HEALTH ACCESS
California's Health Consumer Advocacy Coalition

FACT SHEET

Financial Help for Lower-Income Consumers at Risk

What The Loss of Federal Funding for Cost-Sharing Subsidies Could Mean for Californians

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As the House GOP seeks to either resurrect their "American Health Care Act" proposal, or find other ways to repeal the Affordable Care Act (ACA) and cut and cap Medicaid funding, low-income California consumers and our individual insurance market as a whole face the looming threat of a loss in cost-sharing subsidies. The ACA implemented these subsides, which help lower income Covered California consumers with out-of-pocket costs such as co-pays, deductibles, and other cost-sharing. In 2016, as many as 7 million Americans[1] received this assistance. Nationally, federal funding for cost-sharing subsidies is estimated at $7 billion,[2] with California consumers alone receiving an estimated $700 million in help. This aid also helps to moderate premiums across the entire individual market, both on and off the exchange.

In 2014, House Republicans sued the Obama Administration (in a lawsuit now called *House v. Price)* to block the U.S. Health and Human Services Department from spending money for federal cost-sharing reduction subsidies without a specific appropriation. The lawsuit questions the constitutionality of the cost-sharing reductions because Congress had not provided a specific appropriation for them. Last May, a federal district judge ruled in favor of the House, but left the subsidies in place while the Obama Administration appealed the decision. The case is still on appeal, and whether consumers will continue to benefit from these important subsidies depends on what the House and the Trump Administration choose to do next. Congress and President Trump must take action to assure that the money is there to help California's and the rest of the country's lower-income consumers, as well as to prevent premium hikes for higher-income consumers.

Covered California: Where Individual Consumers Get Help Paying for Health Insurance

The Affordable Care Act provides financial assistance to help low- and moderate-income consumers afford the cost of insurance premiums, as well as the cost of care. Consumers that purchase in the marketplace and earn between 100% to 400% FPL are eligible for **premium tax subsidies**, which help them afford monthly insurance premiums. Additionally, consumers below 250% FPL are also eligible for **cost-sharing reduction subsidies (CSRs)**, which help them afford co-pays, deductibles, and other cost-sharing burdens. Although they serve similar goals, the two subsidies function in different ways. The premium subsidies are refundable tax credits that go to consumers. The cost-sharing reductions are paid directly to insurers participating in the marketplace. They help to lower consumers' out-of-pocket costs. Depending on the consumer's income, the cost-sharing reductions lower an individual deductible from $2,500 to $650, or even to $75.

- In 2016, close to 90% of those enrolled in Covered California, around **1.5 million** California consumers, received **$4.2 billion** in federal premium tax subsidies, and many of which also received **over $700 million** in cost-sharing reduction subsidies.[3]
- Premium subsidies make health coverage more affordable for a population where an individual earns between $11,880 and $47,520 per year, and a family of four earns between $24,400 and $97,200 per year (100% – 400% FPL).[4]

- Individual consumers earning between $11,880 - $29,700 annually and households of four earning between $24,300 - $60,750 (100% - 250% FPL) annually, who are enrolled in “enhanced silver plans,” get cost-sharing reductions to help pay for co-pays and deductibles that lower out-of-pocket costs.
- Half of Covered California consumers in “enhanced silver plans” received cost-sharing reductions that helped pay for co-pays and deductibles and lowered out-of-pocket costs by more than $1,000 for an individual and $1,500 for a household per year. [5]

Cost-Sharing Reductions Lower Co-Pays, Deductibles, and Other Out-of-Pocket Costs for Consumers

Lower-income consumers continue to face challenges not only with monthly premium costs, but also with the prices of services when they visit their primary care doctors or specialists, get lab tests or x-rays, and buy prescription drugs – even when these are covered under their plans.

Cost-sharing subsidies are targeted financial help to those below 250% FPL, who are the people that are most likely to forgo care due to the up-front costs of co-pays and deductibles. Cost-sharing subsidies help to reduce the consumers’ costs in co-pays, deductibles, and co-insurance expenses, which encourage consumers to seek the care they need instead of being forced to go without it. The table below shows the decreased co-pays and deductibles paid by low and moderate-income individuals and families with “enhanced” silver plans and cost-sharing reduction subsidies, compared to the standard silver plan.

Table 1: Cost-Sharing Reductions for Consumers between 100 – 250% FPL[6]

Coverage Category	Standard Silver	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73
Income Range For an Individual	**N/A**	**Up to $17,820 (100% – 150% FPL)**	**$17,820 - $23,760 (150% – 200% FPL)**	**$23,760 - $29,700 (200% – 250% FPL)**
Primary Care Visit Co-Pay	$35	$5	$10	$30
Specialist Visit Co-Pay	$70	$8	$25	$55
Generic Drugs Co-Pay	$15	$3	$5	$15
Annual Deductible	Individual: $2,500 Family: $5,000	Individual: $75 Family: $150	Individual: $650 Family: $1,300	Individual: $2,200 Family: $4,400

If Congress and President Trump fail to fund cost-sharing reduction subsidies, they risk disrupting the stability of the individual market as it will drive up health care costs for the millions of consumers that rely on this financial assistance. Insurers also rely on cost-sharing reductions as payment reimbursements. Loss of cost-sharing reductions will raise premiums not only for those who benefit from cost-sharing reduction products, but also higher income consumers that buy insurance both on and off the exchanges.

Endnotes

[1] The Commonwealth Fund, Issue Brief: How Will the Affordable Care Act’s Cost Sharing Reductions Affect Consumers’ Out-of-Pocket Costs in 2016? March 2016.
[2] Congressional Budget Office, American Health Care Act Cost Estimate, March 13, 2017.
[3] Covered California, Bringing Health Care Coverage Within Reach, Measure the Financial Assistance Available through Covered California That Is Lowering the Cost of Coverage and Care, March 2017.
[4] Covered California, Income Guidelines Use Through March 2017, September 2016.
[5] Covered California, Bringing Health Care Coverage Within Reach, Measure the Financial Assistance Available through Covered California That Is Lowering the Cost of Coverage and Care, March 2017.
[6] Covered California, Bringing Health Care Coverage Within Reach, Measure the Financial Assistance Available through Covered California That Is Lowering the Cost of Coverage and Care, March 2017.