



# ACA LEARNING SERIES

Impact on Massachusetts &  
Implementation Activities to Date

## EMPLOYER SPONSORED INSURANCE AND AFFORDABILITY UNDER THE ACA

September 2013

A collaborative effort between the  
Executive Office of Health and Human Services and the Health Connector

# Overview

- The Affordable Care Act (ACA) ushers in some new changes to the way employees can access subsidized health insurance at Marketplaces (like the Massachusetts Health Connector)
- The law tries to leverage private offers of employer-based coverage when coverage meets a minimum value and a federally defined affordability standard
- For those employees without such coverage and who meet income criteria, subsidies will be available at the Massachusetts Health Connector

# Where We've Been: Affordability Prior to the ACA

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- Under Massachusetts health reform (Chapter 58), low and middle-income employees were blocked from Commonwealth Care if they were offered employer-sponsored health insurance where the employer offered to contribute at least 33% towards coverage
- This standard did not look to whether or not the employee's share of the premium was affordable

# The ACA's Approach to Affordability

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- The ACA provides subsidies in the form of tax credits to individuals and families that earn up to 400 percent of the federal poverty level (FPL) – (See next slide)
- For an individual to access these tax credits at the Marketplace (e.g., the Health Connector), they need to either:
  - not have access to employer-sponsored health insurance
  - Have access to health insurance through their employer, but that coverage doesn't meet a minimum value standard and/or the cost required of the employee for self-only coverage would exceed 9.5 percent of the employee's household income

# FPL Guidelines as Reference

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<b>Household Size</b>	<b>100%</b>	<b>133%</b>	<b>150%</b>	<b>200%</b>	<b>300%</b>	<b>400%</b>
1	\$11,490	\$15,282	\$17,235	\$22,980	\$34,470	\$45,960
2	15,510	20,628	23,265	31,020	46,530	62,040
3	19,530	25,975	29,295	39,060	58,590	78,120
4	23,550	31,322	35,325	47,100	70,650	94,200
5	27,570	36,668	41,355	55,140	82,710	110,280
6	31,590	42,015	47,385	63,180	94,770	126,360
7	35,610	47,361	53,415	71,220	106,830	142,440
8	39,630	52,708	59,445	79,260	118,890	158,520
For each additional person, add	\$4,020	\$5,347	\$6,030	\$8,040	\$12,060	\$16,080

# Going Deeper Into Eligibility

- What is *Minimum Value*?
  - The *Minimum Value* standard (also referred to as “*MV*”) requires that a plan offered by an employer covers at least 60 percent of allowed costs under that plan
  - Whether a plan meets *MV* can be found on the *Summary of Benefits and Coverage (SBC)* for a health plan
  - In *Massachusetts*, it would be very uncommon for an employer to offer coverage that does not meet this *MV* standard

# Going Deeper Into Eligibility (Cont'd)

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- What is affordable?
  - The ACA defines affordable coverage, for the purposes of determining eligibility for tax credits at Marketplaces like the Health Connector, as coverage that requires less than 9.5 percent of an individual's household income for self-only coverage
  - Household income is based on MAGI calculations

# MAGI

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- Modified Adjusted Gross Income (MAGI)
  - Adjusted Gross Income can be found on your tax return:
    - U.S. Form 1040, line 37
    - U.S. Form 1040A, line 21
    - U.S. Form 1040EZ, line 4
- MAGI consists of an individual's Adjusted Gross Income, plus:
  - Tax-exempt Social Security
  - Interest
  - Foreign earned income
- Individuals will be able to “build” their MAGI by entering in their projected annual income and deductions into a MAGI calculator in the online application



# Calculating

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Annual  
Household  
Income



9.5%



Maximum Annual  
Expected  
Contribution

# Sample Incomes and Affordability

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Sample Annual Income	9.5% of Income	Affordable Monthly Contribution
\$25,000	\$2,375	\$197.92
\$40,000	\$3,800	\$316.67
\$45,000	\$4,275	\$356.25
\$50,000	\$4,750	\$395.83
\$55,000	\$5,225	\$435.42
\$65,000	\$6,175	\$514.58
\$75,000	\$7,125	\$593.75
\$100,000	\$9,500	\$791.67

# Affordability of Employee-Only Coverage

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## Example 1:

- Income: \$40,000
- John's share of the premium: \$200/month
- Is the plan affordable?
- Cost: \$2,400
- Share of income: 6%
- The plan is affordable.
- John cannot qualify for premium tax credits.

