The Daily Dish

The Future of Cost-Sharing Subsidies

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In the aftermath of the failed Senate vote on health care reform, President Trump tweeted "if a new HealthCare Bill is not approved quickly, BAILOUTS for Insurance Companies and BAILOUTS for Members of Congress will end very soon!" The "bailouts" refer to two administrative actions taken by the Obama Administration. The latter was to permit Congress and its staff to continue to receive employer contributions for their health insurance even after moving to the Affordable Care Act (ACA) exchanges in 2010. That is a tale for another day.

The former refers to the Cost Sharing Reduction (CSR) funds in the ACA, a long-standing political football. The ACA provides extra subsidies to those with incomes below 250 percent of the Federal Poverty Limit (FPL) that purchase silver plans in the exchanges. These subsidies serve to further limit the out-of-pocket expenditure for premiums, deductibles and co-pays for those individuals. When an eligible individual purchases a silver plan, the insurer actually delivers a policy with the reduced out-of-pocket costs built into the terms, counting on the federal government to send it the CSR dollars. If the federal government were to renege on this commitment in the near future, the insurers would lose dramatic amounts of money in 2017, might choose to depart the exchanges in 2018, or hike their premium requests if they choose to remain selling on the exchanges in 2018.

Just exactly what will happen is exceedingly unclear. After the passage of the ACA, the Republican-controlled House became convinced that the Administration did not have the authority to make the CSR payments without an explicit Congressional appropriation. It sued to stop the payments, and won the first-round of litigation in the D.C. District court. The court stayed its order to stop the payments and the Obama Administration appealed. Since the election of Donald Trump, the Administration has continued to make the CSR payments.

It's not clear what happens now. The Trump Administration could stop its appeal and/or stop making the CSR payments, which would put Congress in the position of having to appropriate the necessary $8 billion or so. Or, the Administration could continue both the payments and the appeal. The only thing that is clear is that the CSR issue has been a factor in participation and pricing decisions for 2018, and a source of possible disruption in 2017.