Funding CSR Payments in the Health Insurance Stabilization Package Could Harm Low- and Middle-Income Consumers

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KEY FINDINGS

- Congress should act swiftly to stabilize the individual health insurance market.
- One policy under consideration—renewed funding for cost-sharing-reduction (CSR) payments to insurers—would actually have the unintended consequence of dramatically raising premium costs for more than 2 million low- and moderate-income consumers.
- Congress could use other approaches to stabilize the market and protect higher-income consumers without hurting low-wage workers and middle-class families.
- Families USA strongly recommends avoiding renewed CSR payments unless a stabilization bill also gives low-income and middle-class consumers other forms of help that protect them from harm.

Introduction

Families USA strongly supports bipartisan efforts to give consumers affordable health insurance in the individual market. A successful stabilization bill would enhance affordability and access by raising advance premium tax credits (APTCs), funding reinsurance, financing outreach and enrollment assistance, and stopping proposed regulations that would let short-term plans and association health plans (AHPs) substantially undermine the individual market.

However, one idea under consideration—restoring cost-sharing-reduction (CSR) payments to health insurers—would have the profound unintended effect of significantly raising health care costs for more than 2 million low- and middle-income consumers (see appendix for state numbers on page 4). We urge Congress not to restore CSR payments unless they are combined with APTC increases large enough to shield low- and moderate-income consumers from harm.

How we got here

The Affordable Care Act (ACA) requires certain insurers to lower the deductibles and copayments they charge to low- and moderate-income consumers. When President Trump stopped paying insurers to defray the resulting expenses, most state insurance regulators let carriers cover those costs by raising premiums for silver marketplace coverage, which are mainly paid by APTCs. As a result, federal financial support for low- and middle-income consumers is now $194 billion higher than if CSRs were paid to insurers, according to

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Congressional Budget Office (CBO) estimates for 2017 through 2026.[1] Paradoxically, restoring CSR payments would significantly reduce the total financial assistance received by middle-class families and low-wage workers, thereby increasing their out-of-pocket costs.

Examples of serious rate shock if CSR plan payments are restored without additional APTCs

According to CBO's comparisons of insurance costs with and without CSR plan payments:

- Now that CSR plan payments have ended, a 40-year old with an $18,900 salary can buy gold coverage for $200 a year. If CSR plan payments are restored, *those costs will rise more than 10-fold*, to $2,300. Even if such a consumer shifts to a silver plan, premium costs will still climb to $450, or more than twice current levels.
- A 21-year-old earning $26,500 can now buy a bronze plan for $150. Restoring CSR plan payments would *increase his or her premium costs* to $900—a six-fold spike.
- A 64-year old with an annual income of $34,100 can now buy gold coverage for $2,750. That same plan would cost the consumer $7,400, or *more than twice as much*, if Congress restores CSR plan payments. Even if the consumer shifts to substantially less generous silver coverage, he or she would still experience a 10 percent premium increase, with costs rising to $3,050.

The mechanics: why ending CSR payments to plans helped most consumers

In all but 9 states,[2] carriers replaced CSR payments with higher premiums charged for silver plans, often limited to coverage sold in the marketplace. This helped consumers with incomes below 400 percent of the federal poverty level (FPL)—$48,560 for a single individual and $98,400 for a family of 4—but had mixed effects above that threshold:

- Marketplace consumers with incomes below 400 percent of FPL typically qualify for APTCs. If they enroll in silver coverage, their premium costs are based on income. When CSR payments were replaced by higher silver premiums, federal APTCs—not the consumers—picked up the tab.
- Consumers below 400 percent of FPL can now buy bronze or gold plans for a much lower cost, because their APTCs—pegged to premiums charged for silver plans—are significantly larger.
- Effects are mixed for consumers with incomes above 400 percent of FPL, who are ineligible for APTCs. Those in gold plans are likely to pay lower premiums due to the ending of CSR payments, according to CBO, because of the movement of relatively healthy APTC beneficiaries into gold coverage. In states that limited CSR-driven premium increases to silver plans offered on the marketplace, high-income silver enrollees have been able to avoid premium increases if they bought silver coverage off the marketplace. In other states, they had to pay higher premiums or leave silver plans for coverage at different metal levels.

What about people above 400% FPL?

The main goal of restoring CSR payments is to reduce premiums for consumers in the individual market who are ineligible for subsidies because of income above 400 percent of FPL. However, at least four policy options would let Congress lower these consumers' premiums and stabilize markets without subjecting low- and middle-income people to rate shock:

1. Fund reinsurance;
2. Increase subsidies to low- and moderate-income consumers, which would lower premiums by attracting more young and healthy consumers into the market;
3. Prevent the sale of AHPs and short-term policies, which would otherwise fragment the individual market, causing premiums to skyrocket for older adults and people with health problems; and
4. Extend APTC eligibility to consumers with incomes above 400% of FPL.