## Example 2:

- Income: \$25,000 John's share of the premium: \$200/month
- Is the plan affordable?
- Cost: \$2,400
- Share of income: 10.4%
- The plan is not affordable. John may qualify for premium tax credits.

# Affordability of Family (Reyes Family)

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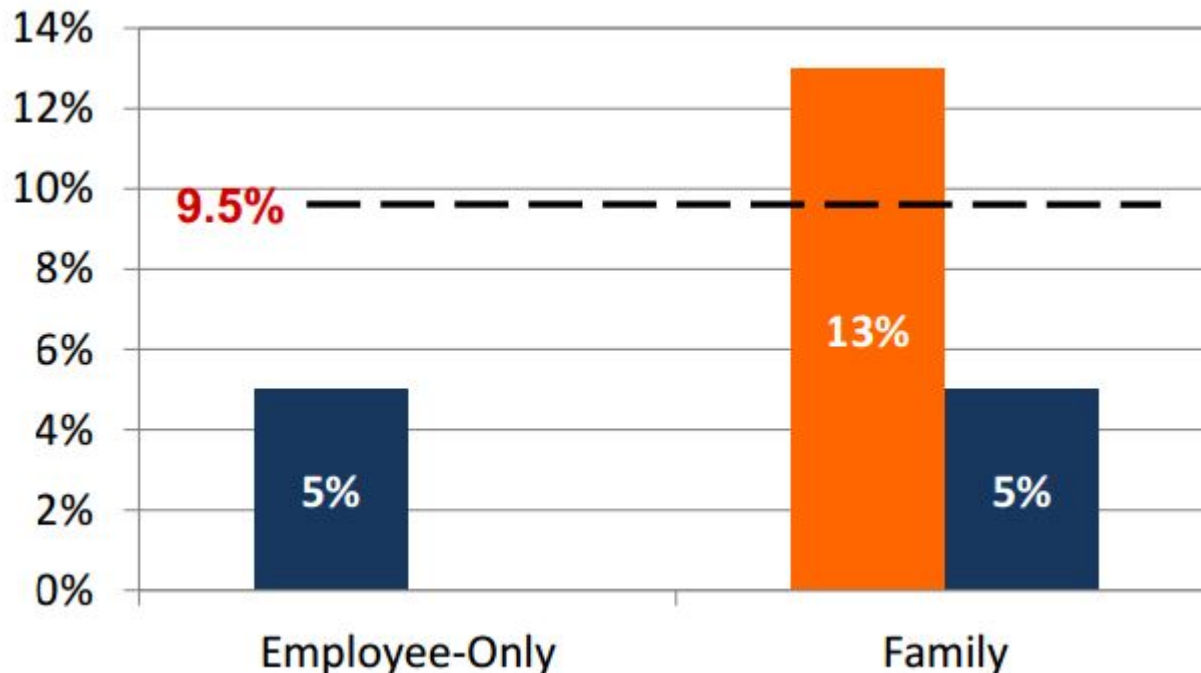
Mom works at Acme. She earns \$35,000. Dad is an entrepreneur and earns about \$12,000.

**Family Income:** \$47,000.

**Premium Cost to Employee for Employee-Only Plan:**

\$196/mo (\$2,350/yr) 5% of income

**Premium Cost to Employee for Family Plan:** \$509/mo (\$6,110/yr) 13% of income



**Bottom Line:**

No one is eligible for premium tax credits because family coverage is considered affordable.

