Questions and Answers Related to Cost-Sharing Reductions

What subsidies does the Affordable Care Act (ACA) provide to enrollees?

Many lower-income health care consumers may qualify for two types of financial assistance under the Affordable Care Act (ACA).

- **Monthly premium subsidies (Advanced Premium Tax Credit or APTC) for any health plan sold through the Exchange:** These subsidies result in lower monthly premium or a refund on your taxes at the end of the year. The APTC is for individuals with household incomes between 100% and 400% of federal poverty level (FPL). For 2017, that's between $12,060 and $48,240 for an individual.
- **Cost Sharing Reductions (CSRs)** are only available to people who select a silver-level plan through the Exchange and who have a household income below 250% of the FPL (in 2017, that amount for an individual was $30,150). If you qualify, your cost-sharing amounts (copays, deductibles, coinsurance, or out-of-pocket maximum) will be reduced.

What are Cost-Sharing Reductions (CSRs)?

Cost-Sharing Reductions are funded by the federal government and paid to insurers to reduce cost-sharing for lower income people who select silver plans. These subsidies are paid directly to insurers to reduce deductibles, coinsurance, copays, or out-of-pocket maximum costs for people with income under 250% FPL who select a silver plan. These reductions are in addition to premium subsidies.

How are CSRs funded?

The federal government has been making payments directly to insurers to offset the cost of lowering cost-sharing for eligible enrollees. Although the ACA requires the federal government to reimburse insurers for these reductions, a U.S. district court ruling in a challenge brought by the U.S. House of Representatives found that a congressional appropriation is required to make such reimbursements. The case is now on hold because both parties asked for a continuance to allow time for a resolution. As a result, the Trump administration continues to make payment decisions on a month-to-month basis.

What happens if CSR payments are eliminated?

Ending CSR payments could significantly increase rates for some silver plans sold through the Exchange.

The ACA requires insurers to provide these subsidies even if the federal government stops making the payments. Insurers based their rates for 2017 on the assumption that they would be reimbursed for providing the cost-sharing subsidies. If these reimbursements end during 2017, premiums would be too low to cover the cost of care. Insurers need to know whether the reimbursements will be funded for 2018 in order to make sure premiums are sufficient to cover the cost of care.

A decision to not pay for the subsidies or the uncertainty about whether or not they will be paid in the future could result in higher rate increases or cause insurers to withdraw from the market or withdraw from certain counties.

How will CSR funding impact rates for 2018?

With the ongoing uncertainty of whether or not the federal government will fund the CSRs, insurers need clarification on what to do with premiums if they do not receive these payments in the near future.

The ACA requires insurers to charge premiums that are sufficient to cover the costs of the benefits included in a specific plan offered at each metal level. This means that insurers set the rates for their silver plans to guarantee they receive sufficient premium to cover the actual cost of providing that level of coverage to their enrollees.

Since *only* those enrollees in silver plans sold through Exchange are eligible to receive the CSR subsidies, insurers are allowed to apply the cost of those benefits only to their silver plans sold through the Exchange.

To provide clear direction for insurers, the OIC has to approve two sets of rates for all silver plans sold in the Exchange and those sold both in and outside Exchange. One set assumes that CSRs will be funded and the second set of rates would apply if CSR funding ends.

How will insurers selling plans through Health Benefit Exchange (HBE) implement the two sets of silver plan rates?

The lower set of rates are approved for use now. If the federal government announces it will stop making the CSR payments, insurers will be approved to charge the higher set of rates, but they must give impacted enrollees proper notice, as well as inform them of their rights.

If the federal government stops making CSR payments or the U.S. district court ruling becomes final and CSRs are no longer funded, insurers and the Washington Health Benefit Exchange will notify all impacted silver plan enrollees.

If CSRs are no longer funded, how will people receiving Advanced Premium Tax Credits (APTCs) be impacted?

The amount of premium tax credit an enrollee receives is calculated based on the price of the second-lowest cost silver plan sold through the Exchange in that enrollee's rating region. Therefore, an increase in all silver plan premiums sold through the Exchange results in an increase in the premium tax credit because the price of the second-lowest silver plan has gone up.

This might minimize potential negative impacts on people who receive premium tax credits or even increase the amount they receive. For people receiving a tax credit, their premium is a percentage of their income based on the second lowest-cost silver plan in their rating region.