Massachusetts Health Connector

Massachusetts Cost Sharing Subsidies in ConnectorCare: Design, Administration, and Impact

August 2021

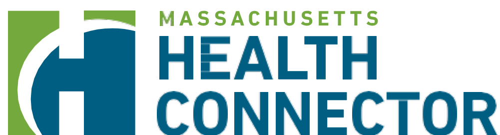


Table of Contents

About the Health Connector 3
Executive Summary 3
ConnectorCare Overview 4
  Program Design 4
  Membership 5
ConnectorCare Cost Sharing Subsidy 6
  Financial Structure and Cost 6
  Administration and Cost 8
Impact 8
Conclusion 10
Appendices 12
  Appendix A. ConnectorCare Fiscal Year 2020 Budget 12
  Appendix B. 2021 ConnectorCare Plan Designs 13
  Endnotes 14

About the Health Connector

Since its inception in 2006, the Health Connector has worked to expand access to high-quality health care in its role as an online Marketplace for Massachusetts residents and small businesses to find, compare, and enroll in affordable health coverage. Fifteen years later, the Health Connector continues to implement programs and advance policies that improve health insurance across the Commonwealth. Currently, the Health Connector serves nearly 275,000 non-group health members, representing 83 percent of the individual insurance market in Massachusetts.

Executive Summary

Through affordable premiums and cost sharing, the Health Connector's ConnectorCare program promotes access to care and reduced cost burdens for approximately 193,000 low-to-moderate income Massachusetts residents. As the state Marketplace's flagship health insurance subsidy program, ConnectorCare offers the Commonwealth's families comprehensive and high-quality health plan options with affordable premiums and point of care cost sharing.

State and federal subsidies work in concert to decrease the cost of a carrier's unsubsidized Silver plan premium and cost-sharing down to ConnectorCare levels. Federal Advance Premium Tax Credits (APTCs) and Massachusetts state premium subsidies are applied to unsubsidized Silver premiums, resulting in ConnectorCare premiums as low as $0 per member per month. Similarly, Massachusetts state Cost-Sharing Reductions (CSRs) are applied to Silver plan designs (with the state paying the difference between federal Actuarial Value variants and ConnectorCare plans) resulting in ConnectorCare plans without deductibles and with co-pays as low as $0 for Primary Care Physician (PCP), specialist, emergency, urgent care, inpatient hospitalization, and imaging services.

The additional financial value and protection to members enrolled in the ConnectorCare program (compared to enrollees receiving only Affordable Care Act subsidies or no subsidies) is a result of additional state dollars invested to reduce monthly premium and point-of-service costs that, in turn, translate to near-universal coverage and market stability. Massachusetts has the highest rate of coverage out of any state in the country (97% as of 2019) as well as the second lowest average monthly premiums.[i] [ii] The impact of the state's investment can also be seen in ConnectorCare enrollees' satisfaction with their coverage, perceptions of affordability, and lower rates of delayed or forgone care and unpaid medical debt when compared to non-ConnectorCare members and the state overall:

- ConnectorCare members are more likely to find their cost sharing to be affordable compared to non-ConnectorCare members (57% agreed that the amount they paid for health care services was reasonable compared to 18 percent of non-ConnectorCare members).
- ConnectorCare members report lower out-of-pocket spending compared to non-ConnectorCare members and overall Massachusetts residents (56 percent spent under $500 in the last 12 months compared to 30 percent of non-ConnectorCare members).
- ConnectorCare members are less likely to report delayed or forgone health care due to cost compared to non-ConnectorCare members and overall Massachusetts residents (19 percent reported delaying or not getting health care services in the last six months because of its cost compared to 32 percent, on average, of non-ConnectorCare members).

This technical brief seeks to provide background on the ConnectorCare program and detail the financial structure, administration, cost, and individual and family-level impact of the Massachusetts state-level cost sharing subsidy.

ConnectorCare Overview

Program Design

ConnectorCare plans are Qualified Health Plans (QHPs) that incorporate federal Advance Premium Tax Credits (APTCs) and cost-sharing reductions (CSRs) and state subsidies to lower the cost of coverage and point-of-service care for eligible individuals and families. State residents can be eligible for ConnectorCare if they meet criteria required by the Affordable Care Act (ACA) to receive Marketplace coverage and subsidies, but only if their incomes do not exceed 300 percent of the Federal Poverty Level (FPL).

