

AHCA Will Remove Low-Cost Sharing Guarantees for Low-Income Individuals

The Elimination of Cost Sharing Reductions Could Lead to Low Income Individuals Facing Higher Deductibles and Maximum Out-of-Pockets

New research from Avalere finds that under the American Health Care Act (AHCA), low-income individuals who purchase insurance on an exchange would lose access to cost sharing subsidies that help make accessing healthcare affordable. Currently, these cost sharing reduction (CSR) subsidies reduce deductibles by up to 93 percent and maximum out-of-pockets (MOOPs) by up to 85 percent. The AHCA, as approved by the House, repeals CSR subsidies that reduce out-of-pocket costs for low-income consumers earning less than 250 percent of poverty (\$29,700 for an individual). Approximately 5.9 million individuals (56 percent) who purchase coverage on the exchange receive some form of CSRs.

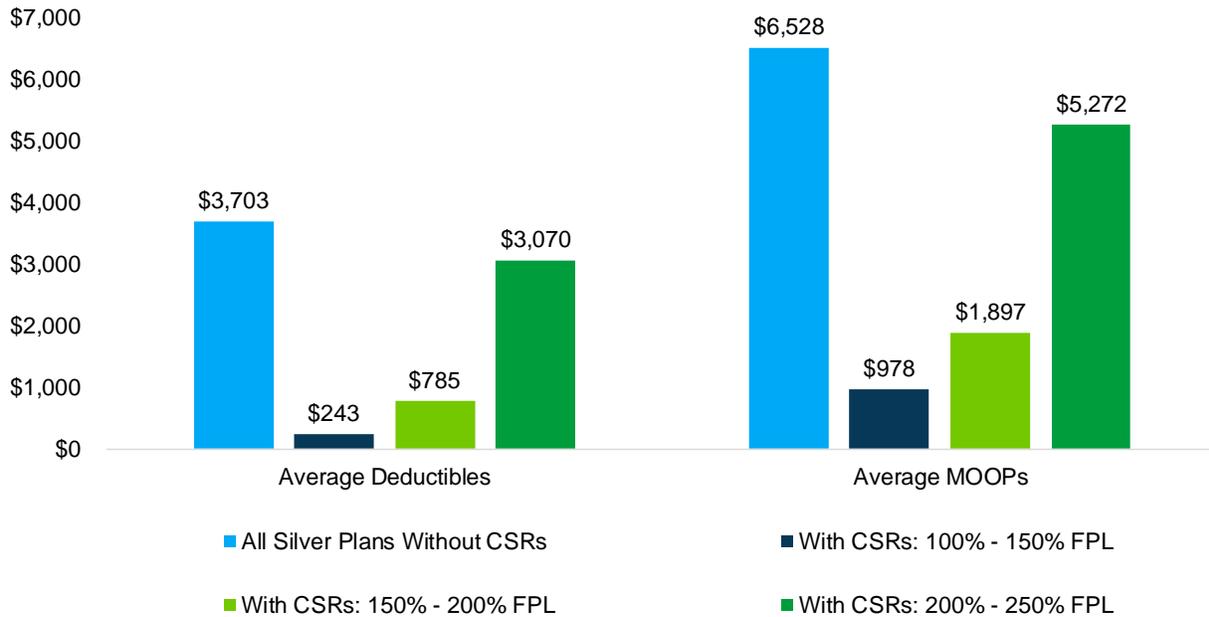
The Affordable Care Act (ACA) included CSRs to lower cost sharing, including deductibles and maximum out-of-pocket limits or MOOPs (the maximum an individual can pay out-of-pocket for the year). CSRs are available at differing levels of generosity depending on an individual's income. For example, individuals earning between \$12,000 and \$18,000 a year (100% to 150% of the FPL) who receive the most generous CSRs had their deductibles reduced from \$3,703 to \$243 on average and their MOOPs lowered from \$6,528 to \$978 in 2017.

While the AHCA eliminates CSRs, it also allows states to grant insurers additional flexibility to design benefits, including cost sharing and covered services. In some cases, insurers may choose to offer lower-priced plans or products that include low cost sharing in combination with other design elements (i.e. high-value networks). However, without the CSRs, the scope and affordability of such plans will depend on decisions by states and insurers.

"Eliminating the CSRs could lead to significantly higher costs for a large number of low-income individuals," said Caroline Pearson, senior vice president at Avalere. "Even if people can pay their monthly premiums, the out-of-pocket costs or other restrictions on benefits may render the coverage unaffordable."



Average Cost Sharing, By CSR Eligibility, 2017



“Compared to the ACA, the AHCA provides no guarantee of affordability for low-income consumers purchasing on the exchange,” said Elizabeth Carpenter, senior vice president at Avalere. “Depending on how states and insurers choose to approach market rules and benefit design, you could see significant variation across states in terms of affordability for low-income consumers.”

METHODOLOGY

The analysis focused on the potential increase in deductibles and MOOPs were CSRs to be eliminated. Number of people eligible for CSRs based on the Centers for Medicare & Medicaid Services, “First Half of 2016 Effectuated Enrollment Snapshot,” October 19, 2016. The average deductibles and MOOPs were calculated as part of Avalere’s 2017 Planscape analysis, using the 2017 Individual Market Landscape files released by the Department of Health and Human Services (HHS) for all states that utilize Healthcare.gov. Averages were calculated for all unique plan designs by rating regions.

Deductibles are solely for combined deductibles and do not take into account deductibles where the medical and drug benefits are separated. Separate deductibles make up a small percentage of all plans offered on Healthcare.gov and do not materially change the findings of the analysis.

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