

HEALTH REFORM ISSUE BRIEF

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Cost-Sharing Reductions in the Health Insurance Marketplace: Uncertainty and Implications for Georgia

Cost-sharing reductions (CSRs) are subsidies that assist individuals enrolled in the Health Insurance Marketplace by lowering out-of-pocket expenses for care. Uncertainty over the future of CSR funding has significant implications for Marketplace enrollees and insurers. If the federal government halts CSR payments, premiums and insurer participation in the Health Insurance Marketplace could change, potentially increasing the cost of coverage and decreasing consumer choice.

Compared to employer-sponsored insurance, through which 85% of Georgians with private health insurance obtain coverage, health insurance purchased on the individual market is typically more expensive and less generous. Part of the discrepancy in price and generosity of benefits is driven by federal tax law, which allows group health insurance coverage to be purchased by employers with "pretax" dollars that are not treated as income to employees, whereas individual market plans are purchased with post-tax income.

In order to expand private insurance to those not receiving coverage through an employer, the Affordable Care Act (ACA) created premium subsidies to make purchasing individual plans more affordable (delivered via **Advance Premium Tax Credits**) and subsidies that make coverage more generous and offset cost-sharing requirements of individual coverage (CSRs). Both types of subsidies are targeted exclusively at low- and moderate-income individuals and are critical to allowing Marketplace purchasers to obtain affordable insurance.

Cost-Sharing Reductions	
What is it?	Subsidies to offset the cost of more generous coverage (plans with a higher **actuarial value**) in the Health Insurance Marketplace by lowering out-of-pocket expenses for care like deductibles, coinsurance, and copayments.
How are the subsidies determined?	The actuarial value of a **silver plan** is enhanced for eligible enrollees on a sliding scale basis from 70% actuarial value up to 94%.
Who is eligible?	Individuals without access to employer-sponsored insurance and with a family income between 100% and 250% of the **federal poverty level** who purchase a silver plan on the Health Insurance Marketplace.
How are the payments operationalized?	Insurers pay claims based on the projected eligibility of the consumer for CSR payments. After the consumer's tax return is filed, reconciliation between the insurer, federal government, and consumer occurs.
How much is paid?	An estimated total of $7 billion for fiscal year 2017 and $10 billion for 2018.[1]

[1] https://www.cbo.gov/sites/default/files/recurringdata/51298-2017-01-healthinsurance.pdf

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CSR Regulation and Litigation

Section 1402 of the ACA (Pub.L. No. 111-148, 124 Stat. 119 (2010)) provides for reductions in cost-sharing for purchasers of **silver plans** (a plan with an actuarial value level of 70%) who are between 100% and 250% of the **federal poverty level (FPL)**. These reductions have the effect of increasing the actuarial value of silver plans as follows:

- 100%-150% FPL: from 70% to 94%
- 151%-200% FPL: from 70% to 87%
- 201%-250% FPL: from 70% to 73%
- > 250%: no change

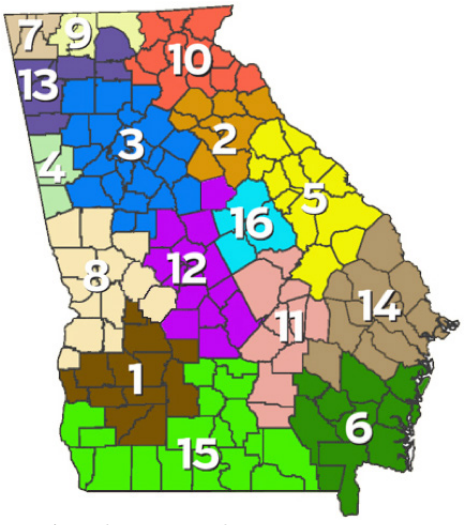
The higher the actuarial value of a health plan, the less costs a consumer bears once they start using their health insurance. Therefore, for those in the lower FPL range, the CSRs offer substantial savings through lower deductibles, copayments, and other out-of-pocket costs. However, they are only available to individuals or families within the above income ranges who purchase a silver plan. The ACA and accompanying regulations provide that insurers are to be reimbursed by the Department of Health and Human Services (HHS) for the cost of these CSRs (45 C.F.R. § 156.420).