The ConnectorCare program is constructed based on Commonwealth Care, Massachusetts's pre-ACA subsidy program for eligible state residents with low to moderate incomes. Commonwealth Care was established and partially funded through a Medicaid Section 1115 Demonstration Waiver, which provided the state with flexibility for efficient program design and expanded eligibility options beyond traditional offerings. The program served lower-income individuals who did not qualify for Medicaid (MassHealth) or other types of coverage, such as employer-sponsored coverage. The benefit design sought to bridge the gap between MassHealth and employer-based coverage, gradually increasing out-of-pocket requirements with income.

In 2014, the ACA introduced APTCs and CSRs, which were modeled off the Commonwealth Care subsidies. To maintain the same level of affordability as Commonwealth Care, Massachusetts amended its existing 1115 Waiver to create ConnectorCare, "wrapping" federal subsidies with additional state subsidies to meet a state affordability schedule that exceeds the federal standard.

State funding for ConnectorCare CSRs and premium subsidies is held in a dedicated trust, the Commonwealth Care Trust Fund (CCTF), which collects revenue from cigarette taxes, state individual mandate penalties, and employer assessments. In contrast to federal APTCs, state premium wrap allocated through the CCTF is not reconciled by the Health Connector or members at the end of the plan year.[1]

The Health Connector sets standards for ConnectorCare plans and communicates cost sharing designs to carriers via its annual plan certification process, known as the "Seal of Approval". While not required to administer state CSR subsidies, this policy measure helps facilitate the program.

Today, the program includes five Plan Types that vary based on an individual's income (see Figure 1). Each Plan Type comes with a certain minimum premium contribution per enrollee and a certain actuarial value – a measure of plan generosity. Monthly minimum premiums vary on a sliding scale ranging from $0-$133. Individuals who do not enroll with the lowest cost carrier available to them may pay more than the minimum premium. In addition to small premiums, ConnectorCare plans have low co-pays for covered services and no coinsurance or deductibles. The actuarial values range from 92 percent to 99.6 percent. All plans cover the same benefits regardless of premium and plan type. In 2021, five carriers participate in the ConnectorCare program overall, but ConnectorCare

[1] Notably, under its 1115 authority, Massachusetts's investment in ConnectorCare state wrap subsidies for enrollees is also largely eligible for Medicaid federal financial participation (FFP). FFP matches a portion of the state's spending on premium and cost sharing subsidies only for citizens and certain lawfully present immigrants. Because immigrants who do not qualify for FFP are legally entitled to obtain coverage through the Health Connector, the state covers a larger portion of subsidies for these residents. The ConnectorCare Budget for Fiscal Year 2020 (FY20) is available in Appendix A.

enrollees can only select plans from up to four different carriers, depending on availability in their region.

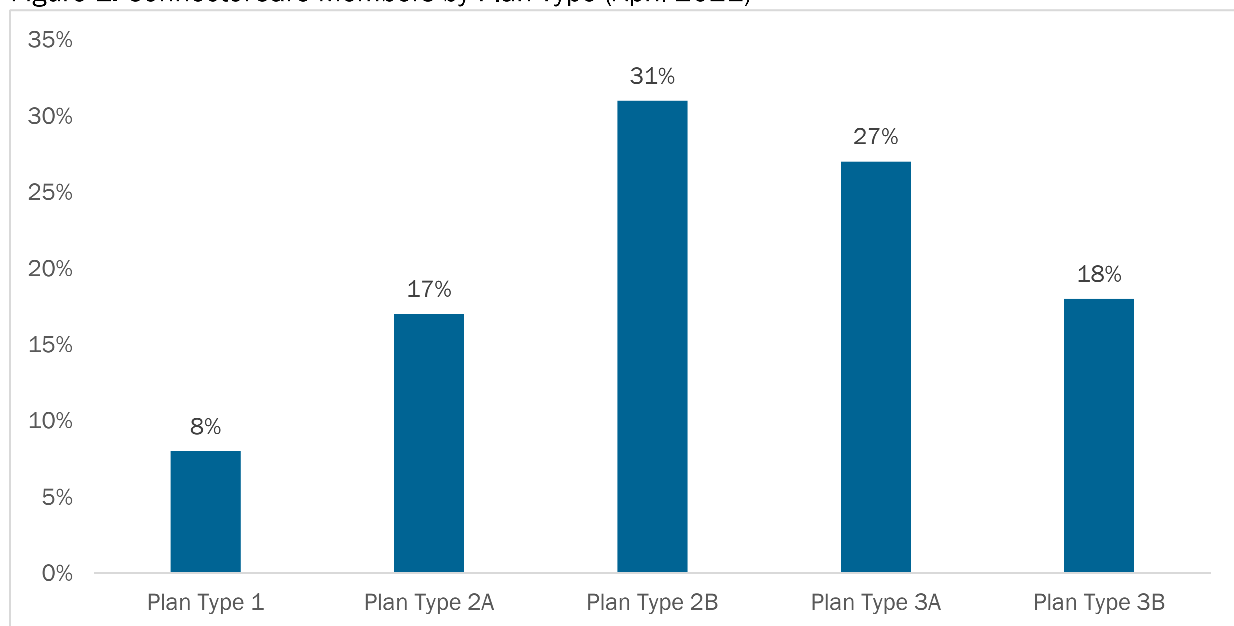
Table 1. ConnectorCare Plan Type by FPL, Annual Income, and Lowest Cost Plan Premium