# Affordability of Coverage (Reyes Family)

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**Family Income: \$47,000**

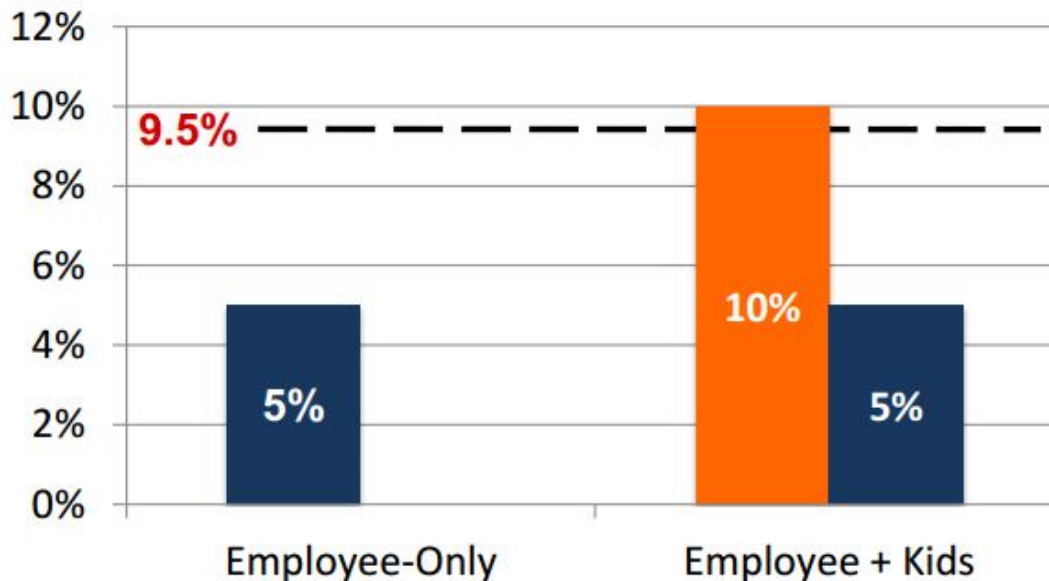
**Premium Cost to Employee for Employee-Only Plan:**

\$196/mo (\$2,350/yr) 5% of income

**Premium Cost to Employee for Employee + Kids Plan:**

\$392/mo (\$4,700/yr) 10% of income

Family coverage is not offered.



## **Mom and Kids**

- Employee + kids plan is considered affordable because employee-only plan is affordable.

- Mom and kids are not eligible for premium tax credits.

## **Dad**

- Dad has no offer of coverage.

- He may be eligible for premium tax credits.

# Affordability of Family Coverage (Reyes Family)

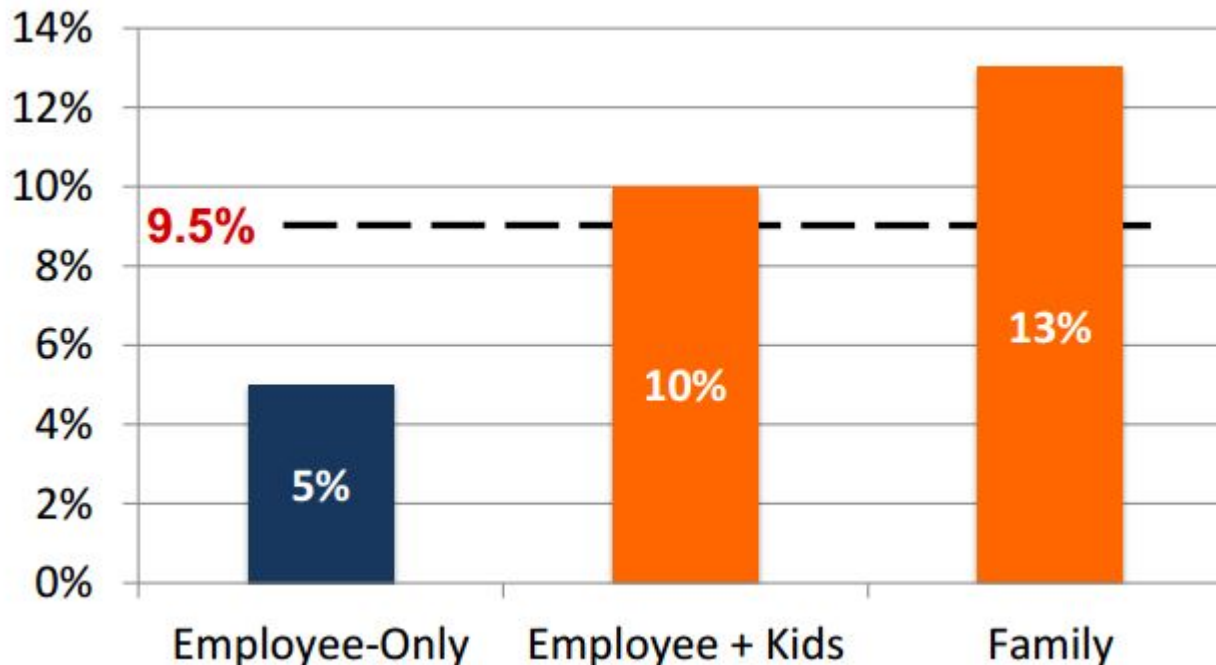
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**Family Income:** \$47,000

