

RE-FORMING REFORM PART 2 IMPLEMENTING THE AFFORDABLE CARE ACT IN MASSACHUSETTS

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TABLE OF CONTENTS

Introduction	1
Background	2
Legislative and Regulatory Action.....	2
2014 Approaches: Recent Activity.....	4
Changes to Subsidized Coverage	4
MassHealth Eligibility for Adults with Incomes up to 133 Percent of the Federal Poverty Level.....	5
MassHealth CarePlus.....	7
Certain Coverage Programs Are No Longer Necessary and Will End	8
Males Now Eligible for Breast and Cervical Cancer Treatment Program	8
Increased Benefits for Certain MassHealth Members with HIV	8
Changes to MassHealth Policies for Children and Young Adults.....	9
Premium Assistance and Cost-Sharing Subsidies for Moderate-Income Individuals	9
Policies to Promote Enrollment in and Maintenance of Coverage	10
Data Sharing	11
New Income and Premium Methodology: MAGI.....	11
Determining and Redetermining Eligibility in MassHealth	11
Smooth Transitions between Programs.....	13
Outreach and Enrollment Assistance	14
Changes in the Private Health Insurance Market	17
Consumer Protections.....	17
Children up to Age 26 Can Stay on Their Parent's Insurance Plan	18
Eligibility to Purchase Non-Group Insurance Regardless of Access to Employer-Sponsored Insurance	18
Other Insurance Market Rules	18
Payment Reform	20
Conclusion	21
Appendices	
Appendix A: 2013 Federal Poverty Guidelines for All States (Except Alaska and Hawaii) and Washington, D.C.	22
Appendix B: Modified Adjusted Gross Income (MAGI).....	22

INTRODUCTION

In April of 2006, Massachusetts enacted its landmark health reform, Chapter 58 of the Acts of 2006, *An Act Providing Access to Affordable, Quality, Accountable Health Care*. Four years later, in March 2010, the federal government followed suit when President Obama signed *The Patient Protection and Affordable Care Act (ACA)*. Major components of the ACA were modeled on the 2006 Massachusetts reform, but the laws are not identical. States were given a significant amount of flexibility in implementing the ACA, and Massachusetts had to make decisions as to how best to implement the federal law. As a result, ACA implementation has led to changes in existing health programs, policies, and operations in Massachusetts.

The ACA will bring about changes to the state's subsidized coverage options, eligibility and enrollment policies and procedures, private insurance market, and payment reform initiatives. Some of the most important changes include:

- Expanding Medicaid coverage to approximately 45,000 low-income Massachusetts adults who previously did not have access to coverage;
- Expanding health insurance subsidies from 300 percent of the Federal Poverty Level (FPL) to 400 percent FPL;
- Allowing young adults up to age 26 to stay on their parent's plans regardless of whether the plan is fully insured or self-insured;
- Creating a single, streamlined online application for subsidized coverage that, when fully implemented, will allow for real-time eligibility determinations;
- Protecting consumers by eliminating pre-existing condition coverage limitations and lifetime and annual limits and strengthening appeals processes; and
- Encouraging payment and delivery models that promote higher-quality, lower-cost care.

This report explains how Massachusetts chose to amend its existing programs and operations in order to comply with the ACA, and what these changes mean for the people of Massachusetts.

BACKGROUND

The Commonwealth of Massachusetts has been carefully planning its ACA implementation for the past few years to ensure that the state reaps the ACA's benefits while protecting its own accomplishments achieved through earlier state health reform. Although the ACA's approach to expanding coverage and organizing the insurance market is similar to the Massachusetts health reform law, the ACA's details —and the ways the state chooses to implement them — have implications for Massachusetts policy. The Blue Cross Blue Shield of Massachusetts Foundation outlined the key components and state implications of the ACA at the time of its passage in 2010 in the report [*Re-Forming Reform: What the Patient Protection and Affordable Care Act Means for Massachusetts*](#). This report serves as a follow-up to the 2010 publication, documenting the decisions that the state has made in order to implement the federal law.

LEGISLATIVE AND REGULATORY ACTION

Part of the state's preparation has been to pass new laws and amend existing ones. In May and June of 2012, the state passed two laws necessary to implement major provisions of the ACA in 2014:

Chapter 96 of the Acts of 2012 authorizes the state's Health Connector to carry out the duties of a Health Insurance Marketplace (also known as an Exchange), as defined by the ACA. The law specifies that these duties will include certification of Qualified Health Plans (QHPs) to be sold through the Health Connector and eligibility determination for federal subsidies for insurance coverage (premium tax credits and cost-sharing reductions).

Chapter 118 of the Acts of 2012 allows for the state — including the Division of Insurance (DOI), Health Connector, and MassHealth (Massachusetts's Medicaid program) — to implement programs and policies in compliance with the ACA. Specifically, the law addresses:

- Affordability of coverage, by allowing the state to supplement federal insurance subsidies for people with incomes at or below 300 percent FPL and authorizing the creation of an ACA-compliant Basic Health Program¹;
- Organization of the health insurance market, by authorizing a transitional reinsurance program to help stabilize individual insurance premiums; requiring an ACA-compliant risk adjustment program in the small group and individual insurance markets; and allowing the sale of child-only, stand-alone dental, stand-alone vision, and catastrophic policies through the Health Connector; and

1 The U.S. Department of Health and Human Services (HHS) announced in February 2013 that Basic Health Program regulations would not be issued in time for January 2014 implementation. Basic Health Program proposed regulations were published in September 2013. HHS plans to finalize the regulations in 2014 in preparation for interested states to implement the Basic Health Program in 2015. Massachusetts has not decided whether or not it will pursue a Basic Health Program.

- Organization of the health care system to better serve patients and improve quality, by authorizing a demonstration program for people dually eligible for MassHealth and Medicare; establishing a fund to collect federal revenue supporting the Money Follows the Person rebalancing demonstration for people who need long-term services and supports; prohibiting providers from charging or seeking reimbursement for services provided as a result of a health-care-associated infection or a serious reportable event;² and requiring doctors and certain other providers not enrolled with MassHealth but who order or refer services for MassHealth patients to apply to enroll with MassHealth as an ordering and referring provider as a condition of state licensure and participation in an insurance carrier’s network.³

In July 2013 the state passed its [Fiscal Year \(FY\) 2014 budget](#), which included funding for some of the major changes that will occur when central provisions of the ACA go into effect in January 2014. The budget accounted for increased MassHealth enrollment, new federal Medicaid revenue, and funding for state “wrap” subsidies for those with income at or below 300 percent FPL who purchase QHPs through the Health Connector. The budget also repealed the state’s employer Fair Share Contribution and Employee Health Insurance Responsibility Disclosure requirement in anticipation of adopting the federal employer responsibility provisions in 2015.^{4,5}

In addition to legislative changes, a series of regulatory changes were made in order to maintain the state’s individual mandate alongside the federal mandate. The state made the significant decision to keep its individual mandate as a means to continue to promote comprehensive coverage and benefits through state Minimum Creditable Coverage regulations.⁶ Affordability rules have been adjusted to maintain the state’s progressive approach while also improving alignment with the federal standard. Beginning in 2014, the state affordability schedule will include a cap for median-income earners and will require those above that level to pay no more than eight percent of their income.⁷ The penalty will be modified to ensure that individuals do not face aggregate state and federal penalties for failing to obtain coverage. In particular, the state will allow federal penalty amounts to be subtracted from state penalties, if applicable.