ConnectorCare Plan Type	FPL Range	2021 Annual Household Income (Individual)	Lowest Cost Plan Premium
Plan Type 1	0-100% FPL	Less than $12,760	$0 per person
Plan Type 2A	100.1-150% FPL	$12,761 to $19,140	$0 per person
Plan Type 2B	150.1-200% FPL	$19,141 to $25,520	$46 per person
Plan Type 3A	200.1-250% FPL	$25,521 to $31,900	$89 per person
Plan Type 3B	250.1-300% FPL	$31,901 to $38,280	$133 per person

Membership

As of Spring 2021, the Health Connector serves approximately 275,000 Massachusetts residents (or 83 percent of the overall non-group market), primarily through the ConnectorCare program (62 percent of all non-group market enrollees).[iii] [2]Fifty-eight percent of ConnectorCare enrollees fall in Plan Types 2B and 3A based on their annual income (150-250 percent FPL). Over half of ConnectorCare members enroll with Tufts Health Direct while 35 percent enroll with Boston Medical Center HealthNet Plan.

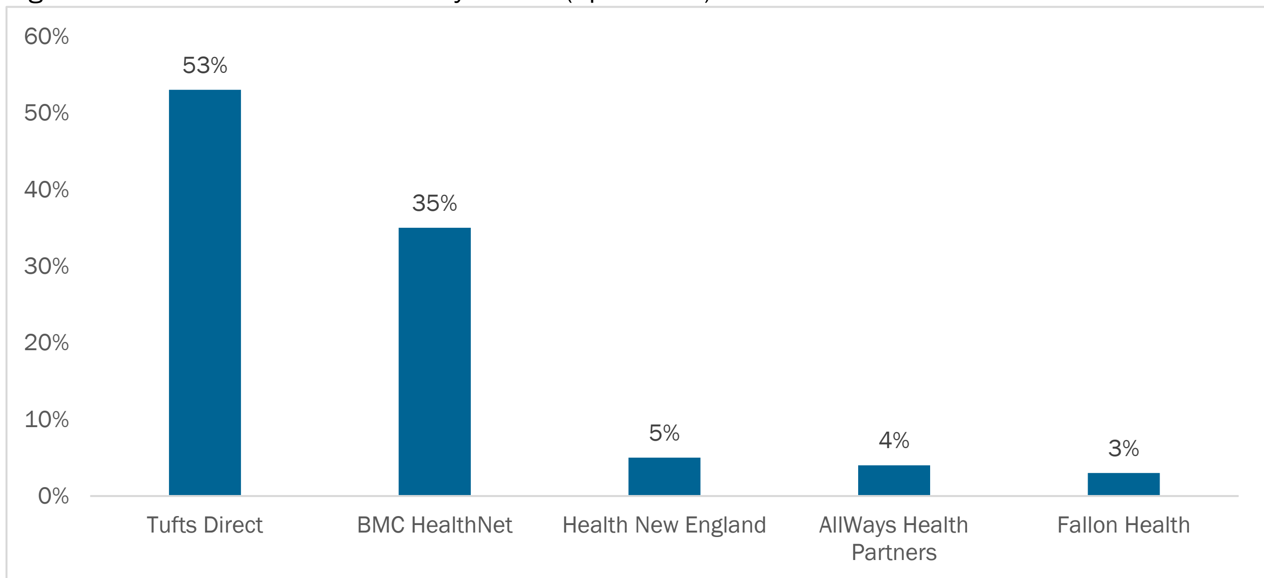
Figure 1. ConnectorCare Members by Plan Type (April 2021)



Source: Health Connector Analysis of Membership Data

[2] Health Connector membership counts as of May 2021 are understated because individuals experiencing loss of employment income due to the pandemic are likely qualifying for MassHealth now instead of Health Connector coverage. Medicaid benefit protections authorized under the Families First Coronavirus Response Act decreased coverage transitions between the Health Connector and MassHealth.