In November 2014, the House of Representatives sued then-HHS Secretary Sylvia Burwell, arguing that HHS did not have the authority to reimburse insurers for the CSRs because Congress had not appropriated the money for it to do so (House of Representatives v. Burwell, et al., U.S. Dist. Ct. D.C. case No. 14-cv-01967, Nov. 21, 2014).[2] The district court ruled in the House's favor and enjoined HHS from making any further payments until an appropriation was passed. The court's injunction, however, was stayed pending an appeal by the administration. That appeal is ongoing. The House has asked for additional time to work out a settlement with the new administration.

The White House has determined that, for the time being, the administration will continue to reimburse insurers for the CSRs.[3] However, it is not clear yet what the administration intends to do in the long term. The House and administration could reach a settlement that would continue the reimbursements to insurers, or the administration could drop the lawsuit altogether, allowing the lower court's decision to stand, thus ending payments to insurers.

By law, insurers are still required to offer CSR subsidies to enrollees at or below 250% FPL. In the event that the federal government halts reimbursements for CSRs, insurers may increase premiums to recoup lost CSR funding, take on the additional costs of the subsidies, exit the Health Insurance Marketplace, or leave the individual marketplace entirely.[4] A recent analysis by the Kaiser Family Foundation indicates that for a silver plan sold on the Health Insurance Marketplace, premiums would need to increase by an average of 19% to compensate for insurers losing CSR funding (in Georgia these premiums would need to increase by 23%).[5] Without a guarantee of funding, several insurers across the country indicated they would have to reconsider their participation in the ACA's Health Insurance Marketplace because they are not in a position to absorb those costs.[6]

Potential Impact on the Georgia Consumer



Source: The Atlanta Journal Constitution; Georgia Insurance Department

Georgia is divided into 16 geographic insurance markets (see map above). Plan premiums, out-of-pocket expenses, patient populations, and consumer coverage choices vary among

[2] When Tom Price was appointed HHS secretary earlier this year, the name of the case was changed to House v. Price.
[3] https://www.advisory.com/daily-briefing/2017/04/27/csr-payments
[4] http://www.commonwealthfund.org/publications/blog/2016/dec/loss-of-cost-sharing-reductions
[5] http://kff.org/health-reform/press-release/estimates-average-aca-marketplace-premiums-for-silver-plans-would-need-to-increase-by-19-to-compensate-for-lack-of-funding-for-cost-sharing-subsidies/
[6] http://www.urban.org/sites/default/files/publication/87816/2001126-uncertain-future-for-affordable-care-act-leads-insurers-to-rethink-participation-prices.pdf

markets. For example, in 2017, out-of-pocket maximums for an individual ranged from $4,850 in the Macon area (market 12) to $7,150 across nine Georgia markets.

The following table illustrates the variation in costs for coverage and cost-sharing among those eligible for a CSR who purchase a silver plan. Here, anticipated premiums and cost-sharing in the average Georgia market are compared to show the family expense for individual coverage. For an individual or family, average deductibles and out-of-pocket maximums are significantly lower at 150% FPL due to CSR eligibility (savings highlighted in red). For example, a family of three at 150% FPL with a silver plan saves a potential $5,500 in deductible and $13,300 in out-of-pocket costs through CSR subsidies.

Silver Plan Premium and CSR Subsidies

	Eligible for CSR Subsidy (150% FPL)		Not Eligible for CSR Subsidy (300% FPL)		Premium & Potential CSR Subsidies	
	Individual	Parent + 2 Children	Individual	Parent + 2 Children	Individual	Parent + 2 Children
Annual income	$17,820	$30,240	$35,640	$60,480		
Monthly premium for benchmark plan after Advanced Premium Tax Credit	$61	$103	$288	$489	$227	$386
Deductible	$250	$500	$3,000	$6,000	$2,750	$5,500
Out-of-pocket maximum	$500	$1000	$7,150	$14,300	$6,650	$13,300

Source: Centers for Medicare and Medicaid Services, Health Insurance Marketplace Public Use Files
Note: Eligibility for tax credits and subsidies for 2017 are based on household income for 2016.

