The Daily Dish

CSR SNAFU

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Eakinomics: CSR SNAFU

Cost-Sharing Reduction (CSR) funds were an integral part of the design of the Affordable Care Act (ACA). The idea was to limit out-of-pocket expenses (co-pays, coinsurance, deductibles) for low-income purchasers of silver policies (but not bronze, gold or platinum plans) in the ACA exchanges. The intent was for the low-income purchaser to face the same premium as someone who could afford to purchase a higher-value plan, which required tossing in more in the way of subsidies because if the individual wasn't absorbing the cost-sharing the insurer would be. The ACA thus contained a specification of the CSRs, their use, and a system of delivering them to the insurers.

There was one catch: the ACA did not contain language automatically making the CSR funds available to the Secretary of Health and Human Services (HHS). Under President Obama, HHS went ahead and made the payments anyway. House Republicans sued the administration, arguing that Congress should have to vote for an appropriation of funds for the CSR money. The district court ruled in their favor, making it illegal for the administration to make the payments without an appropriation.

When President Trump took office, he continued to make the CSR payments illegally and Congress continued to refuse to appropriate the funds needed. In the words of the old military situational assessment: Situation Normal, All F****ed Up — SNAFU.

This made planning for 2018 quite difficult for insurers and state insurance commissioners, who followed a number of different approaches. (1) In some states and for some insurers, they formulated their insurance premiums assuming that the money would continue to flow. (2) Alternatively, a number of insurance commissioners simply told insurers to add a fixed increase (e.g., 12-20 percent) to cover the eventuality that the CSR funds might not materialize. (3) In other states, insurers simply assumed the gig was up and raised their

proposed premiums on all exchange policies to cover the cost of the cost-sharing in the silver plans. (4) Finally, in some states and for some insurers the commissioners permitted insurers to raise premiums on silver plans (only) to offset the anticipated loss.

A week ago, President Trump dropped the bomb and stopped paying the CSR funds for the remainder of 2017 and thereafter.

For all insurers in categories (1) through (4), the loss of the remaining 2017 money was purely a matter of getting shorted by the federal government. For 2018, however, it is far less clear. For those in (1), absent any change the insurers would simply take a loss on their silver plans with cost-sharing. Those in category (2) would likely also come up short, but by smaller amounts. In strategy (3), the sharply higher premiums would trigger correspondingly higher premium subsidies in the exchanges because the subsidies are tied to the cost of the silver plans. That means the CSR cost would effectively be borne by either the taxpayers or purchasers of bronze, gold and platinum plans via the higher premiums. However, for (4) focusing the premium increases on silver plans only would especially hike up the subsidies — to the point that a subsidized purchaser of a bronze plan, for example, might have the premium entirely paid for by the subsidies. That is, the taxpayers would cover the bill through higher subsidies. SNAFU to say the least.

Enter the proposed legislation by Senators Alexander and Murray (for which the president's level of support is unclear— SNAFU). The bill appropriates roughly $25-30 billion in CSR money, totaling roughly $3-4 billion for the rest of 2017, and $10-11 billion for each of years 2018 and 2019. From the CSR perspective it would reverse all of the impacts described above, although it would also allow for additional state flexibility in the ACA, the purchase of catastrophic plans by people over age 30, and other features. But the short version is that:

· Withholding the 2018 CSR money leads to chaos and uneven impacts across states, insurers and plans. But providing it does too. SNAFU.
· CSR funds help low-income individuals, but President Trump doesn't support CSRs because he sees them as a "bailout" for insurers. SNAFU.
· Some Republicans talk about letting Obamacare melt down in seeming indifference to the hardship it might create for millions. SNAFU.