Figure 2. ConnectorCare Members by Carrier (April 2021)



Source: Health Connector Analysis of Membership Data

ConnectorCare enrollees are diverse and tend to draw from populations that historically face relatively higher structural barriers to enrolling in health coverage and accessing care when compared to other segments of the non-group market and the state population more broadly. ConnectorCare members are more likely to be women, speak a language other than English, and have a lawfully present immigration status compared to non-ConnectorCare members.

Table 2. On-Exchange ConnectorCare vs. Non-ConnectorCare Member Demographics

	ConnectorCare	Non-ConnectorCare	
Subsidy	APTCs + State Wrap	APTCs only	No Subsidies
Age (average)	43 years old[3]	44 years old	39 years old
Gender	56% women	52% women	50% women
Household size	79% Individual members 21% families	56% Individual members 44% families	76% Individual members 24% families
Immigration status	31% Lawfully present immigrants	12% Lawfully present immigrants	9% Lawfully present immigrants
Language	19% speak a language other than English 11% Spanish	6% speak a language other than English 3% Spanish	3% speak a language other than English 2% Spanish

ConnectorCare Cost Sharing Subsidy

Financial Structure and Cost

The ConnectorCare program is based on a carrier's lowest-cost unsubsidized Silver tier plan (or "base plan"). These base plans are enriched by federal and state subsidies according to program standards. Specifically, state CSRs are used to lower the cost of a ConnectorCare carrier's base plan point of care cost-sharing to ConnectorCare cost-sharing levels.

[3] The ConnectorCare program has very few members under the age of 18 because children at ConnectorCare income levels likely qualify for the state's Children's Health Insurance Program (CHIP).

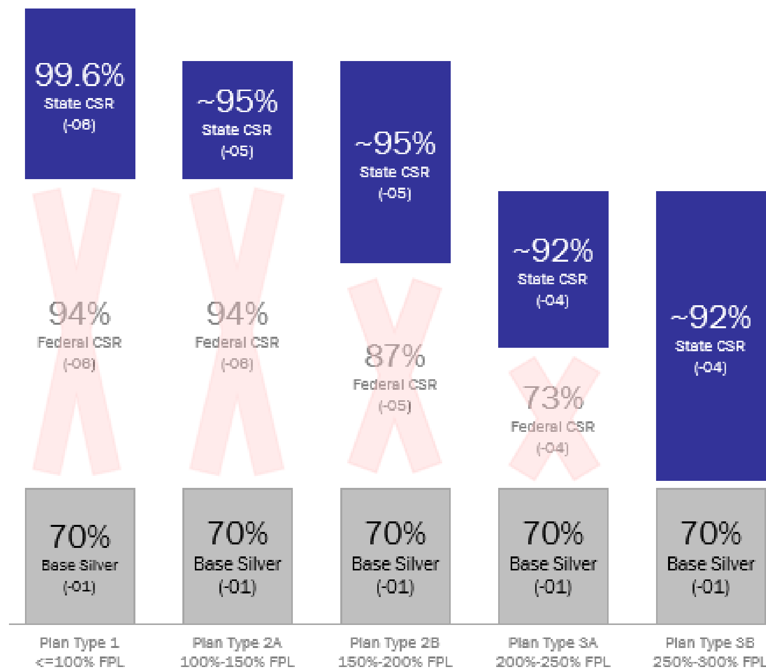
From 2014 to 2017, a combination of federal CSRs and state CSRs helped reduce ConnectorCare enrollee cost-sharing. During Plan Year 2017, the federal CSR payments were withdrawn by the federal administration and were no longer a component of ConnectorCare cost-sharing. To account for these lost federal funds, carriers participating in ConnectorCare were permitted to "load" their Silver plan premiums, netting higher APTC amounts.