2 Massachusetts already prohibits hospitals from charging for “[serious reportable events](#),” or health care–related conditions that could have been prevented, and this provision requires that the state’s policies are also compliant with the Affordable Care Act’s policies.

3 Applying to enroll as an “ordering and referring only” provider will not be required until MassHealth promulgates regulations governing such limited participation.

4 *MassHealth and Health Reform Funding in the FY 2014 General Appropriations Act*, Massachusetts Medicaid Policy Institute, Boston: August 2013.

5 Mark J. Mazur, *Treasury Notes: Continuing to Implement the ACA in a Careful, Thoughtful Manner*, Washington, DC: July 2013, accessed on December 10, 2013. Available online at: <http://www.treasury.gov/connect/blog/pages/continuing-to-implement-the-aca-in-a-careful-thoughtful-manner-.aspx>.

6 While the ACA requires individual coverage to meet minimum coverage standards (Essential Health Benefits), it recognizes most group insurance as constituting coverage without application of minimum coverage standards. Because the state’s individual mandate and Minimum Creditable Coverage regulations apply to individuals, the continuation of the state’s individual mandate is a means to enforce minimum coverage requirements more broadly than the federal law does.

7 Kaitlyn Kenney, *Individual Mandate: Amendments to Minimum Creditable Coverage Regulations (VOTE) and Calendar Year 2013 Affordability Schedule (VOTE)*, Massachusetts Health Connector, Boston: March 14, 2013.

2014 APPROACHES: RECENT ACTIVITY

These legislative and regulatory actions set the stage for implementation of the ACA, but more comprehensive legislation was necessary to implement the federal law fully. In May 2013, Governor Patrick filed [*An Act Implementing the Affordable Care Act and Providing Further Access to Affordable Health Care*](#), which in July 2013 was passed by the legislature and signed into law as Chapter 35 of the Acts of 2013. Simultaneously, the state proposed to amend its Section 1115 Demonstration Waiver, which governs the structure of MassHealth, to implement the Medicaid provisions of the ACA.⁸ The [*Section 1115 Demonstration Waiver amendment*](#) was approved by the Centers for Medicare and Medicaid Services (CMS) on October 1, 2013. The new state law and the waiver amendment provide detailed information on how the state will change its programs, policies, and operations to comply with the ACA. The remainder of this report describes the provisions of the 1115 Demonstration Waiver amendment and the state's ACA implementation law (Chapter 35) in detail.

ACA implementation in Massachusetts will bring changes to subsidized coverage options, eligibility and enrollment policies and procedures, the private insurance market, and payment reform initiatives.

CHANGES TO SUBSIDIZED COVERAGE

The ACA's main goal is to get residents enrolled in coverage. The law aims to achieve this goal by providing affordable coverage options, including more publicly subsidized coverage options. States can expand their Medicaid programs to nearly all low-income populations, and for moderate-income populations, the federal government will provide subsidies to offset the cost of private insurance purchased through Health Insurance Marketplaces.

Massachusetts already provides affordable coverage options through MassHealth and the Health Connector, but it amended many of its programs and policies to comply with and benefit from the ACA. With the federal government providing more financial assistance to low- and moderate-income residents, Massachusetts will be able to use state dollars to provide additional subsidized coverage options.

The table on page 5 explains the populations eligible for various publicly subsidized coverage options beginning in 2014.

⁸ The state's current waiver is authorized through June 30, 2014, and a waiver renewal request for a five-year extension was submitted to CMS on September 30, 2013.

TABLE 1: POST-2014 PUBLICLY SUBSIDIZED COVERAGE OPTIONS

COVERAGE TYPE	POPULATIONS COVERED
MASSHEALTH STANDARD	<ul style="list-style-type: none"> • Children up to age 19 ≤ 150% FPL* • Young adults ages 19 and 20 ≤ 150% FPL • Parents/caretaker relatives ≤ 133% FPL • Pregnant women ≤ 200% FPL (regardless of immigration status) • Adults with disabilities ≤ 133% FPL • Individuals receiving treatment for breast or cervical cancer ≤ 250% FPL • Individuals who are HIV+ ≤ 133% FPL • Adults receiving (or on the wait list to receive) Department of Mental Health services ≤ 133% FPL • Adults ≤ 133% FPL who are eligible for CarePlus and have special health needs (known as “medically frail”); these adults can opt in to Standard or stay in CarePlus
MASSHEALTH COMMONHEALTH	<ul style="list-style-type: none"> • Adults with disabilities > 133% FPL • Children and young adults with disabilities > 150% FPL
MASSHEALTH CAREPLUS	<ul style="list-style-type: none"> • Adults ≤ 133% FPL
MASSHEALTH FAMILY ASSISTANCE	<ul style="list-style-type: none"> • Children up to age 19, 150.1–300% FPL • Individuals who are HIV+ 133.1–200% FPL • Lawfully present immigrants and non-qualified PRUCOL[†] — Disabled or over age 65 ≤ 100% FPL • Certain non-qualified PRUCOL^{††} ≤ 300% FPL
CONNECTORCARE	<ul style="list-style-type: none"> • Adults 133.1–300% FPL • Lawfully present immigrant adults 0–300% FPL
QHPS WITH ADVANCED PREMIUM TAX CREDITS	<ul style="list-style-type: none"> • Adults and children ≤ 400% FPL
MASSHEALTH SMALL BUSINESS EMPLOYEE PREMIUM ASSISTANCE	<ul style="list-style-type: none"> • Small business employees 133.1–300% FPL who are not otherwise eligible for MassHealth and who have access to employer-sponsored insurance that is not affordable under state standards but makes them ineligible for ConnectorCare or QHPs with advanced premium tax credits

*For 2013 Federal Poverty Level Guidelines, please see Appendix A.

[†] Nonqualified Permanent Residence under Color of Law (PRUCOL) are a small group of lawful immigrants who are not eligible to shop through the Health Connector. This population includes young people who have employment authorization under the Deferred Action Childhood Arrival process.

^{††} Nonqualified PRUCOL individuals may qualify for MassHealth Family Assistance if they would otherwise qualify for ConnectorCare but for their immigration status.

