

# **COMMONWEALTH OF MASSACHUSETTS**

## **HEALTH POLICY COMMISSION**

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### **TECHNICAL APPENDIX B1**

### **INTRODUCTION**

**ADDENDUM TO 2016 COST TRENDS REPORT**

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## 1 Summary

This appendix describes the Health Policy Commission's (HPC) approach to the exhibit contained in **Chapter 1: "Introduction"** of the 2016 Cost Trends Report.

## 2 Premiums and Income

### 2.1 Data

The HPC used 2015 MassHealth Income Standards and Federal Poverty Guidelines for the definition of federal poverty level (FPL), as well as the Agency for Healthcare Research and Quality's (AHRQ) Medical Expenditure Panel Survey (MEPS) for 2015. For more information on MEPS, see **Technical Appendix C: "Data Sources."**

### 2.2 Definitions

The federal poverty level (FPL) was defined as \$20,000 (rounded from \$20,090 for simplicity in **Exhibit 1.1**) for a family of two adults and one child.

Premiums were estimated for three example families, at 300% FPL (\$60,000), 400% FPL (\$80,000), and 600% FPL (\$120,000), using MEPS average family premiums by income quartile. The example families were attributed to the first, third, and fourth quartiles, respectively.

Out-of-pocket spending was estimated using data from Center for Health Information and Analysis' 2016 Annual Report Private Commercial Enrollment Databook and added to the average median premium for the families in the first, third and fourth quartiles.

### 2.3 Analysis

**Exhibit 1.1** illustrates the estimated cost of health insurance premiums and out-of-pocket spending. The sum of the income quartile average family premium and out-of-pocket estimate for each example family was divided by their income (the percent of the FPL) to produce the approximate cost of health insurance relative to income.