

COMPONENTS OF THE INDIVIDUAL MANDATES AND HOW MASSACHUSETTS AND FEDERAL LAW DIFFER

Four policy components interact to form the individual mandate requirements in both the Massachusetts law and the federal law: the type of coverage required, the affordability standard, exemptions to the requirement, and the level of penalties imposed for noncompliance. Each is discussed here in turn. These policy components are summarized in Exhibit 1.

EXHIBIT 1. POLICY COMPONENTS OF THE INDIVIDUAL MANDATE

POLICY COMPONENT	NATIONAL ACA	MASSACHUSETTS
TYPE OF COVERAGE REQUIRED	<ul style="list-style-type: none"> To avoid the federal penalty related to the individual mandate under the ACA, non-exempt residents must maintain minimum essential coverage (MEC). Fully insured products sold to small employers and nongroup insurance products sold to residents must include Essential Health Benefits. Employer self-insured plans and large-group plans satisfy MEC without any requirement that they include Essential Health Benefits. Public insurance coverage (e.g., Medicaid and Medicare) also satisfies MEC. Those with grandfathered plans are exempt from the Essential Health Benefits requirement. 	<ul style="list-style-type: none"> To avoid the state penalty related to the MA individual mandate, all adults must enroll in minimum creditable coverage (MCC), regardless of the source of coverage. No exemptions from the MCC requirement are granted for grandfathered plans. MCC is automatically satisfied by public insurance coverage, student health coverage, and young adult plans held by eligible residents.
AFFORDABILITY STANDARD TO DETERMINE WHO IS SUBJECT TO THE COVERAGE REQUIREMENT	<ul style="list-style-type: none"> Affordability exemptions are granted to those for whom the premium for the lowest-cost coverage option exceeds 8% of family income. 	<ul style="list-style-type: none"> Affordability exemptions vary with income, requiring lower shares of income to be spent for health insurance by those with lower incomes. The state's affordability schedules also vary by household configuration (single, couple, or family). For all those with incomes below 400% of the federal poverty level (FPL), the MA affordability schedule is more progressive than the ACA's affordability standard.
EXEMPTIONS TO THE COVERAGE REQUIREMENT	<ul style="list-style-type: none"> Populations exempted: those with incomes below the income-tax-filing threshold, undocumented immigrants, Native Americans, those with religious objections, incarcerated people, those certified as having other economic hardships, and those who are without coverage for less than three consecutive months during the year (the exemption applies only to the first gap in coverage). 	<ul style="list-style-type: none"> Populations exempted: children, those with religious objections, those demonstrating financial hardship who are granted a Certificate of Exemption, and those who are without coverage for less than 90 days during the year.

continued

EXHIBIT 1. POLICY COMPONENTS OF THE INDIVIDUAL MANDATE *continued*

POLICY COMPONENT	NATIONAL ACA	MASSACHUSETTS
LEVEL OF PENALTIES IMPOSED FOR NONCOMPLIANCE WITH THE COVERAGE REQUIREMENT	<ul style="list-style-type: none"> • The federal penalty is determined as the greater of two values: <ol style="list-style-type: none"> 1. A flat dollar amount that in subsequent years increases with the cost of living, or 2. A percentage of the household's taxable income that is in excess of the tax-filing threshold equal to 1%, 2%, and 2.5% in 2014, 2015, and 2016 and beyond, respectively. • If all MA residents were uninsured once the federal reforms were fully implemented and the penalties were fully phased in, approximately three-quarters of them would face a higher federal individual mandate penalty than a state penalty. 	<ul style="list-style-type: none"> • The state penalty increases with income for the lowest-income groups. For those with incomes above 300% of the federal poverty level, the penalty also varies with age. The 2012 penalties are: <ul style="list-style-type: none"> – Half the cost of the lowest-priced Commonwealth Care plan for those with incomes at or below 300% of the poverty level. – Half the cost of the lowest-priced Commonwealth Choice plan for those with incomes above 300% of the poverty level.

Type of Coverage Required to Satisfy the Mandate. Both Massachusetts and the ACA require that coverage meet particular standards in order to satisfy the individual mandate; however, their standards differ appreciably. The main differences arise in requirements for private insurance coverage.

To avoid the federal penalty under the ACA, residents who are not exempt from the federal individual mandate (as described below) must maintain minimum essential coverage (MEC). MEC does not include specific benefit requirements beyond the requirement that the plan primarily cover medical benefits. Several types of coverage are deemed automatically compliant with the MEC standard: government-sponsored insurance programs (Medicaid, Medicare, the Children's Health Insurance Program [CHIP], the veterans' health care program TRICARE, and coverage through the Peace Corps), self-insured and large-group employer-sponsored insurance (ESI),³ and grandfathered plans (plans in effect on the date of enactment).⁴ Beginning January 1, 2014, fully insured products sold to small employers and nongroup insurance products must include Essential Health Benefits as defined in the federal law and as implemented in each state in order to satisfy the MEC standard.⁵ However, self-insured plans and large-group plans satisfy MEC *without* any requirement that they include the Essential Health Benefits. Thus virtually any large-group employer plan and any self-insured plan (regardless of employer size) will satisfy MEC under the

3 The ACA defines large-group, as of January 1, 2014, as 101 employees or more; however, states are permitted to define large-group as anywhere from 51 to 100 employees or more from January 1, 2014, until January 1, 2016. As of January 1, 2016, all states must be in compliance with the 101 employees or more definition.

4 In addition, the Secretary of Health and Human Services can deem other health benefits coverage, e.g., coverage through a state health benefits risk pool, as meeting MEC.

5 Center for Consumer Information and Insurance Oversight. 2011. "Essential Health Benefits Bulletin," December 16. http://cciio.cms.gov/resources/files/Files2/12162011/essential_health_benefits_bulletin.pdf