MASSHEALTH ELIGIBILITY FOR ADULTS WITH INCOMES UP TO 133 PERCENT OF THE FEDERAL POVERTY LEVEL

Prior to the ACA, under federal law, people with incomes at or below 133 percent FPL could qualify for Medicaid only if they were also members of certain mandatory categories or groups, such as pregnant women, children, low-income parents, or people with a disability. States could propose to expand Medicaid to other categories of people through the federal waiver process. Massachusetts had taken advantage of the waiver option, and, through an 1115 Demonstration Waiver, Massachusetts had previously expanded Medicaid to additional categories of individuals, including long-term unemployed adults, through the MassHealth Essential program. Under Chapter 58, the state expanded Medicaid eligibility to children up to 300 percent FPL and created

the Commonwealth Care program⁹ for adults with incomes up to 300 percent FPL who are not eligible for MassHealth or employer-sponsored insurance. Certain other low-income adults obtain subsidized coverage through the Insurance Partnership (IP) and the Medical Security Plan (MSP), programs created in earlier phases of health reform in the state.¹⁰

The ACA allows states to expand their Medicaid programs to include nearly all adults up to 133 percent FPL (or 138 percent FPL when a five percent income disregard is taken into account¹¹), and Massachusetts has chosen to participate in the expansion. Because most Massachusetts residents under 133 percent FPL already have coverage through MassHealth, Commonwealth Care, or another state program, this expansion will newly cover only a small number and percentage of Massachusetts residents — those who previously were ineligible for coverage. The state estimates that approximately 45,000 adults will be newly eligible for coverage as a result of the Medicaid expansion.¹² However, a total of about 325,000 individuals will qualify for Medicaid coverage as a result of the ACA, as low-income individuals switch to Medicaid from other programs and services, including Commonwealth Care, MSP, the IP, and the Health Safety Net. The majority of these adults will be enrolled in MassHealth CarePlus, the new health plan for the ACA expansion population.¹³

Beginning in 2014, the state will be eligible for an enhanced Federal Financial Participation (FFP) rate for this Medicaid expansion group. The state typically receives a 50 percent federal match on Medicaid expenditures, but under the new federal matching rules, the matching rate for the expansion population will be 75 percent in 2014 for most expansion enrollees, growing to 90 percent by 2020.¹⁴ The Commonwealth expects that a small portion of the expansion population — those who have never previously been eligible for coverage under state health care reform — will qualify for a 100 percent federal match in 2014, falling to 90 percent by 2020. Therefore, the federal Medicaid expansion will bring additional federal revenues to the state. The state will

9 Commonwealth Care will end on March 31, 2014. Roni Mansur, Ashley Hague, Scott Devonshire, *2014 Open Enrollment Check-in*, Massachusetts Health Connector, Boston: November 14, 2013.

10 The Insurance Partnership (IP) is a state and federally funded program that helps small businesses and small-business employees pay for the cost of their health insurance plans. The goal of the program is to make health insurance more affordable for small businesses and their employees and reduce the number of uninsured workers in the state of Massachusetts. Because of new subsidized coverage options, the IP will end on December 31, 2013. Former Insurance Partnership members who must reapply for insurance through the Health Connector will continue to receive premium assistance from MassHealth through March 31, 2014, the end of the federal open enrollment period. The Medical Security Program (MSP) is a health insurance assistance program provided by the Massachusetts Department of Unemployment Assistance to residents who are receiving unemployment benefits. MSP provides eligible unemployed residents (and, if applicable, their families) with a health insurance plan or partial reimbursement of existing health insurance premiums. Because of new subsidized coverage options, MSP will end on December 31, 2013. Certain existing MSP members will have coverage through March 31, 2014. Roni Mansur and Ashley Hague, *2014 Open Enrollment Check-in*, Massachusetts Health Connector, Boston: December 12, 2013.

11 The ACA requires that states use a different measure of income called “Modified Adjusted Gross Income” (MAGI) to assess financial eligibility for MassHealth and subsidized QHPs through the Health Connector. Under MAGI, there will be a five percent income disregard in MassHealth, which means that five percent of an applicant’s income will not be taken into account when determining if the applicant meets MassHealth income requirements.

12 *ACA Update: Office of Medicaid Advocates Meeting*, Massachusetts Executive Office of Health and Human Services, Boston: August 9, 2013.

13 *Secretary Polanowicz Announces MassHealth CarePlus Program to Serve Low Income Massachusetts Adults Under Affordable Care Act*, Massachusetts Executive Office of Health and Human Services, Boston: September 23, 2013.

14 The state will be able to claim “Newly Eligible FMAP” or “Expansion State FMAP,” depending on the type of enrollee in the Medicaid expansion group.

also save money by transitioning individuals from existing programs into QHPs that primarily use federal tax credits and cost-sharing subsidies. Savings generated as some people transition from public coverage to QHPs, in combination with new federal revenue, are expected to yield about \$200 million for the state in the first half of 2014.¹⁵

MASSHEALTH CAREPLUS

Beginning in 2014, individuals in the new Medicaid expansion group will be enrolled in one of two MassHealth benefit packages:

- **MassHealth CarePlus**, for adults 21 to 64 who do not fall into a specific eligibility category (such as pregnant women, parents, or individuals with disabilities). MassHealth CarePlus will include Essential Health Benefits required by the ACA but will not provide all of the benefits of MassHealth Standard. Individuals in MassHealth CarePlus will be required to enroll in a MassHealth Managed Care Organization. Cost sharing in CarePlus will be similar to ConnectorCare cost sharing for the lowest-income group, including co-payments for benefits such as prescription drugs and no monthly premiums.¹⁶
- **MassHealth Standard**, for individuals who are aged 19 or 20, who are HIV-positive, or whom the Department of Mental Health (DMH) has determined to be eligible for DMH services. In addition, individuals who have other special health needs that make them “medically frail” have a choice whether to enroll in Standard or remain in CarePlus.¹⁷ There is no change in coverage for most individuals who currently receive MassHealth Standard and have incomes at or below 133 percent FPL.

If doing so is cost-effective, MassHealth CarePlus, as MassHealth Standard does today, will provide premium assistance to enrollees who have access to private insurance (such as through an employer) and will provide secondary coverage for additional benefits covered by MassHealth and not covered under the private insurance. In addition, MassHealth will provide assistance so that those enrolled in premium assistance face cost sharing that is comparable to MassHealth levels.

¹⁵ *MassHealth and Health Reform Funding in the FY 2014 General Appropriations Act*, op. cit.

¹⁶ *Massachusetts Health Care Programs — 2014: Health Care Reform under the Affordable Care Act (ACA)*, MassResources.org, accessed on December 4, 2013. Available online at <http://www.massresources.org/health-care-2014.html#careplus>.

¹⁷ Until medically frail individuals make an informed decision about whether they want to enroll in MassHealth Standard, they will be enrolled in CarePlus.

CERTAIN COVERAGE PROGRAMS ARE NO LONGER NECESSARY AND WILL END

Given the Medicaid expansion and the new availability of premium credits and cost-sharing subsidies under the ACA, several coverage programs will no longer be necessary and will end.

Programs ending on December 31, 2013, include:

- MassHealth Essential
- MassHealth Basic
- The Medical Security Program¹⁸
- The Insurance Partnership¹⁹

Programs ending on March 31, 2014, include:

- Commonwealth Care²⁰

Many consumers who are currently enrolled in the above coverage types will be eligible for MassHealth and will be automatically transitioned to new MassHealth coverage. Others may be eligible for subsidized QHPs through the Health Connector.

MALES NOW ELIGIBLE FOR BREAST AND CERVICAL CANCER TREATMENT PROGRAM

Beginning in 2014, the Breast and Cervical Cancer Treatment Program will allow men with breast cancer to enroll in the program. Applicants for this program will no longer have to go through a clinic supported by the Women's Health Network but will be able to apply directly and later will be asked to submit medical verification of their cancer screening and diagnosis.

INCREASED BENEFITS FOR CERTAIN MASSHEALTH MEMBERS WITH HIV

Previously, HIV-positive individuals with incomes at or below 200 percent FPL received MassHealth Family Assistance. As a result of the ACA Medicaid expansion, individuals in the HIV Family Assistance Program with incomes of 133 percent FPL or less will be eligible for MassHealth Standard. Individuals between 133.1 and 200 percent FPL will continue to receive MassHealth Family Assistance.

