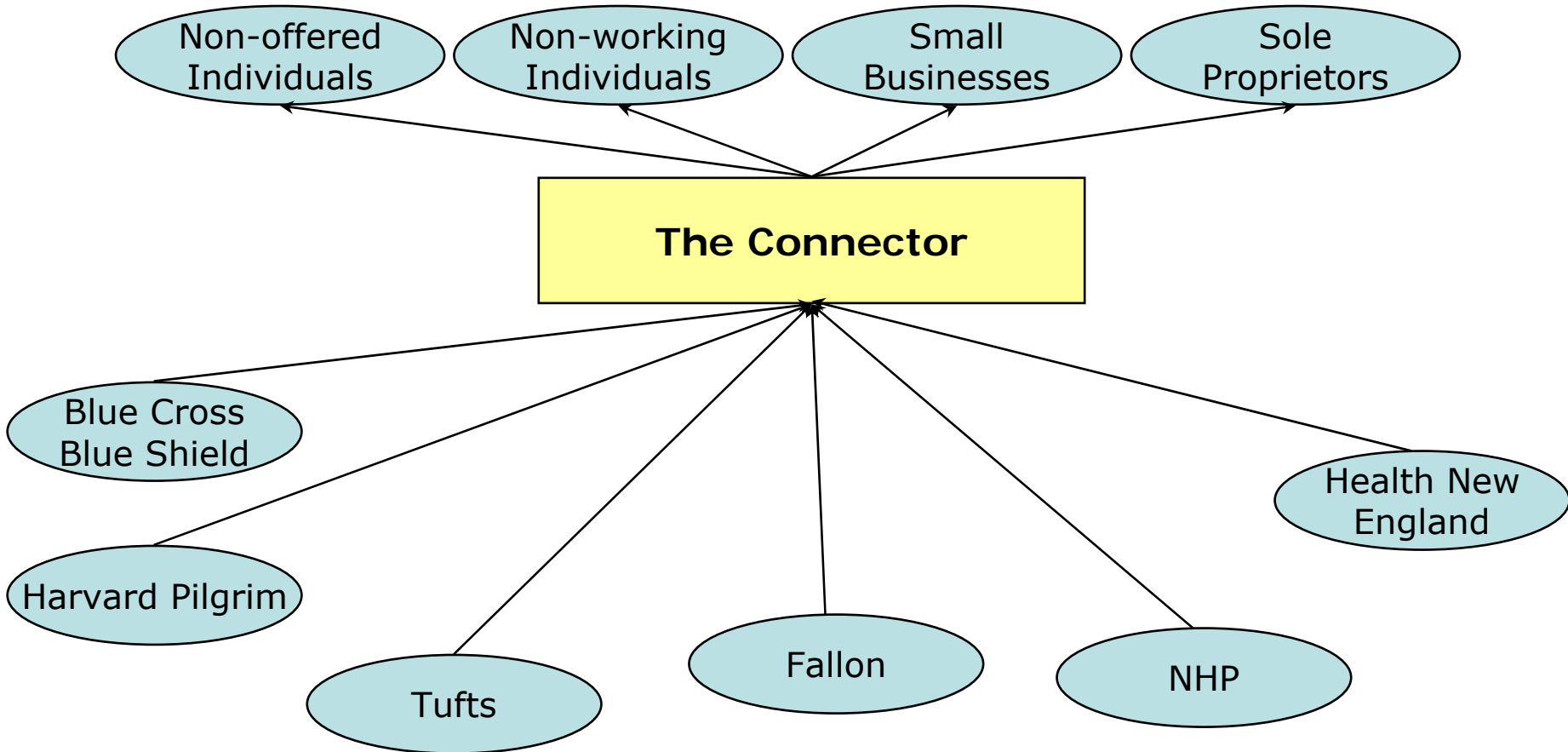
Benefit Level	Benefits
Gold	<ul style="list-style-type: none"> ▪ Average monthly cost = \$285 to \$570* ▪ No or small payment when you go to the doctor or stay in the hospital ▪ Choice of large number of doctors and hospitals
Silver	<ul style="list-style-type: none"> ▪ Average monthly cost = \$225 to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

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

Which health carriers are offered?

1. Blue Cross Blue Shield of Massachusetts
2. Fallon Community Health Plan
3. Harvard Pilgrim Health Care
4. Health New England
5. Neighborhood Health Plan
6. Tufts Health Plan

How will CommChoice work?



What responsibilities does an employer have?

1. Fair Share Assessment
2. Non-Discrimination Requirements
3. Section 125 Requirements/Free Rider Surcharge
4. Health Insurance Responsibility Disclosure (HIRD)

What is the Fair Share Assessment?

