

Cost-Sharing Reductions (CSRs) Explained

What are cost-sharing reductions? (CSRs)

Cost-sharing reductions, or CSRs, are subsidies that reduce low to middle income individuals' and families' out-of-pocket costs for services such as medications, doctor visits, and hospital care. CSRs are available only for "silver" tier customers on the Covered California exchange.

How many Californians rely on CSRs to lower their costs?

About 650,000 Covered California enrollees benefit from CSRs. This represents more than 48 percent of Covered California's 1.4 million consumers.

How do CSRs work in the real world?

The federal government reimburses health plans for a percentage of the cost for policies offered to enrollees eligible for CSRs. This allows plans to provide people with lower costs at the point of service such as a doctor's office or for hospital visits, and lower annual out-of-pocket maximums. Health plans receive no net financial gain from administering CSRs. This funding is passed directly through to doctors, hospitals and pharmacies on behalf of patients—and only for care that's actually provided.

Why are CSRs important to consumers?

Without CSRs, lower to middle income people and families would likely not have access to the health care options they need due to higher premium costs. Health care premiums in Covered California's marketplace are already slated to rise an average of 12.5% in 2018. If CSRs are eliminated, health plans will need to increase premiums even more and people at all income levels would face higher premiums.

Why is continued federal funding for CSRs uncertain?

In the pending lawsuit *House v. Price*, Congressional Republicans argue that Congress never appropriated funding for Affordable Care Act subsidies (CSRs) and that the payments are therefore unconstitutional. A federal court agreed, putting the future of cost-sharing reductions in jeopardy. However the case has been put on hold as an Obama administration era appeal remains in place. But President Trump has hinted at ending the appeal and the cost-sharing reductions. In the meantime, the federal government has continued to fund the CSRs on a month-by-month basis, with no guarantee the funding will continue.

Sources:

- "Covered California Health insurance companies and plan rates for 2018." Aug. 1, 2017: https://www.coveredca.com/news/PDFs/CoveredCA_2018_Plans_and_Rates_8-1-2017.pdf
- "Extra savings on out-of-pocket costs — only with a Silver plan." Healthcare.gov: <https://www.healthcare.gov/lower-costs/save-on-out-of-pocket-costs/>
- "The Effects of Ending the Affordable Care Act's Cost-Sharing Reduction Payments." Kaiser Family Foundation. April 25, 2017: <http://www.kff.org/health-reform/issue-brief/the-effects-of-ending-the-affordable-care-acts-cost-sharing-reduction-payments/>
- AHIP issue brief: "Cost-Sharing Reductions Are Essential for Consumer Affordability, Choice, and Stability." April 25, 2017: <https://www.ahip.org/cost-sharing-reductions-are-essential/>