Now, ConnectorCare carriers receive advance CSR payments from the Health Connector only, but they continue to provide ConnectorCare enrollees services at the reduced ConnectorCare co-pay level, rather than co-pays of the underlying the base plan.

In 2021, for an unsubsidized Silver member, the base plan covers, on average, 70 percent of the cost of services, while the enrollee is responsible for 30 percent (or 70 percent Actuarial Value). Figure 3 highlights how federal CSRs used to and how state CSRs currently supplement the base plan.

In Calendar Year 2019, the latest year for which data is available, the Health Connector spent $108,872,435 on state CSR wrap (or $43.19 per member per month on average). If federal CSRs had not been withdrawn, Health Connector members would have received approximately $103 million (or an average of $41 per member per month) in federal CSRs. In comparison, the Health Connector spent $169,465,271 on state premium wrap (or $67.23 per member per month on average) and members received $630,120 894 in federal APTCs (or $249.99 per member per month on average). These figures represent gross amounts.

Figure 3. 2021 Massachusetts Cost-Sharing Make-Up (Actuarial Value)



Numbers in parentheses denote HIOS ID variants which identify an enrollee's eligbility for plans at reduced cost-sharing levels.[4]

[4] The Health Connector's eligibility and enrollment systems use the six federal variants to identify an enrollee's plan according to their eligibility for federal subsidies. All ConnectorCare members are enrolled in the HIOS ID of the carrier's underlying Silver plan, with a ConnectorCare variant at the end. ConnectorCare members are enrolled in variants -02, -04, -05, or -06 according to their FPL and AI/AN status.

Today, state CSRs from the Health Connector lower the cost of the co-pays for benefits such as PCP visits and inpatient hospitalization. Table 4 shows how state CSRs bring Silver plan cost sharing down from the unsubsidized design (left) to the reduced ConnectorCare designs (right).

Table 3. Key services and cost-sharing for Standard Silver and ConnectorCare plans

Sample Plan Feature/Service*	2021 Standard Silver Plan	ConnectorCare Plan Type 3	ConnectorCare Plan Type 2	ConnectorCare Plan Type 1
PCP Office Visits	$30	$15	$10	$0
Specialist Office Visits	$55	$22	$18	$0
Emergency Room	$300✓	$100	$50	$0
Urgent Care	$55	$22	$18	$0
Inpatient Hospitalization	$1,000✓	$250	$50	$0
X-rays and Diagnostic Imaging	$50✓	$0	$0	$0

*Note: Please see **Appendix B** for complete list of services and cost-sharing for Standard Silver and ConnectorCare plans. A check mark (✓) denotes this benefit is subject to the annual deductible.*

Administration and Cost

The operational process for distributing state CSRs relies on the same general process followed for federal CSR, prior to the cessation of federal CSR payments. The Health Connector's actuary calculates premium multipliers for various actuarial values under Plan Types. These calculations are based on the methodology used to calculate federal CSR plan variation multipliers and incorporate the cost of potential additional care members may be encouraged to pursue by the lower level of cost sharing. Advanced payments per member are determined by applying these multipliers to base plan premiums. The advanced payments fund carrier costs for providing cost sharing to ConnectorCare levels. The payments are submitted to carriers every month along with state premium subsidies and enrollee contributions. Advance payments vary each month based on actual enrollment.

Approximately five months after the end of the plan year, the Health Connector receives claims files from ConnectorCare carriers that include the true CSR cost based on actual utilization of medical services by enrollees. The Health Connector actuary compares actual costs to the sum of advanced payments carriers received in each month of the plan year. The Health Connector reconciles advance CSR payments by either making an additional payment to the carrier if the sum of advanced payments is lower than the actual CSR cost, or receive returned funds from the carrier if the sum of advanced payments is higher than the actual CSR cost.