18 Certain existing MSP members will have coverage through March 31, 2014. Roni Mansur and Ashley Hague, op. cit.

19 Former Insurance Partnership members who must reapply for insurance through the Health Connector will continue to receive premium assistance from MassHealth through March 31, 2014, the end of the federal open enrollment period.

20 Although Commonwealth Care formally ends on December 31, 2013, CMS approved the state's request to extend Commonwealth Care until the end of the federal open enrollment period, March 31, 2014. This will provide consumers with sufficient time to apply for and enroll in ConnectorCare. Roni Mansur, Ashley Hague, Scott Devonshire, op. cit.

CHANGES TO MASSHEALTH POLICIES FOR CHILDREN AND YOUNG ADULTS

19- AND 20-YEAR-OLDS ELIGIBLE FOR MASSHEALTH STANDARD

Beginning in 2014, 19- and 20-year-olds with incomes up to 150 percent FPL will be considered children under MassHealth, will receive MassHealth Standard benefits (including Early and Periodic Screening, Diagnosis and Treatment), and will be exempt from co-payments. Previously, MassHealth defined children as ages zero to 18. (Parents are still defined as parents living with children under age 19, and 19- and 20-year-olds with income over 150 percent FPL will not be able to qualify for Family Assistance as children.)

FORMER FOSTER CARE CHILDREN'S GROUP TO BE ELIGIBLE FOR MASSHEALTH STANDARD

Currently, Independent Foster Care Adolescents up to age 21 are eligible for MassHealth. Beginning in 2014, in addition to the 21 and younger population, former foster care children up to age 26 will be eligible for MassHealth Standard regardless of income.

PREMIUM ASSISTANCE AND COST-SHARING SUBSIDIES FOR MODERATE-INCOME INDIVIDUALS

COMMONWEALTH CARE TO BE REPLACED BY CONNECTORCARE

Previously in Massachusetts, the Commonwealth Care program provided subsidized coverage to adult residents with incomes at or below 300 percent FPL who were ineligible for Medicaid and met certain eligibility criteria. However, as a result of the provisions of the ACA (the Medicaid expansion and the availability of federal premium assistance and cost-sharing reductions for QHP enrollees up to 400 percent FPL), the Commonwealth Care program will come to an end on March 31, 2014. With the state no longer financially responsible for Commonwealth Care subsidies, Massachusetts will use state funding to create additional subsidies (premium assistance and cost-sharing reductions) for consumers with incomes up to 300 percent FPL purchasing certain QHPs through the Health Connector. This subsidized coverage option will be known as "ConnectorCare" and is intended to be very similar to the former Commonwealth Care program. The ConnectorCare-approved member premium contribution rates for FY 2014 are similar to Commonwealth Care rates for FY 2013; the same insurers (plus two additional insurers, Health New England and Minuteman Health) will be providing the plans; the plan benefits are similar and cost-sharing identical; the networks are at least as adequate; and individuals will have more choices among plans. In addition, people with access to employer-sponsored insurance (ESI) that is unaffordable will be eligible for ConnectorCare. (Most people with access to ESI, even if unaffordable, were not eligible for the Commonwealth Care program.) These ConnectorCare plans will provide coverage effective January 1, 2014. And because Commonwealth Care will not end until March 31, 2014, consumers will be able to maintain Commonwealth Care coverage while applying for ConnectorCare. The state will receive federal FFP funding for the premium subsidies portion of ConnectorCare for enrollees who are U.S. citizens or qualified noncitizens beginning on January 1, 2014. In its 1115 Demonstration extension request, the Commonwealth has proposed

expanding federal matching funds to include expenditures for cost-sharing reductions and subsidies for lawfully present immigrants, starting on January 1, 2015.²¹

INSURANCE PARTNERSHIP TO END; NEW INSURANCE AND PREMIUM ASSISTANCE OPTIONS FOR SMALL BUSINESSES AND SMALL-BUSINESS EMPLOYEES

Prior to 2014, the Insurance Partnership has provided a subsidy to certain small employers (together with self-employed individuals) to encourage them to offer coverage and premium assistance in order to help their lower-income employees pay for ESI. Because of new subsidized coverage options, the IP will end on December 31, 2013.

Many self-employed individuals who were previously eligible for the IP will now be eligible for premium tax credits and cost-sharing subsidies through the Health Connector. And employees with income up to 133 percent FPL or with dependent children may be eligible to continue receiving premium assistance through MassHealth. Some employees now receiving assistance in paying for ESI may have premium contributions that are considered unaffordable by ACA standards and therefore may be able to qualify for ConnectorCare. In addition, there are several incentives for small businesses to purchase insurance coverage for their employees, including tax credits and wellness rebates.

To ensure that coverage remains affordable for low-income employees of small businesses (ones with 50 employees or fewer), MassHealth will also offer Small Business Employee Premium Assistance to small-business employees with incomes between 133.1 and 300 percent FPL who have access to ESI, who are ineligible for other coverage through MassHealth, whose premium contributions are not affordable by state standards but are low enough to make them ineligible for subsidies through the Health Connector, and who are either uninsured or were previously enrolled through the IP. MassHealth has the authority to cap enrollment in this Small Business Employee Premium Assistance program.

POLICIES TO PROMOTE ENROLLMENT IN AND MAINTENANCE OF COVERAGE

Helping individuals maintain health coverage is an ongoing challenge. MassHealth and the Health Connector have been working on a series of policies to reduce the problem of eligible individuals “churning” in and out of coverage.²² Several provisions related to ACA implementation enable the state to continue making progress on reducing gaps in coverage. The ACA promotes maximum use of electronic data and minimum use of paper verifications during eligibility determination

²¹ *Section 1115 Demonstration Project Extension Request (SFY 2015 – SFY 2019)*, Massachusetts Executive Office of Health and Human Services, Office of Medicaid, Boston: September 30, 2013.

²² Robert Seifert and Amanda Littell-Clark, *Enrollment Volatility in MassHealth: A Progress Report*, Blue Cross Blue Shield of Massachusetts Foundation, Boston: April 2013.

and redetermination, employs a new income methodology (Modified Adjusted Gross Income), and allows hospitals to make presumptive eligibility determinations for most low-income populations, among many other provisions. Massachusetts has chosen not only to implement these ACA requirements but also to implement additional policies and operations to improve retention and reduce churn.

DATA SHARING

The ACA requires states to implement a single, streamlined application for coverage that provides consumers with a single point of entry to apply for all types of affordable coverage at one time. In Massachusetts, this “one-stop shop” is the Health Insurance Exchange/Integrated Eligibility System, or HIX/IES. Through the HIX/IES, an individual shopping for insurance on his or her own can submit an electronic or paper application to determine eligibility for all coverage types: MassHealth, subsidized QHPs, or unsubsidized QHPs. When the system is fully implemented, the applicant will be able to receive an eligibility determination in real time and quickly enroll in coverage.

The ACA (and in Massachusetts, the HIX/IES) relies heavily on data sharing between state and federal agencies to determine eligibility for MassHealth, QHPs purchased through the Health Connector, and federal tax credits and cost-sharing reductions to subsidize QHP coverage (including ConnectorCare). The law emphasizes the importance of state data sources and the federal data hub to safely transmit information to determine if an individual meets financial and other coverage requirements. The HIX/IES will be able to access data from the Internal Revenue Service, the Department of Homeland Security, and the Social Security Administration through the federal data hub. The HIX/IES will also have access to state data from the Department of Revenue and other state sources, and access to private data through contracts with vendors.

