



The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
One Ashburton Place, Room 805
Boston, MA 02108

DEVAL PATRICK
Governor

TIM MURRAY
Lieutenant Governor

LESLIE KIRWAN
Board Chair

JON M. KINGSDALE
Executive Director

Board of the Commonwealth Health Insurance Connector Authority

Minutes

January 10, 2008

10:00 a.m. – 12:00 p.m.

One Ashburton Place

Boston, MA 02108

21st Floor Conference Room

Attendees: Leslie Kirwan, Jon Kingsdale, Rick Lord, Celia Wcislo, Dolores Mitchell, Jonathan Gruber, Louis Malzone, Tom Dehner, Ian Duncan, Nancy Turnbull, and Nancy Schwartz (designate for Nonnie Burns). Nonnie Burns absent

- I. **Minutes:** Minutes of the December 4th meeting accepted by unanimous vote.
- II. **Executive Director's Report:** Jon Kingsdale stated that almost 170,000 individuals have signed up for plans through Commonwealth Care and almost 16,000 have enrolled in Commonwealth Choice plans. He provided a brief overview of upcoming policy decisions. The Contributory Plan for small employers is scheduled to be available July 1st and the Board will have an opportunity to discuss the plan in February/March. The Connector is in the midst of the bid process for Commonwealth Care and Commonwealth Choice contract renewals which the Board will review on February 14th. The schedule for upcoming policy decisions will be reviewed in more detail after Bob Carey's presentation.

Secretary Kirwan acknowledged the presence of Nancy Schwartz standing-in for Nonnie Burns.

- III. **Draft 2008 Penalty Schedule:** Sec. Kirwan reminded the Board that the Department of Revenue (DOR) is required to create a penalty schedule in consultation with the Connector. She thanked DOR for their work in drafting the 2008 penalty schedule. She also noted that the Connector and the Executive Office of Administration and Finance (A & F) have been working with DOR. This meeting is an opportunity for the Board to discuss and comment on the 2008 penalty schedule. All comments will be conveyed to DOR.

Jamie Katz reiterated Sec. Kirwan's remarks, adding that DOR will accept written comments through January 15th, but will not hold a public hearing. The penalties will only affect adults who are deemed able to afford insurance, but fail to comply with the individual mandate. Sec. Kirwan added that the 2008 schedule strikes a good balance between enforcing the mandate and upholding the spirit of the law. She noted that the effectiveness of the 2008 schedule will be monitored so necessary changes may be made.

Mr. Gruber expressed disappointment in the draft 2008 penalty schedule, stating that the mandate is essential to ensuring that individuals who can afford to buy health insurance do. Penalties are not intended to be easily affordable. Mr. Gruber expressed concern that the draft

penalties are inconsistent because they are based on a health plan that does not include prescription drug coverage, while the affordability schedule is based on the cost of a plan which does. This means individuals are facing a penalty that amounts to less than 40% of the premium. Mr. Gruber also noted that the law requires those who do not comply with the mandate to pay up to one half the premium of the least expensive plan the Connector offers them. Since the 2008 schedule does not account for age, older individuals, who pay higher premiums, are penalized less. Seniors over 60 pay as a penalty only 20% of the premium of the least expensive plan available to them.

Ms. Turnbull concurred with Sec. Kirwan and added that the 2008 penalty schedule was simple and easy to communicate. The penalty is significant, but not unfair. She stated that the schedule is not inconsistent because individuals are not yet required to have prescription drug coverage. Ms. Turnbull also expressed concern about the possibility of penalizing the elderly more heavily. Ms. Wcislo agreed and added that a plan that includes prescription drug coverage can be considered as a base for the 2009 penalty schedule. Mr. Duncan asked if the penalties are based on 2007 premiums. Sec. Kirwan responded that it was based on the premium for January 2008. Mr. Duncan added that the price increase or premiums seems like a slippage with regard to penalties and agreed with Mr. Gruber that it is inconsistent.

- IV. **CY 2008 Affordability Schedule Process:** Mr. Kingsdale stated that the process of establishing the 2008 affordability schedule is a balancing act. Connector staff will draft recommendations for the 2008 schedule once information is received in January/February for the Board's review and approval in February/March.

Mr. Carey provided those in attendance with an overview of the process and timetable for updating the affordability schedule. Since the law recognizes that buying health insurance may not be financially feasible for some, the affordability schedule indicates at what income level health insurance is deemed affordable. Ms. Wcislo asked if prescription co-pays were used in determining affordability. Mr. Carey responded that the schedule is based only on the premium of the Bronze plan, but the schedule incorporates consideration of prescription co-pays. Ms. Turnbull requested Connector staff look into, and the Board discuss, the affordability of the plans for those with higher incomes for whom insurance is presumptively within their means. Mr. Malzone concurred, adding that the Federal Poverty Level is based on gross income, making health insurance a much higher percentage of disposable income.