Enrollment and Competition

The table on the following page describes enrollment and insurer competition across Georgia's 16 Health Insurance Marketplace areas, which would be impacted by changes in CSR funding. Enrollment totals for 2016 are provided, along with the share of individuals qualifying for CSRs (income less than or equal to 250% FPL). Of the over one-half million Georgians enrolled on the Health Insurance Marketplace in 2016, approximately 65% received a CSR (see table). Consumer choice and competition among plans is a function of the number of insurers participating in the Health Insurance Marketplace. In 2017, six Georgia Marketplace locations have only one insurer; the highest concentration of insurer options is in Metro Atlanta. In 2016, all Georgia markets were served by at least two insurers. If fewer competitors offer plans in the Marketplace due to federal CSR reimbursement uncertainty, premiums and other health plan expenses could increase significantly. The possibility of an insurer exiting the Marketplace due to CSR uncertainty is of even greater concern in the six Georgia markets (serving an estimated 73,000 Georgians) that have only one insurer in 2017. Regardless of market competition, CSR reimbursement uncertainty alone may be enough to prevent insurers from accurately estimating risk and increasing insurance premiums and costs.

At this time, the future of funding for CSRs is uncertain. The Georgia Health Insurance Marketplace serves over 580,000 consumers, including over 380,000 individuals who are eligible for CSRs that insurers are required to provide. Eliminating CSR payments may change the landscape of the individual health insurance market by increasing plan premiums if insurers have to compensate for lost CSR funding or reducing consumer choice if insurers choose to leave the marketplace.

[7] Market locations 1, 4, 6, 9, 10, 11, 13, 15, and 16 have maximum out-of-pocket expenses for an individual of $7,150 for 2017.

General Market Location	Georgia Market Number	2016 Enrollment				Competition	
		Total Enrollment 2016	% Receiving CSR	% With Advanced Tax Credit		Total Insurers 2016	Total Insurers 2017
Albany and Rural South	1	10,409	67%	90%		2	1
Athens and Rural North	2	16,174	64%	85%		6	3
Metro Atlanta	3	357,089	64%	85%		7	5
West GA / Carrolton	4	20,855	67%	88%		4	2
Augusta	5	23,126	69%	87%		2	1
Brunswick	6	12,700	66%	90%		2	1
Chattanooga	7	5,998	64%	89%		3	2
Columbus	8	16,340	70%	89%		4	3
Rural North	9	6,412	71%	92%		3	2
Gainesville and Rural NE	10	24,666	66%	90%		4	2
Rural South Central	11	7,544	72%	83%		3	1
Macon	12	19,821	69%	89%		3	2
Rural North West	13	12,515	67%	90%		5	2
Savannah	14	34,665	65%	83%		3	3
Valdosta and Rural South	15	16,425	68%	92%		2	1
Rural — South Central	16	3,094	71%	90%		2	1
Statewide	**Totals**	**587,833**	**65%**	**86%**		**7**	**5**

Source: Centers for Medicare and Medicaid Services, Health Insurance Marketplace Public Use Files

Definitions

Actuarial value (AV)

Distinguishes plans by the average amount of medical costs a plan will pay for. The higher the AV, the lower the out-of-pocket costs for plan members (and the higher the plan premiums). For example, an AV of 90% means the plan, on average, will cover 90% of an insured individual's medical expenses, and for most of the covered benefits, the insured will be responsible for paying 10% of the cost.

Advance Premium Tax Credit (APTC)

Subsidy available to individuals between 100% and 400% FPL purchasing plans on the Health Insurance Marketplace. APTCs are paid out in advance to the health plans on behalf of the taxpayer to lower monthly premiums. APTC amounts are based on estimated annual income and family size.

Federal poverty level (FPL)

Measure of income used to determine eligibility for various types of assistance and public programs. The FPL guidelines are updated annually and are based on both household size and income. For 2017, an individual earning $12,060 and a family of four earning $24,600 are both considered to be at 100% of the FPL.

Silver plan

The Health Insurance Marketplace attaches one of four "metal" levels to plans, based on their AV. "Platinum" plans have an AV of 90%, "gold" plans have an AV of 80%, "silver" plans have an AV of 70%, and "bronze" plans have an AV of 60%. Thus, compared to the other "metal" levels, silver plans fall somewhere in the middle, with moderate monthly premiums and out-of-pocket costs. CSRs only apply to silver plans.

[8] https://aspe.hhs.gov/poverty-guidelines

The Georgia Health Policy Center (GHPC) Health Reform Work Group is a multidisciplinary team composed of faculty and staff from Georgia State University's Andrew Young School of Policy Studies, J. Mack Robinson College of Business, College of Law, and Rollins School of Public Health at Emory University.