NEW INCOME AND PREMIUM METHODOLOGY: MAGI

One big change under the ACA is the way in which income is calculated to determine a person’s financial eligibility for MassHealth, ConnectorCare, and other subsidized QHPs. Previously, MassHealth financial eligibility for individuals under age 65 was based on an individual’s or family’s gross income. Starting in 2014, the ACA requires that states use a different measure of income called “Modified Adjusted Gross Income” (MAGI) to assess financial eligibility. This change will result in lower countable income for most people and, as a result, somewhat expand the number of people who will be eligible for MassHealth or other subsidized coverage. The change will also make some people eligible for more comprehensive types of Medicaid coverage.

For a detailed explanation of MAGI methodologies, please see Appendix B.

DETERMINING AND REDETERMINING ELIGIBILITY IN MASSHEALTH

Currently in MassHealth, members must be redetermined for coverage every 12 months. If a member fails to return his or her renewal form within 45 days, coverage is terminated and the member must fill out a new application for coverage. If a member fails to provide necessary

documentation within 60 days, it is also grounds for coverage termination.²³ After termination, if the person subsequently provides documentation of eligibility, benefits are resumed retroactive to 10 days prior to the submission of the missing information, which means that many individuals experience a gap in coverage between that date and the date coverage was terminated.

Beginning in 2014, to promote continuity of coverage, MassHealth will provide retroactive eligibility back to the date of termination when reinstating a member whose coverage was terminated for failing to return the renewal form or required documentation, if the member subsequently submits the paperwork within 90 days of the termination date. In addition, pursuant to the ACA, the state will check data sources at renewal and send members a renewal form that contains updated information about their situation; members will be required to return additional verification only if the prepopulated form is incorrect or if insufficient data was available from electronic sources.

PRESUMPTIVE ELIGIBILITY

“Presumptive eligibility” is a provision of Medicaid that allows for providing temporary health coverage to an individual so that he or she can receive covered health services immediately, while the MassHealth application is processed. The ACA allows hospitals²⁴ to conduct presumptive eligibility determinations for all Medicaid populations beginning in 2014, subject to limitations by the state.²⁵ As a result, Massachusetts will allow hospitals to make presumptive eligibility determinations — based on preliminary information provided by the individual — that provide benefits until the end of the following month or until an application is completed and an eligibility determination is made for the following Medicaid populations:

- Children up to 150 percent FPL;
- Pregnant women up to 200 percent FPL;
- Parents and caretaker relatives and other adults up to 133 percent FPL;
- Individuals who need treatment for breast or cervical cancer up to 250 percent FPL;
- Individuals who are HIV positive up to 200 percent FPL; and
- Former foster care adolescents with no income limit (up to age 26).

The state will provide pregnant women who are determined presumptively eligible with full MassHealth Standard benefits.

AUTOMATIC MASSHEALTH ELIGIBILITY FOR TANF, SSI, AND EAEDC BENEFICIARIES

The state will continue to provide automatic MassHealth Standard eligibility for those receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), or Emergency Aid to Elders, Disabled and Children (EAEDC) without making a separate income determination using MAGI methodology.

²³ Vicky Pulos, *MassHealth Advocacy Guide: An Advocate’s Guide to the Massachusetts Medicaid Program*, Massachusetts Law Reform Institute, Boston: 2012.

²⁴ The ACA’s new hospital-based presumptive eligibility rules apply specifically to hospitals that participate in the Medicaid program.

²⁵ *Presumptive Eligibility: A Step toward Streamlined Enrollment in Medicaid and CHIP*, Families USA, Washington, DC: September 2011.

MASSHEALTH “PROVISIONAL ELIGIBILITY” PERIOD TO ALIGN WITH HEALTH CONNECTOR’S “INCONSISTENCY PERIOD”

Under the ACA, the single, streamlined application system (in Massachusetts, the HIX/IES) will use electronic data to confirm applicant eligibility for subsidized coverage, based on an applicant’s self-attested information. If the system is unable to verify eligibility information through electronic data, individuals will have 90 days to submit any necessary verification in order to maintain that coverage. During this time, MassHealth will provide coverage while the applicant supplies documentation to verify eligibility. This “provisional eligibility” period will allow consumers to quickly enroll in coverage while they gather the necessary documentation. An individual may receive MassHealth provisional eligibility only once every 12 months (unless transitioning from a QHP with an Advanced Premium Tax Credit, or self-attesting to being pregnant).

This period of “provisional eligibility” will align MassHealth policy with the federal rules that govern the Health Insurance Marketplaces, including the Health Connector. If a Health Insurance Marketplace is unable to verify eligibility factors electronically, it is required to provide a 90-day period of coverage during which the individual must supply the missing verification in order to be determined eligible beyond the initial “inconsistency period.”

SMOOTH TRANSITIONS BETWEEN PROGRAMS

EXTENDING MASSHEALTH COVERAGE TO THE END OF THE MONTH

Many consumers will transition between MassHealth and ConnectorCare, as they did between MassHealth and Commonwealth Care, as their incomes and family circumstances change. Researchers have estimated that nationally, 50 percent of adults with income below 200 percent FPL will shift from Medicaid coverage to coverage through a Health Insurance Marketplace, or vice versa, within the time frame of one year.²⁶ Previously, MassHealth coverage could end at any time of the month, yet Commonwealth Care coverage could begin only on the first of the month. In order to prevent gaps in coverage, the state will extend MassHealth coverage to the end of the month for a member who is switching from MassHealth to ConnectorCare or another subsidized QHP, effective January 1, 2014.

AUTOMATICALLY MOVING ELIGIBLE CONSUMERS TO NEW MASSHEALTH PLANS

At the close of 2013 and in early 2014, several MassHealth and other subsidized programs will end, and consumers will need to transition to different coverage. (For a list of programs that will end, see page 8.) Approximately 20 percent of MassHealth members and all Commonwealth Care members will experience changes in their coverage. In order to make this switch as seamless as possible, the state will use an administrative process in which MassHealth identifies in its eligibility system (MA21) individuals currently enrolled in MassHealth or Commonwealth Care, as well as individuals receiving Health Safety Net services, who are eligible for new MassHealth coverage based on 2014 eligibility rules. MassHealth will then issue new eligibility determinations

²⁶ Benjamin D. Sommers and Sara Rosenbaum, “Issues In Health Reform: How Changes in Eligibility May Move Millions Back and Forth between Medicaid and Insurance Exchanges,” *Health Affairs*, 30, no.2 (2011): 228-236.

to these individuals without requiring them to fill out an application.²⁷ Most MassHealth members and approximately half of Commonwealth Care members will not need to reapply for coverage, as they will automatically be transferred to new MassHealth coverage.²⁸

TEMPORARY SUSPENSION OF ANNUAL REDETERMINATIONS

During this time of transition, while the state is switching to ACA-compliant coverage, the state will temporarily suspend annual MassHealth redeterminations between September 1, 2013, and December 15, 2013. The state will continue to process requests due to changes in circumstance, but will suspend annual redeterminations to allow MassHealth to devote all of its resources to transitioning to ACA-compliant coverage and to minimize members' confusion about their coverage.