Impact

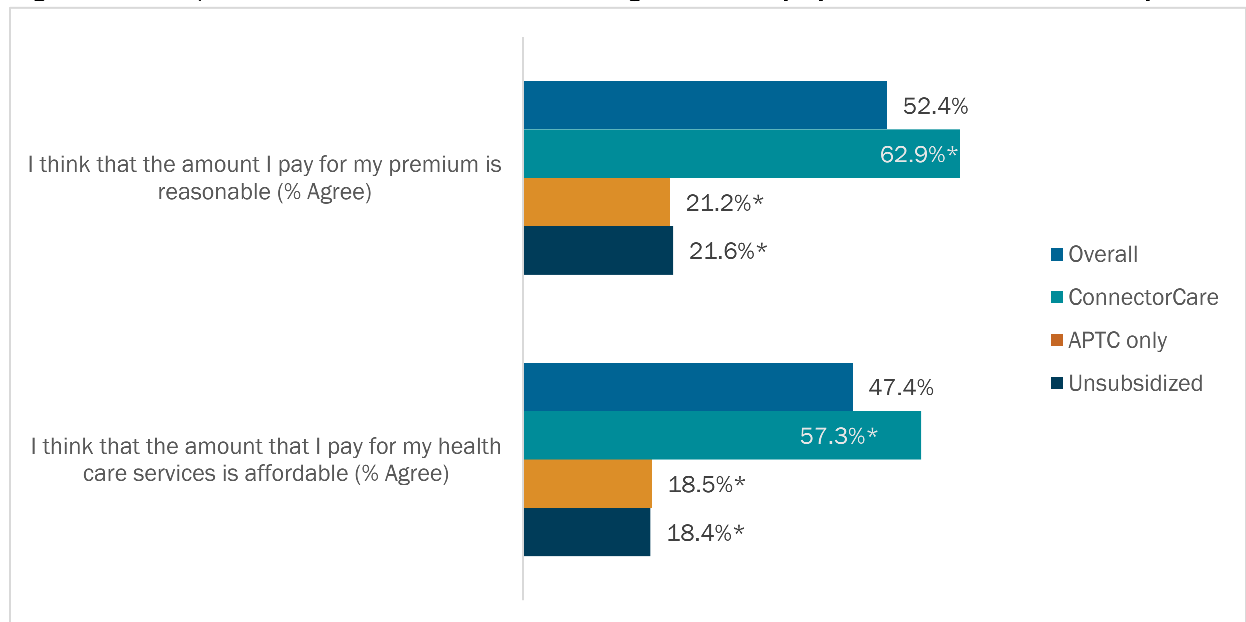
The Health Connector's state CSR wrap was designed to reduce the burden of health care costs on low-to-middle income individuals and families living in the Commonwealth. By targeting point of care cost sharing relief to ConnectorCare enrollees, the Health Connector has made care more affordable for sub-populations at greatest risk for uninsurance. Approximately 75 percent of the uninsured in Massachusetts earn under 300 percent FPL and so likely qualify for Marketplace or Medicaid coverage.[iv] The benefits of state CSRs on ConnectorCare members are magnified when comparing

their health care access and cost outcomes to those of non-ConnectorCare members and Massachusetts residents overall.

The evidence below synthesizes results from the Health Connector's 2020 annual non-group member experience survey and the Center for Health Information and Analysis's 2019 Massachusetts Health Insurance survey:

Satisfaction: ConnectorCare members consistently report higher levels of satisfaction with the Health Connector than APTC-only and unsubsidized members. ConnectorCare members are more likely to find their premiums and cost sharing to be affordable compared to non-ConnectorCare members.

Figure 4. Perceptions of Premium and Cost Sharing Affordability by Health Connector Subsidy Level



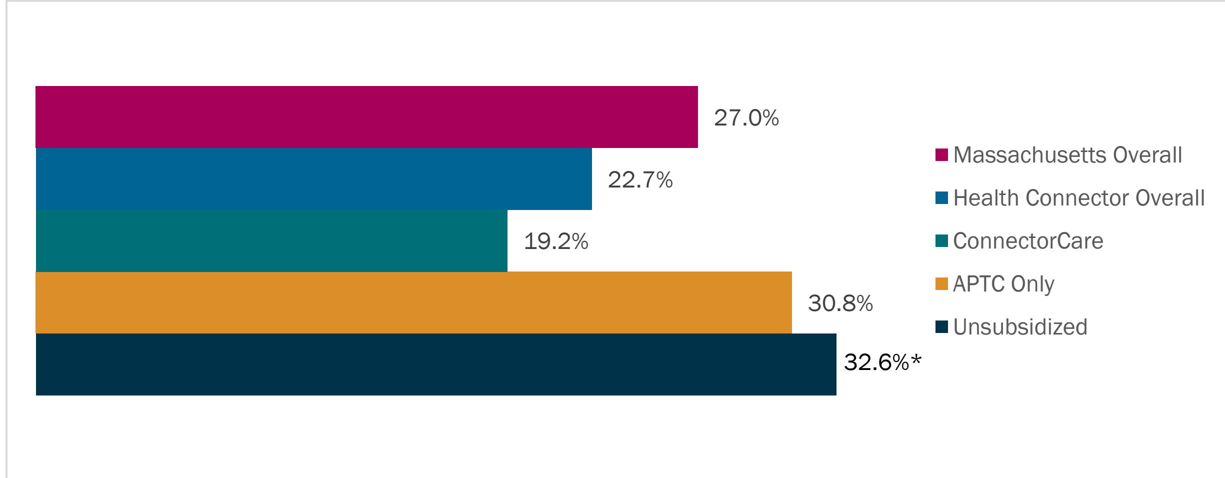
** Statistically significant difference from Overall*