Ms. Wcislo asked what data was available on the point at which employees stop buying employer sponsored insurance (ESI) because it is too costly. Mr. Carey answered that employer surveys include questions on the take-up rate and contribution rate. Mr. Gruber noted that individuals offered ESI are not eligible for Commonwealth Care.

Mr. Kingsdale reviewed the schedule of upcoming policy decisions with the Board. Mr. Gruber asked if the Board will see the FY 2009 budget prior to any deliberations or votes. Ms. Kirwan responded that the Governor's budget will be released January 23rd. Connector staff must work closely with A & F. Ms. Mitchell reminded the Board that agencies are penalized for incurring expenses beyond the appropriation. Ms. Kirwan stated that the fiscal situation is tight and everyone must continue to work on cost containment.

- V. **Weber Contract Renewal (Vote):** Joan Fallon requested approval from the Board for an amendment to the contract with Weber Shandwick, the company that has handled the Connector's public education and advertising efforts over the last year, to continue the contract from January 22, 2008 through October 31, 2008 at a cost of \$1,850,000. The extension allows the Connector to continue a successful outreach campaign. Mr. Kingsdale noted that the bulk of the money goes to advertising, rather than the company itself, and the contract extension reflects a modest buy. Mr. Malzone expressed concerns about the cost and asked what

percentage goes to media placement. Ms. Fallon replied that only 9.5% of the expenditures from the original contract went towards administrative expenses and fees. Weber was selected, in part, because they do not take a commission on media buys. Ms. Turnbull asked if Weber is working with community based organizations. Ms. Fallon responded that paid ads are only one aspect of a multifaceted campaign strategy that includes working with community based organizations. Ms. Wcislo recommended utilizing social networking websites. Ms. Fallon agreed that the social media is an important tool. The Weber Shandwick contract extension was approved by unanimous vote.

- VI. **FY 2008 Plan of Operations:** Rosemarie Day provided the Board highlights from the 2008 Plan of Operations which details the Connector's objectives, key strategies, critical projects, and priorities for FY 2008. Ms. Day informed the Board that updates on the Connector's progress in meeting outlined goals will be provided throughout the year. Mr. Gruber asked if interest has been expressed in the employer contributory plans. Ms. Day responded that focus groups conducted in the fall did show an interest in the plans. Ms. Turnbull asked why fewer individuals are participating in the Voluntary Plan than projected. Ms. Day responded that, of those employers who signed up, most only have a few qualified employees. Mr. Gruber asked if the Section 125 plan was working. Ms. Day stated that she does not have the data, but will provide it to the Board once it is available.
- VII. **2008 Information Technology (IT) Plan and Future Priorities:** Bob Nevins presented an overview of IT plans and priorities for 2008 and beyond. Goals were set to support the Connector's work and programs by adding functionality, reducing operation costs, launching and sustaining products, and reinforcing the Connector's place in the market.
- VIII. **Appeals Process:** Jamie Katz introduced Charlene DeLoach from the Connector's Appeals Unit. He also thanked DOR for their hard work in establishing an efficient and appropriate appeals process. Mr. Katz explained that there are two types of appeals, Commonwealth Care member appeals and individual mandate appeals. An overview of the mandate appeals process was provided. Mr. Katz noted that the Connector will not have data on the number of individuals who apply for a religious exemption or are deemed unable to afford health insurance. DOR will handle those exemptions exclusively. Mr. Gruber asked for data on the appeals process as it becomes available and inquired as to when data will be available from DOR. Mr. Katz said he will ask DOR.

Ms. Wcislo asked how the average person will know to apply for an exemption. Mr. Katz explained that the appeals process is detailed on tax forms and on the DOR website. DOR and the Connector are educating tax preparers, accountants, and the Connector's Public Information Unit to handle appeals questions as well as doing some outreach. Ms. Turnbull stated the need to connect with groups that provided outreach and support for enrollment. Mr. Katz stated that the Connector and DOR are working with those entities.

Mr. Gruber asked if the insurer is responsible for sending members the 1099-HC form, adding that the forms must be issued in a timely manner. Mr. Katz responded that insurers will be issuing 1099-HC forms and DOR is working to ensure they are received promptly.

There being no further business before the Board, the meeting was adjourned.

Respectfully submitted,
Nicole Iannuzzi