MOVING CONSUMERS TO CONNECTORCARE

Those seeking ConnectorCare or other QHP coverage through the Health Connector will need to actively apply for coverage that begins in 2014. Consumers enrolled in Commonwealth Care, the Insurance Partnership, the Medical Security Program, or the Children's Medical Security Plan, as well as individuals receiving services through the Health Safety Net, will be able to maintain their existing coverage until March 31, 2014 while they enroll in ConnectorCare or another QHP. Individuals receiving services paid for by the Health Safety Net and members of the Children's Medical Security Plan will continue to receive the same coverage in 2014 if they fail to apply or are not eligible for Health Connector plans.

In an effort to minimize disruption of coverage, MassHealth and the Health Connector have planned extensive outreach and enrollment efforts, as described below. In addition, the state will modify special enrollment periods to make it easier for consumers to enroll in ConnectorCare.

Federal regulations allow states to create additional special enrollment triggering events, if these make coverage more accessible for consumers. In addition to the existing triggering events for special enrollment periods, proposed ConnectorCare regulations recommend allowing individuals to qualify for a special enrollment period if they are determined eligible for ConnectorCare, have a change in their ConnectorCare plan type, are approved for a hardship waiver, or have reached the end of their hardship waiver period. In essence, this will allow consumers to enroll in ConnectorCare at any time during the year.²⁹

OUTREACH AND ENROLLMENT ASSISTANCE

Many Massachusetts residents will be eligible for new MassHealth or Health Connector coverage and will need guidance and assistance with the application process. In order to get consumers enrolled in appropriate, affordable coverage, Massachusetts will rely heavily on the help of

²⁷ *ACA Learning Series: Member Transition Conference Call*, Massachusetts Health Care Training Forum, Boston: September 10, 2013.

²⁸ *Transition Toolkit 2013–2014*, Massachusetts Health Connector and MassHealth, Boston: 2013.

²⁹ Ashley C. Hague and Merritt Dattel McGowan, *Draft ConnectorCare Regulations*, Massachusetts Health Connector, Boston: October 10, 2013.

Navigators, Certified Application Counselors, brokers, employers, and health centers, as well as detailed outreach and enrollment plans.

NAVIGATORS

The ACA requires every Health Insurance Marketplace to establish a Navigator program to help consumers understand their health insurance options and apply for and enroll in coverage. Navigator programs are funded by grants made by the Health Insurance Marketplace.³⁰ In Massachusetts, the following ten organizations were awarded Navigator funding by the state's Health Connector to help consumers enroll:

- Boston Public Health Commission
- Caring Health Center
- Community Action Committee of Cape Cod & Islands, Inc.
- Ecu-Health Care
- Greater Lawrence Community Action Council
- Hilltown Community Health Care Centers
- Joint Committee for Children's Health Care in Everett
- Manet Community Health Center
- MAPS — Massachusetts Alliance of Portuguese Speakers
- PACE — People Acting in Community Endeavors

These organizations went through Navigator trainings in August and September 2013. Their funding — about \$1.1 million in total — continues through July 2014.³¹

CERTIFIED APPLICATION COUNSELORS (CACs)

The ACA also requires state Health Insurance Marketplaces to use Certified Application Counselors (CACs) to assist consumers in understanding new coverage options and enrolling in an appropriate program.³² Massachusetts chose to leverage MassHealth's existing Virtual Gateway users — a network of about 6,000 professionals at hospitals, health centers, and health care organizations — to be trained and serve as CACs.³³ These CACs receive Navigator-like training and are certified to help consumers enroll in MassHealth, ConnectorCare, and other subsidized or unsubsidized QHPs. Unlike Navigators, CACs are not funded by the state.

BROKERS

Health insurance brokers will continue to help small employers understand and enroll in appropriate coverage. Brokers have been trained on the marketplace changes resulting from the ACA

30 *Navigating the New Health Insurance Marketplaces*, Enroll America, Washington, DC: September 2013.

31 *Health Connector Announces Awardees of Massachusetts Navigator Grant Program*, Massachusetts Health Connector, Boston: July 22, 2013.

32 *Navigating the New Health Insurance Marketplaces*, op.cit.

33 Roni Mansur, Ashley Hague, and Jen Bullock, *National Health Care Reform Implementation Update*, Massachusetts Health Connector, Boston: September 12, 2013.

through in-person regional trainings, emails, and publications, many sponsored by the Health Connector.³⁴

EMPLOYERS

The Health Connector is working with employers to discuss how the ACA will affect their businesses and employees. In partnership with the Associated Industries of Massachusetts (AIM), the Health Connector hosted a series of “road shows” across the state to explain how the state is reconciling state and federal health reform, new employer responsibilities and opportunities, and changes to subsidized coverage options. The Health Connector has also produced brochures, FAQ documents, and an email listserv to provide more information and assistance to employers.³⁵

COMMUNITY HEALTH CENTERS

In 2013, the Health Resources and Services Administration (HRSA) made grants to community health centers across the nation to help consumers enroll in coverage. Thirty-five Massachusetts health centers were awarded a total of approximately \$3.5 million in grant funding that runs through June 2014. According to HRSA, it is expected that this funding will allow these health centers to hire 61 additional workers to help 110,754 people enroll in coverage.³⁶

ADDITIONAL OUTREACH AND ENROLLMENT PLANS

In addition to enrollment assisters, MassHealth and the Health Connector will rely on detailed outreach plans and campaigns to help consumers sign up for coverage. The Health Connector’s outreach strategy includes public education and town hall–style meetings, direct mail and email, an outbound calling campaign, a media campaign, and the use of Navigators, CACs, brokers, and employers to help consumers enroll.³⁷ MassHealth is in the process of conducting outreach to the members transitioning to new MassHealth coverage. In November 2013, MassHealth sent informational letters to the approximately 300,000 people who will be automatically transitioned to new MassHealth coverage. In December 2013, those consumers will receive an eligibility notice along with a MassHealth member booklet with additional information about their new coverage.³⁸ MassHealth and the Health Connector have also teamed up to provide training forums, learning series, and informational materials through the Massachusetts Healthcare Training Forum (MTF), as well as a transition toolkit for providers, enrollment assisters, and advocates.³⁹

³⁴ Ibid.; *ACA Learning Series: Member Transition Conference Call*, op. cit.

³⁵ Roni Mansur, Ashley Hague, and Jen Bullock, op. cit.

³⁶ *Massachusetts: Health Center Outreach & Enrollment Assistance*, Health Resources and Services Administration, Rockville, MD: 2013.

³⁷ Roni Mansur, Ashley Hague, and Jen Bullock, op. cit.

³⁸ *MassHealth — ACA Member Transition Advance Letter*, Massachusetts Health Care Training Forum, Shrewsbury, MA: November 1, 2013.

³⁹ *ACA Learning Series: Member Transition Conference Call*, op. cit.

CHANGES IN THE PRIVATE HEALTH INSURANCE MARKET

In addition to changes in public insurance programs and policies, the ACA brings about many changes in the private insurance market. In the state of Massachusetts, the ACA will create stronger consumer protections (e.g., the prohibition of pre-existing condition limitations, and robust appeals processes), allow young adults to remain on their parent's insurance plan until their 26th birthday, improve access to affordable insurance coverage through the Health Connector, and make changes to other insurance market rules (rating factors, carrier requirements, and open enrollment periods).