Out-of-pocket spending: ConnectorCare members report lower out-of-pocket spending compared to non-ConnectorCare members and overall Massachusetts residents, with 56 percent spending under $500 in the last 12 months (only 30 percent of non-ConnectorCare members spent less than $500).

Delayed or forgone care: ConnectorCare members are less likely to report delayed or forgone health care due to cost compared to non-ConnectorCare members and overall Massachusetts residents. Approximately 19 percent of ConnectorCare members reported delaying or not getting health care services (excluding dental and vision) in the last six months because of its cost, compared to 31 percent of members receiving APTCs only and 33 percent of unsubsidized members. Unsubsidized members were significantly more likely to report delaying care compared to overall Health Connector members (23 percent).

Among all state residents, 27 percent reported having some unmet need for health care in the last 12 months due to the cost of care. Over half of Massachusetts residents who had an unmet need for care due to cost while they had health insurance went without care because the care was not covered by their insurance plan (52 percent). Additionally, more than one-third went without care because the copay or coinsurance was too high (34 percent) and nearly one in four reported that they went without care because it would have been subject to the deductible (24 percent).

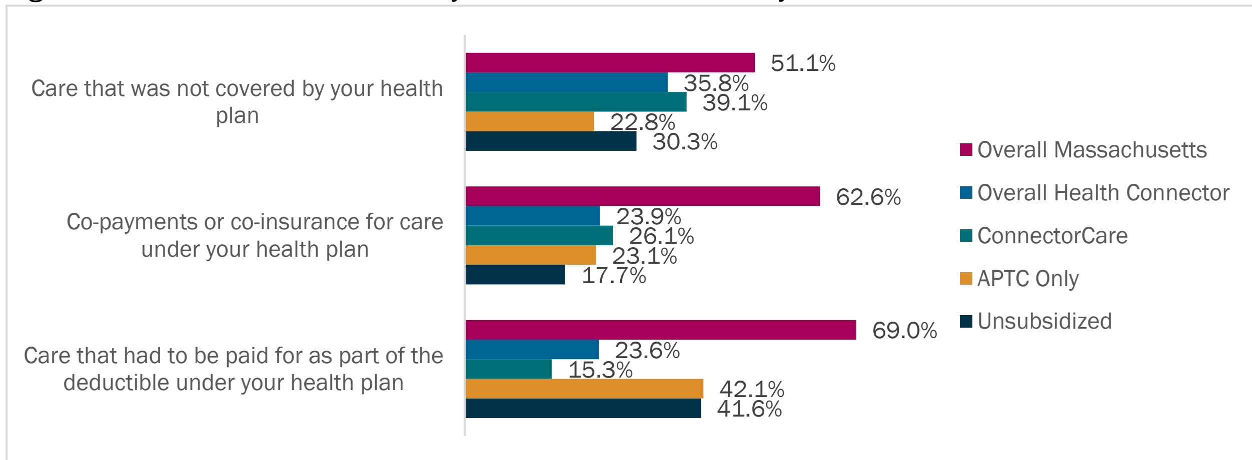
Figure 5. Delayed or Forgone Care Due to Cost by Health Connector Subsidy Level



Unpaid medical debt: Though ConnectorCare members were slightly more likely to indicate having medical debt compared to non-ConnectorCare members and all Massachusetts residents, ConnectorCare members were also more likely to have smaller debts (less than $2,000). Approximately 64 percent of ConnectorCare members with medical debt owed less than $2,000, compared to 36.5 percent of APTC-only members, 38.8 percent of unsubsidized members, and 47.6 percent of all Massachusetts residents.

