intheloop connecting the enrollment community

Cost-Sharing Reductions

One of the leading goals of the Affordable Care Act (ACA) is to make health insurance more affordable for consumers. Under the ACA, consumers may be eligible for Cost-Sharing Reductions (CSRs) to lower the amount they have to pay for out-of-pocket expenses such as deductibles, co-pays and co-insurance. CSRs also cap annual out-of-pocket expenses, meaning the consumer has to spend less for health care services before the health plan picks up the full cost of covered services.

HOW DO CSRs WORK?

CSRs are available to eligible consumers who enroll in Silver tier plans in the marketplaces. CSRs reduce the amount a consumer has to pay out of pocket for health care services by adjusting the actuarial value of the plan. Under the ACA, a plan's actuarial value indicates the percentage of enrollees' health care costs that an insurer is expected to cover. The calculation takes into account a plan's various cost-sharing features, such as deductibles, coinsurance, copayments, and out-of-pocket limits.

For eligible consumers, CSRs are paid by the federal government directly to the insurer to reduce the cost of health care expenses the consumer pays. So when the consumer goes to a health care provider, he pays a lower amount of cost-sharing.

WHO IS ELIGIBLE FOR CSRs?

Consumers who meet all the following eligibility criteria qualify for CSRs:

- Are expected to have household income under 250% Federal Poverty Level (FPL);
- Are enrolled in a Silver plan through a state or federal marketplace; and
- Meet the eligibility criteria for Advanced Premium Tax Credits (APTCs).

Lawfully Present Immigrants

Immigrants who are lawfully present must meet the same CSR eligibility criteria as U.S. citizens. However, if these immigrants have incomes below 100% FPL and are ineligible for Medicaid and CHIP (e.g., due to the five-year bar), they are eligible for CSRs.

Members of Federally Recognized Tribes

Members of tribes with household incomes under 300% FPL may not have to pay any cost- sharing. This means they pay no deductibles, co-pays, and co-insurance and have $0 out-of-pocket maximums. Members of tribes with household incomes above 300% FPL may be exempt from cost-sharing for services provided by the Indian Health Service, an Indian Tribe, Tribal Organization or Urban Indian Organization or through referral under contract health services. Furthermore, members of tribes can apply these CSRs to all plans in the marketplace, not only Silver plans.

CSRs are paid by the federal government directly to the insurer to reduce the cost of health care expenses the consumer pays. So when the consumer goes to a health care provider, he pays a lower amount of cost-sharing.

In the Loop *is a joint project of*

Community Catalyst

NHeLP National Health Law Program

Note: For families whose members qualify for different CSR levels (e.g., one member of a federally recognized tribe and one non-federally recognized tribe member) and who choose to enroll in the same qualified health plan, the family's plan will reflect the CSR available to the member who qualifies for the least generous CSR (or no CSR if a member is not eligible at any level).

HOW ARE THE CSR AMOUNTS CALCULATED?

The size of the CSR varies based on a consumer's income. CSRs also cap the maximum out-of-pocket expenses paid by the consumer, meaning the consumer has to spend less in deductibles, coinsurance and copays before the plan pays for 100% of the costs for covered services.

Normally, a Silver plan in the marketplace has an actuarial value of 70%. This requires the insurer to cover 70% of the costs to an average consumer while the consumer pays 30% (insurers can implement this differently, so one insurer may have a higher deductible and another a higher co-pay or co-insurance but both have an actuarial value of 70%.).

The following table shows the differences in CSR amounts and annual out-of-pocket limits based on a consumer's income level.

	Silver Plan (no CSR)	**Silver Plan with CSR** (100-150% FPL)	**Silver Plan with CSR** (151-200% FPL)	**Silver Plan** (201-250% FPL)
Approximate amounts paid by Insurer	70%	94%	87%	73%
Approximate amounts paid by consumer	30%	6%	13%	27%
Annual out-of-pocket limit	$6,350 individual, $12,700 family	$2,250 individual, $4,500 family	$2,250 individual, $4,500 family	$5,200 individual, $10,400 family

For example, an eligible consumer has an income of 175% FPL. If she enrolls in a Silver plan in the marketplace and is eligible for APTCs, she also qualifies for a CSR since her income is under 250%. With her CSRs, she would pay an average of 13% of her out-of-pocket health care expenses versus 30% in a non-CSR Silver plan. She will have lower copays, coinsurance and deductibles when she visits health care providers than a Silver plan enrollee without CSRs. Additionally, her annual out-of-pocket expenses are capped at $2,250. Once she spends that amount, her covered services are paid for 100% by her plan.

Another consumer has an income of 300% FPL. If he enrolls in a Silver plan in the marketplace, he is not eligible for CSRs since his income is above 250% FPL. The consumer's out-of-pocket limit is $6,350. Once he spends that amount on copays, coinsurance and deductibles, his covered services are paid for 100% by his plan. However, the consumer will not have reduced copays, coinsurance and deductibles before reaching his out-of-pocket limit.

IMPORTANT: Consumers should always report changes in circumstances, such as a change in household size or family income, to the marketplace throughout the year. Changes in circumstance that affect CSR eligibility may result in a change in CSR amounts.

Note about changes in CSR eligibility: If a consumer's CSR amount decreases mid-year following a change in circumstance, she does not have to repay CSRs already received. Additionally, a consumer does not receive a refund for previously paid out-of-pocket expenses if CSR award amounts increase.

HOW DOES THE CONSUMER APPLY CSRs TO A QUALIFIED HEALTH PLAN?

After being found eligible for CSRs, the consumer can select a modified Silver plan that provides the lower deductibles, co-pays, co-insurance and out-of-pocket limits compared to regular Silver plans.

WHAT IS NOT COVERED BY CSRs?

Cost-sharing reductions do not include reductions in premiums, balance billing amounts from non-network providers, or spending for non-covered services.

MORE INFORMATION AND RESOURCES:

Advanced Premium Tax Credits, ***In the Loop*** Fact Sheet

Webinar: Cost-Sharing Reductions: Beyond the Basics, Center on Budget and Policy Priorities

Advance Premium Tax Credits and Cost-Sharing Reductions: A Primer for Assisters, Robert Wood Johnson Foundation State Health Reform Assistance Network

Navigator Resource Guide on Private Health Insurance Coverage and the Health Insurance Marketplace, Robert Wood Johnson Foundation and the Center on Health Insurance Reforms (pp. 20-35)