- Employers with 11+ FTEs must make a “fair and reasonable” contribution to health coverage:
 - At least 25% of the business’s full-time (35+ hrs/wk) employees are enrolled in the business’s group health plan; or
 - The employer offers to pay at least 33% of the individual premium for its full-time employees.
- Assessment of \$295/employee/year

What is Non-discrimination?

- Employers must offer same coverage to all full-time employees
- Employers cannot make a lower premium contribution to a lower-wage employee than they do for a higher-wage employee for same product
- Applies to fully-insured coverage only
- Does not apply to employees covered by union contracts
- Effective July 1, 2007

What are the Section 125 Requirements?

- Employers with 11+ employees must establish a Section 125 Plan
- Allow employees to purchase coverage with pre-tax dollars
- Employer must process payroll deductions for premium payments
- Employers are not required to make a contribution toward the cost of coverage
- This requirement applies to both full-time and part-time employees
- Effective July 1, 2007

What is the Free Rider Surcharge?

- Assessed on employers with 11+ employees not offering Section 125 plans

- Assessed if more than \$50,000 per year in free care used, and:
 - one employee or dependent receives free care more than three times a year, OR
 - employer has five or more instances of employees or their dependents receiving free care in a year

What is the Free Rider Surcharge?

The Division of Health Care Finance and Policy (DHCFP) set the penalty at 10-55% of the total cost of care:

- Size of the employer
- Cost of the services
- Number of visits or admissions paid for by Free Care
- Compliance with the HIRD requirements
- Whether the employer was subject to the assessment during the prior year

What are the HIRD Requirements?

- Employers with 11 or more employees are required to annually report to the state whether they are in compliance with the Section 125 mandate
- Employers with 11 or more employees are required to collect signed statements from employees who decline coverage
- Employers (or their carrier acting on their behalf) are required to issue employees “Health Insurance 1099s” on an annual basis

What is a CommChoice employer?

- A small employer (≤ 50 employees) that:
 - chooses the Connector as their health insurance benefit plan, and
 - contributes a minimum of 50% and 33% of individual and family premiums, respectively, toward their employee health insurance.

- An employer that:
 - chooses the Connector to offer health insurance to their employees on a pre-tax basis, and
 - does not contribute the minimum required.

Choices for CommChoice Employers?

- Set-up a Section 125 Plan for Connector products
- Make available Connector products to part-time and contract employees
- Contribute toward employee premiums for employees by selecting a “benchmark plan”

What is a Section 125 Plan Offering?

- Employee pays for medical insurance on a pre-tax basis
- Employer saves FICA taxes = 7.65%
- Employee saves FICA, state & federal income taxes = 40%
- These plans offered through the Connector

Example: Section 125 Savings

	w/o Plan	With Plan
Annual Income	\$70,000	\$70,000
Annual pre-tax Employee Contribution	\$0	\$ 3,000
Taxable Income	\$70,000	\$67,000
Estimated Taxes	\$14,670	\$13,530
Annual After-Tax Employee Contribution	\$ 3,000	\$0
Net Take Home Pay	\$52,330	\$53,470
Annual Savings from Pre-Tax Contributions	\$0	\$ 1,140*

* Employer saves \$230 in FICA, for a combined tax savings of \$1,370 on a \$3,000 premium

Who is eligible?

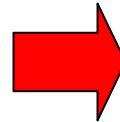
- Massachusetts residents
- 18 years of age or older
- If employed, certain eligibility restrictions apply:
 - Small employer vs. large employer
 - Employer contribution factors
- Eligible employees of CommChoice employer groups

How do I get coverage?

Online

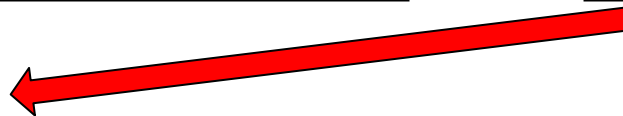
Consumer gathers information:

- Benefits options
- Cost
- Location of MDs/hospitals



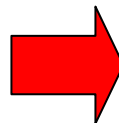
Connector presents options:

- Plan A
- Plan B
- Plan C
- Plan D



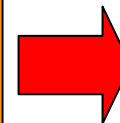
Consumer:

- Selects Health Plan
- Completes Online Enrollment
- Picks a PCP
- Pays 1st Month Premium



Connector:

- Collects Premium
- Sends Enrollment Information to Health Plan



Health Plan:

- Processes Enrollment
- Issues ID Card & EOC
- Pays Claims

Where do I get more information?

- For more information please visit our website at www.mass.gov/connector.
- Beginning in May 2007, we will have a new website and Customer Service Center, please visit current website for more information.
- Additionally, call our Public Information Unit at (617) 933-3140.