**Employee-Only Plan:** \$196/mo (\$2,350/yr) 5% of income

**Employee + Kids Plan:** \$392/mo (\$4,700/yr) 10% of income

**Family Plan:** \$509/mo (\$6,110/yr) 13% of income



**Any of these plans would be considered affordable because the cost of self-only coverage is <9.5% of income**

# MassHealth and Employer-Sponsored Insurance (ESI)

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- Having access to ESI does not prevent an individual from becoming eligible for MassHealth
- MassHealth may perform an investigation to determine if individuals receiving MassHealth either:
  - have health insurance that MassHealth may help pay for; or
  - have access to employer-sponsored health insurance in which MassHealth wants the individual to enroll and for which MassHealth will help pay

# Insurance Partnership Transition

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- As of January 1, 2014, the Insurance Partnership (IP) program will be discontinued
  - IP has been a program that
    - made incentive payments to small businesses and
    - provided health insurance premium assistance for previously uninsured low-income employees
- MassHealth and the Health Connector are working together on outreach plans to both participating small employers and eligible members
  - All Employers will be sent a letter informing them that the IP program is ending, and directing them to learn more about what options for affordable health insurance may be available through the Health Connector
  - All Members will be sent a letter explaining the changes and what, if anything, they need to do



# Insurance Partnership Transition (cont)

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## Impacts to Employees/Members

- All IP members will be evaluated to determine what benefits they qualify for through MassHealth or the Health Connector
  - IP Members will fall into 1 of 2 categories:
    - Group 1: Eligible for a MassHealth Premium Assistance Program, including the new MassHealth Small Business Employee Premium Assistance (SBEPA) Program
    - Group 2: Potentially eligible for subsidies through the Health Connector – if the insurance their employer offers is considered unaffordable by ACA standards (**Members must apply for coverage**)

# Insurance Partnership Transition (cont)

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- Impacts to Employees/Members (cont)
  - Extra outreach efforts with tailored messages have been developed to ensure a smooth transition
    - MassHealth will have a dedicated customer service line for Insurance Partnership members
  
- Impacts to Employers
  - MassHealth will no longer provide incentives to small employers
  - Small employers will have new opportunities to shop for affordable health insurance through the Health Connector and may qualify for federal tax credits or premium rebates through the Connector's Wellness Track program

# MassHealth Small Business Employee Premium Assistance Program

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- Who is eligible?:
  - Individuals ages 19 – 64
  - U.S. citizens or a qualified aliens
  - Must be ineligible for any other benefits through MassHealth or the Health Connector
  - Must work for a small employer that employs 50 or fewer full time employees
  - Must have income between 133% and 300% of FPL
  
- This is **not** an employer benefit

# MassHealth Small Business Employee Premium Assistance Program

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- The individual has access to an employer-sponsored health insurance (ESI) plan and is either:
  - Uninsured; or
  - If insured, the individual was a member of the Insurance Partnership program on November 15, 2013
- The health insurance is considered “affordable” by ACA standards (so the individual is not eligible for Health Connector subsidies)
- The health insurance costs more than MassHealth would require the individual to pay, based on their income.

# Appendix

# IP Transition – Group 1 Examples

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- Murphy Family (Mom, Dad, two kids at 130% FPL)
  - Cost of insurance is \$658/month
    - Murphy family is currently eligible for MassHealth Standard benefits
    - Insurance meets MassHealth Premium Assistance program criteria for purchase
  - Murphy Family will be eligible for MassHealth Standard Premium Assistance benefits
  
- Mike (single adult with no children, 210%FPL)
  - Cost of insurance is \$188/month
    - Insurance is considered affordable by ACA standards (9.4% of income)
    - Insurance costs more than MassHealth would require the individual to pay (\$78)
  - Mike will be eligible for MassHealth SBEPA

# IP Transition – Group 2 Examples

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- Maria (single adult with no children, 257%FPL)
  - Cost of insurance is \$69/month
    - Insurance is considered affordable by ACA standards (2.8% of income)
    - Insurance costs less than MassHealth would require the individual to pay (\$118)
  - Maria will be ineligible for continued MassHealth benefits and not eligible for Health Connector Subsidies
  
- Sam (single adult with no children, 213%FPL)
  - Cost of insurance is \$283/month
    - Insurance is not considered affordable by ACA standards (13.9% of income)
  - Sam will be ineligible for continued MassHealth benefits. He will be potentially eligible for subsidies through the Health Connector –(**Must apply for coverage**)