What about the Basic Health Program (BHP)?

Based on its termination of CSR payments, the Trump Administration cut funding for the two states (Minnesota and New York) that operate BHP programs to serve consumers under 200 percent of FPL. Federal BHP funding could be restored through the approach already proposed by New York and Minnesota: namely, having BHP payments reflect "the marketplace experiences of other states, which accounted for the loss in CSR funding … by increasing the value of PTCs."[3] Federal funding for these two exemplary state programs can be protected without restoring CSR payments, thereby increasing health insurance costs for millions of low- and middle-income households.

Conclusion

Nationally, six out of seven marketplace enrollees (84 percent) have incomes below 400 percent of FPL.[4] Restoring CSR payments would reduce the financial assistance that now helps them buy health insurance. We strongly urge Congress not to fund CSR payments in a stabilization bill unless that step is combined with other forms of substantially increased support for low- and moderate-income families that fully shields them from harm.

Endnotes

[1]Issued before President Trump's termination of CSR payments, CBO compared a baseline with CSR payments to a policy without such payments. https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53009-costsharingreductions.pdf.

[2]https://docs.google.com/spreadsheets/d/1W2EQhCXowRDDuqJhy6PUJtIGHjoND9f_K7oALyDAbLg/edit#gid=0.

[3]https://ag.ny.gov/sites/default/files/bhp_complaint.pdf.

[4]https://www.kff.org/health-reform/state-indicator/total-marketplace-enrollment-and-financial-assistance/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

Appendix: State estimates

The following table (page 5) shows the number of PTC beneficiaries who enrolled in bronze, gold, or platinum plans in 2017. These consumers would have to pay much more in premiums if CSR payments were restored, which would lower PTC amounts. The table greatly understates the number of adversely affected consumers, for several reasons:

Many more PTC beneficiaries enrolled in non-silver plans for 2018 than for 2017. The 2018 boost to PTC amounts greatly cut these consumers' premium costs for non-silver plans, the premiums of which were unaffected by CSR non-payment. In California, for example, the proportion of PTC beneficiaries enrolled in bronze, gold, or platinum plans rose from 31 percent in 2017 to 50 percent in 2018—a 60 percent relative increase. If comparable increases were experienced in all states with results shown below, the estimated total number of severely harmed consumers would rise from 2.0 million to 3.2 million.

Most numbers in the following table come from states that used the federal healthcare.gov enrollment platform. Five of the remaining states did not report enrollment tabulated both by PTC receipt and plan metal level and thus did not allow a calculation of the number of PTC beneficiaries enrolling in non-silver plans. The table does not include any adversely affected residents from these states, simply noting, "information not available."

The following table does not include consumers who enrolled in gold plans without PTCs. As explained earlier, such consumers would pay higher premiums if CSR payments were restored, since that step would cause the movement of relatively low-cost PTC beneficiaries from gold to silver plans.

Table 1. Consumers with significantly higher premium costs if CSR payments resume, based on 2017 data

State	Consumers who would experience major rate shock
Alabama	14,678
Alaska	8,506
Arizona	35,293
Arkansas	13,536
California	353,040*
Colorado	N/A
Connecticut	21,157*
Delaware	N/A
District of Columbia	N/A
Florida	257,546
Georgia	59,353
Hawaii	3,259
Idaho	Information not available
Illinois	84,556
Indiana	N/A
Iowa	11,194
Kansas	23,453
Kentucky	14,272
Louisiana	31,695
Maine	17,886
Maryland	Information not available
Massachusetts	Information not available
Michigan	80,127
Minnesota	Information not available
Mississippi	N/A
Missouri	58,601
Montana	18,772
Nebraska	23,565
Nevada	19,092
New Hampshire	10,593
New Jersey	38,198
New Mexico	9,961
New York	85,980*
North Carolina	86,905
North Dakota	N/A
Ohio	50,835
Oklahoma	N/A
Oregon	37,457
Pennsylvania	49,682
Rhode Island	Information not available
South Carolina	17,878
South Dakota	6,376
Tennessee	46,307
Texas	225,742
Utah	37,535
Vermont	N/A
Virginia	64,076
Washington	39,325*
West Virginia	N/A
Wisconsin	50,393
Wyoming	6,080
Total	**2,012,904**

Source: CMS, 2017 Marketplace Open Enrollment Period Public Use Files, except that *=numbers come from published state reports. Note: The table shows the number of 2017 PTC beneficiaries enrolling in non-silver plans. N/A=plans could not compensate for CSR non-payment by raising premiums on silver plans only.

MCD030818