Non-ConnectorCare members and overall Massachusetts residents were most likely to indicate that medical bills being paid off over time were due to care that had to be paid for as part of the deductible under their health plan. Approximately 42 percent of APTC-only and unsubsidized members and 69 percent of Massachusetts residents overall indicated that medical debts were related to care paid for as a part of their deductible.

Figure 6. Reason for Medical Debt by Health Connector Subsidy Level



Conclusion

The Health Connector's investment in a cost sharing subsidy program has not only lowered out-of-pocket spending for ConnectorCare members but has protected them against medical debt and delayed or forgone care. Affordable cost sharing ensures that members view their plans as high-

value and are able to access the care they need when they need it. Due in large part to ConnectorCare, the Commonwealth has the highest coverage rate in the nation coupled with one of the lowest average Marketplace premiums per member per month. In the future, the Health Connector plans to continue member-focused and thoughtful program design of its state wrap program to continue to maximize the benefits of Marketplace plans for all state residents to ensure meaningful access to health care services.

Appendices

Appendix A. ConnectorCare Fiscal Year 2020 Budget

The ConnectorCare budget below shows expected and actual spending for FY20. The FY20 ConnectorCare program budget was updated in February 2020.

FY20 Net Costs	FY20 as of July 2020
ConnectorCare Enrollees[v]	$178,883,000
State Premium Wrap	$94,211,000
State CSR	$82,028,000
Cost Sharing Reconciliation (CY18)	$2,645,000
State Mandated Benefits[vi]	$485,000
2018 Medical Loss Ratio Rebate[vii]	-$2,033,000
Wellness program subsidies	$213,000
CCTF Draw	$45,000,000
Total Program Cost (Net of FFP)	$222,549,000

Appendix B. 2021 ConnectorCare Plan Designs

CONNECTORCARE BENEFITS & COPAYS				
Plan Type		**Plan Type 1**	**Plan Types 2A & 2B**	**Plan Types 3A & 3B**
Medical Maximum Out-of-Pocket (Individual/ Family)		$0	$750/$1,500	$1,500/$3,000
Prescription Drug Maximum Out-of-Pocket (Individual/ Family)		$250/$500	$500/$1,000	$750/$1,500
Preventive Care/Screening/Immunization		$0	$0	$0
Primary Care visit to treat injury or illness (exc. Well Baby, Preventive and X-rays)		$0	$10	$15
Specialist Office Visit		$0	$18	$22
Mental/Behavioral Health and Substance Abuse Disorder Outpatient Services		$0	$10	$15
Rehabilitative Speech Therapy		$0	$10	$20
Rehabilitative Occupational and Rehabilitative Physical Therapy		$0	$10	$20
Emergency Room Services		$0	$50	$100
Outpatient Surgery		$0	$50	$125
All Inpatient Hospital Services (including Mental/Behavioral Health and Substance Abuse Disorder Services)		$0	$50	$250
High Cost Imaging (CT/PET Scans, MRIs, etc.)		$0	$30	$60
Laboratory Outpatient and Professional Services		$0	$0	$0
X-Rays and Diagnostic Imaging		$0	$0	$0
Skilled Nursing Facility		$0	$0	$0
Retail Prescription Drugs:	Generics Preferred Brand Drugs Non-Preferred Brand Drugs Specialty High Cost Drugs	$1 $3.65 $3.65 $3.65	$10 $20 $40 $40	$12.50 $25 $50 $50

Endnotes

[i] Center for Health Information and Analysis. Massachusetts Health Insurance Survey, April 2020 (data from 2019). https://www.chiamass.gov/massachusetts-health-insurance-survey/ .

[ii] Centers for Medicare and Medicaid Services. Plan Year 2021 Public Use File, April 2021. https://www.cms.gov/research-statistics-data-systems/marketplace-products/2021-marketplace-open-enrollment-period-public-use-files

[iii] Center for Health Information and Analysis. Enrollment Trends, March 2021 (data through September 2020). http://www.chiamass.gov/enrollment-in-health-insurance/.

[iv] Center for Health Information and Analysis. (2020).

[v] Includes enrollees who receive FFP as well as those who do not.

[vi] The ACA requires states to defray the cost of benefits required by state law in excess of essential health benefits for individuals enrolled in any plan offered through a Marketplace. 42 U.S.C. §18031D.

[vii] The Medical Loss Ratio (MLR) Rebate represents the state share of MLR rebates paid out through carriers.