CONSUMER PROTECTIONS

One key aim of the ACA is to better protect consumers in the insurance market. The ACA's consumer protections include prohibiting the practice of unfair rescissions of coverage (meaning an insurer can no longer drop coverage for a person who becomes sick), providing preventive health services with no consumer cost sharing, eliminating plans' lifetime dollar limits, prohibiting denials or limitations of coverage due to a pre-existing condition, and offering the right to a just appeals process.⁴⁰ Massachusetts was already in compliance with a number of these protections, such as the prohibition of unfair coverage rescissions and — for the most part — the elimination of lifetime dollar limits.⁴¹ But in order to fully comply with the new ACA protections, the state needed to update its pre-existing condition limitation and appeals laws.

NO MORE PRE-EXISTING CONDITION LIMITATIONS

Previously in Massachusetts, insurers were not allowed to deny enrollment in coverage due to a pre-existing condition, but they could refuse to pay for treatments for a pre-existing condition for up to six months after enrollment. Under the ACA, individuals cannot be denied health insurance or benefits due to a pre-existing condition, and coverage for all services provided by a plan is effective on the first day of an individual's enrollment. These provisions are effective January 1, 2014.

APPEALS

Effective January 1, 2014, Massachusetts insurers will be required to comply with federal appeals processes. Carriers will be required to have an ACA-compliant formal internal appeals process; they must allow external reviews of appeals when an insured person believes that the carrier did not act properly on an appeal; and they must allow expedited reviews (internally and externally) of appeals, in which the external review panel must send a final written disposition of the appeal to the insured and the insurer within 72 hours of the receipt of request for review.

⁴⁰ *How Does the Health Care Law Protect Me?* Healthcare.gov, accessed on December 10, 2013. Available online at <https://www.healthcare.gov/how-does-the-health-care-law-protect-me/>.

⁴¹ Robert W. Seifert and Andrew P. Cohen, *Re-Forming Reform: What the Patient Protection and Affordable Care Act Means for Massachusetts*, Blue Cross Blue Shield of Massachusetts Foundation, Boston: June 21, 2010.

CHILDREN UP TO AGE 26 CAN STAY ON THEIR PARENT’S INSURANCE PLAN

The ACA requires that children and young adults up to age 26 be considered eligible dependents and be allowed to stay on their parent’s insurance plan. Previously in Massachusetts, young adults could stay on their parent’s private health insurance plan for two years after last qualifying as dependents⁴² or until their 26th birthday, whichever came first. However, this provision was only applicable to fully insured health plans in Massachusetts. Complying with the ACA provision, extending this option to young adults whose parents are in self-insured plans, and eliminating the state’s “whichever occurs first” clause will give more young adults in Massachusetts access to affordable coverage.

ELIGIBILITY TO PURCHASE NON-GROUP INSURANCE REGARDLESS OF ACCESS TO EMPLOYER-SPONSORED INSURANCE

Previously in Massachusetts, an individual could only purchase non-group coverage (inside or outside the Health Connector) if he or she did not have access to employer-sponsored insurance that met the state’s Minimum Creditable Coverage standards. However, in order to comply with the ACA, the state has changed its laws to allow any resident of Massachusetts to purchase non-group coverage, and anyone who meets Health Insurance Marketplace requirements⁴³ to purchase coverage through the Health Connector.

OTHER INSURANCE MARKET RULES

The ACA makes significant changes to private insurance market rules in order to promote fairer competition among insurers, protect consumers, and offer valuable insurance products. The ACA requires that all plans offered through Health Insurance Marketplaces provide Essential Health Benefits (or ten specific categories of benefits or services), offer coverage in standardized tiers based on actuarial value, and forbid discrimination based on health status.⁴⁴ In addition, the ACA requires changes to insurance rating factors and other insurer requirements. The state needed to amend its existing laws in order to account for these changes.

CHANGES TO RATING FACTORS

The ACA limits the factors that insurance companies can use to determine premium rates for individuals, families, and small businesses. Beginning in 2014, insurance companies will be allowed to adjust premiums for individual and small group policies only for the following factors:

- **Age:** The state’s ACA implementation law allows insurance companies to vary premiums based on age for adults over the age of 20, but requires that the age rating ratio cannot ex-

⁴² Qualification as a “dependent” is defined by 26 U.S.C. 106.

⁴³ According to 42 USC §18032(f), an individual can enroll in coverage through a Health Insurance Marketplace if he or she is a citizen or lawful resident, is not incarcerated, and is a resident of the state in which the Health Insurance Marketplace is operating.

⁴⁴ *Implementing New Private Health Insurance Market Rules*, Henry J. Kaiser Family Foundation, Washington, DC: January 2013.

ceed 2 to 1. (The ACA requires that the age rating ratio cannot exceed 3 to 1.) CMS approved Massachusetts's decision to continue with its 2-to-1 age-rating band in 2014.

- **Geographic area:** The ACA allows for rating based on geographic area, and the state's implementation law requires that the rating range cannot exceed 0.8 to 1.2. The geographic areas (up to seven distinct regions are permitted by state law) are determined by the state and can be reviewed by the U.S. Department of Health and Human Services. CMS approved the state's request to use its seven existing geographic regions in 2014.
- **Individual vs. family enrollment:** Insurance companies are allowed to vary rates based upon family size. For families, the plan can take into account only the three oldest covered children under the age of 21 when calculating the total family premium.
- **Tobacco use:** The ACA allows insurers to vary premium rates based on whether or not the enrollee uses tobacco, and it specifies that the ratio of tobacco use rating cannot vary by more than 1.5 to 1. The state's ACA implementation law allows the Division of Insurance to file a standard tobacco use rating factor annually with the U.S. Department of Health and Human Services. For 2014, the state proposed that the tobacco use factor be at a 1-to-1 level (i.e., that there not be any tobacco use rate adjustment).
- **Benefit level:** The state's ACA implementation law specifies that insurers are allowed to vary individual and small group premiums based on the relative benefits they provide. Small group and non-group plans will be offered both through the Health Connector and directly through health insurers at standardized benefit levels — Bronze, Silver, Gold, and Platinum — that are based on “actuarial value,” or AV. AV is calculated through a standardized AV calculator and reflects the relative value of certain benefits for a standard population. (If a plan has an AV of 80 percent as determined by the federal AV calculator, the plan will pay 80 percent of the cost of the stated services and the consumer will pay 20 percent through co-pays, deductibles, and coinsurance.) Under the ACA, Bronze plans must have a federally calculated AV of 60 percent, Silver plans of 70 percent, Gold plans of 80 percent, and Platinum plans of 90 percent.⁴⁵ When developing plan-specific rates, carriers can also take into account the provider network of the plan, additional benefits not captured by the AV calculation, and other factors.

Previously, insurers offering individual and small group policies in Massachusetts could employ several additional rating factors. To ease the transition to the more limited set of rating rules, the state requested and was granted a waiver to implement a phase-out period for the previously allowable rating factors. Between January 1, 2014, and December 31, 2015, carriers are allowed to vary the group base premium for small businesses based on enrollment or renewal month, and can employ the following rating factors for small group and individual policies: industry rate adjustment factor, participation rate adjustment factor, group size rate adjustment factor, intermediary rate adjustment factor, and group purchasing cooperative rate adjustment. Beginning in 2016, these rating factors will not be permitted.

⁴⁵ Larry Levitt and Gary Claxton, *What the Actuarial Values in the Affordable Care Act Mean*, Henry J. Kaiser Family Foundation, Washington, DC: April 2011.

UPDATED CARRIER REQUIREMENTS

Beginning in 2014, carriers in the state of Massachusetts must comply with the following ACA requirements:

- Insurance rates for individuals can be updated no more than once a year. The same rule of once-yearly rate changes will apply to small group insurance beginning in 2016. Current law allows carriers to update rates on a quarterly basis; and
- All carriers must submit their rates by July 1 for an effective date of January 1. Currently, carriers must submit their rates 90 days before their proposed effective date.

FEDERAL OPEN ENROLLMENT PERIODS

Another significant insurance market change is the adoption of federal open enrollment periods for individuals who purchase their own health coverage. Consumers are allowed to purchase insurance only during an open enrollment period unless they experience certain specific changes in circumstance that affect their coverage (e.g., divorce, marriage, the birth of a child, the loss of employer-based insurance). Previously in Massachusetts, the annual open enrollment period was July 1 to August 15. Beginning in October 2013, Massachusetts will comply with the federal open enrollment schedule, as defined in regulation. The initial open enrollment period under the ACA will run from October 1, 2013, to March 31, 2014. Beginning in October 2014, open enrollment will run from October 15 until December 7 each year. As a result of this change, coverage must be offered on a calendar-year basis and remain in effect through December 31 of the year of enrollment.

PAYMENT REFORM

In addition to the focus on increasing coverage, the ACA includes initiatives aimed at improving the delivery system to provide more appropriate, higher-quality, lower-cost care. The ACA promotes new delivery system and payment models through the use of Accountable Care Organizations (ACOs), medical homes, and demonstration initiatives through the new Center for Medicare and Medicaid Innovation (CMMI). Massachusetts has adopted many of the ACA's delivery and payment system reforms. The state is home to five of the nation's 23 Pioneer ACO models, has designed and implemented a demonstration (known as "One Care") to integrate care for consumers dually eligible for Medicare and Medicaid, and will receive over \$44 million in State Innovation Model grant funding to test new delivery system and payment models.⁴⁶

⁴⁶ *Where Innovation Is Happening*, CMS.gov, accessed on December 10, 2013. Available online at <http://innovation.cms.gov/initiatives/map/index.html>.

CONCLUSION

The state of Massachusetts has been working diligently over the past few years to ensure that implementation of the ACA in 2014 will bring additional benefits to the Commonwealth. These benefits include expanded coverage for low- and middle-income populations, fewer coverage restrictions and barriers, simpler eligibility and enrollment processes, additional consumer protections, updated insurance market rules, new payment and delivery system initiatives, and significant additional federal funding. Although major provisions of the ACA will go into effect in 2014, implementation of the ACA will be a multiyear effort. The state laws, budgets, and Medicaid waivers constructed over the past few years to carefully implement the ACA demonstrate the state's commitment to taking full advantage of the benefits of the ACA while preserving and protecting the key aspects of its own state reform initiatives.

APPENDIX A

2013 FEDERAL POVERTY GUIDELINES FOR ALL STATES (EXCEPT ALASKA AND HAWAII) AND WASHINGTON, D.C.⁴⁷

HOUSEHOLD SIZE	PERCENT OF THE FEDERAL POVERTY LEVEL (FPL)					
	100%	133%	150%	200%	300%	400%
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

APPENDIX B

MODIFIED ADJUSTED GROSS INCOME (MAGI)

The ACA changes the way in which income is calculated to determine a person's financial eligibility for MassHealth, ConnectorCare, and other subsidized QHPs. Previously, MassHealth financial eligibility for individuals under age 65 was based on an individual's or family's gross income. Starting in 2014, the ACA requires that states use a different measure of income called "Modified Adjusted Gross Income" (MAGI) to assess financial eligibility. This change will result in lower countable income for most people and, as a result, somewhat expand the number of people who will be eligible for MassHealth or subsidized coverage. The change will also make some people eligible for more comprehensive types of Medicaid coverage.

To comply with the new federal MAGI requirement, Massachusetts will use MAGI methodologies to determine MassHealth eligibility for most populations, not just the Medicaid expansion group. The MAGI methodology will not apply to the elderly or to those applying for institutional care or alternatives to institutional care such as home- and community-based services waivers. It will also not apply to individuals for whom MassHealth does not make a separate income determination, such as certain cash welfare recipients. The MAGI methodology will apply to pregnant

⁴⁷ 2013 Federal Poverty Guidelines, Families USA, Washington, DC, accessed on December 5, 2013. Available online at <http://www.familiesusa.org/resources/tools-for-advocates/guides/federal-poverty-guidelines.html>.

women, parents, children, and the new adult Medicaid expansion group as well as the HIV and Breast and Cervical Cancer groups. The ACA exempts individuals with disabilities from the MAGI methodology, but rather than retain the gross income standard for this group alone, MassHealth has amended the 1115 Demonstration Waiver to make partial use of the MAGI methodology for adults with disabilities in order to provide them with the five percent income disregard that is available to non-disabled populations.

The MAGI methodology looks to the Internal Revenue Code to define the tax household and the countable income of members of the household. For those obtaining coverage through the Health Connector, households will consist of taxpayers, including married couples filing jointly, and individuals for whom taxpayers can claim an exemption (tax dependents). In Medicaid, there are provisions for individuals with income too low to file taxes (non-tax filers) and exceptions that apply to some taxpayers and tax dependents, who will be treated as non-tax filers. The nonfiler rules are similar to the current MassHealth household rules for the under-65 population, and the nonfiler rules for defining household membership will continue to apply to adults with disabilities.

The household's income will consist of the adjusted gross income (with some modifications) of the taxpayer(s) and any dependents with sufficient income to be required to file a tax return. (One modification is that all Social Security will be counted, not just the taxable portion of it.)

Compared with the former gross income rules used by MassHealth, MAGI will result in lower countable income for most people. For example, MassHealth used to count child support in the household income of both the parent paying child support and the child receiving it. For tax purposes, child support is not counted for the child receiving it; therefore, families that receive child support will have lower income under MAGI than they did prior to 2014. Similarly, MassHealth used to count the gross earnings of a child in the same way it counts income for an adult. Under MAGI, the income of a child will not be counted unless it is high enough for the child to be required to file a separate return (\$950 in unearned income and \$5,950 in earned income in 2012). In addition, in determining eligibility for MassHealth (but not for tax credits and subsidies in the Health Connector), a standard deduction will be applied equal to five percent of the federal poverty level for the applicable family size. For example, an individual with MAGI income equivalent to 138 percent FPL will have countable income of 133 percent FPL after application of the five percent disregard for MassHealth.

The ACA requires that no current enrollees lose coverage due to the switch to MAGI income counting methodologies until March 31, 2014, or until the enrollee's next scheduled annual redetermination, whichever comes later. The state expects that the switch from gross income methodology to MAGI will not adversely affect many members and may provide some members with richer benefit packages, but it has a process in place to protect current members until the dates required by law.⁴⁸

⁴⁸ *Section 1115 Demonstration Amendment*, Massachusetts Executive Office of Health and Human Services Office of Medicaid, Boston: June 4, 2013.