

**Why 2017 Appropriations Legislation – a Continuing Resolution or Omnibus –
Must Address “Cost Sharing Reduction” Payments**
4/21/17

Top Line Message/Ask

- Uncertainty around cost sharing reduction (CSR) payments is already increasing marketplace premiums and putting millions of people’s access to coverage at risk.
- The best way to provide certainty that these payments will continue is for Congress to include an explicit, permanent appropriation for them in 2017 appropriations legislation. Such an appropriation does *not* require an offset, because CSRs were already fully paid for as part of the ACA and are part of the official budget baseline.
- Together with Republican and Democratic insurance commissioners, insurers, hospitals, the Chamber of Commerce, and others, we ask that you actively support including such an appropriation in the FY 17 wrap-up appropriations bill.
- If this is left out of the omnibus, the consequences could be swift and severe: millions of Americans could face higher premiums or even lose access to coverage altogether.

Background

What are cost sharing reductions (CSRs)?

- CSRs are subsidies the Affordable Care Act (ACA) provides to reduce deductibles, copayments, and other cost sharing for lower-income marketplace consumers: people with incomes below 250 percent of the poverty line (about \$60,000 for a family of four).
- About 6 million people –more than half of marketplace consumers – have more affordable coverage thanks to these subsidies, which reduce costs by an average of \$1,100 per person.
 - NOTE: State-specific data on CSR recipients is available [here](#).
- Under the ACA, insurers provide plans that have lower deductibles and cost sharing to people who qualify for CSRs, and the federal government reimburses them for the cost of doing so.

Why is there uncertainty about whether insurers will continue to be reimbursed for CSRs?

- Several years ago, House Republicans filed a lawsuit arguing that the Obama Administration lacked appropriations authority to make payments reimbursing insurers for CSRs. (The Obama Administration argued that the appropriation for the ACA’s premium tax credits also covers the related cost-sharing reductions and that the House lacks legal standing to bring the suit.)
- The Trump Administration has the option to keep making CSR payments while it defends the lawsuit (which many legal experts expect the Administration will win, provided it continues to defend it in court).
- Instead, President Trump recently [threatened](#) to stop defending the lawsuit and withhold the payments, effectively threatening to take CSR payments hostage to try to force Democrats to agree to some version of the House ACA repeal bill.

Why are these decisions important to consumers?

- Given President Trump’s threat, *the only way to give insurers certainty that CSR payments (worth about \$7 billion per year) will continue is for Congress to provide an explicit appropriation for CSRs, which would moot the House lawsuit.*
- If the Administration were to stop the payments:
 - Insurers who continued to offer coverage would raise premiums for benchmark “silver” plans by an average of 19 percent, according to Kaiser Family Foundation estimates.
 - NOTE: State-specific estimates are available [here](#).
 - Many insurers would likely stop offering coverage altogether, according to a [joint letter](#) from the major insurers and hospital associations and the Chamber of Commerce.
- Even continued uncertainty about whether the Administration will continue the payments harms consumers.
 - The uncertainty alone may lead insurers to raise prices by 15 to 20 percent or withdraw from the marketplaces, according to a bipartisan National Association of Insurance Commissioners [letter](#) (signed by commissioners from WI, ME, and TN).
 - A number of health plans have [said](#) that their participation in the marketplace for 2018 is contingent on certainty that CSR payments will continue.

Addressing Misconceptions About CSRs

- An explicit appropriation for CSRs does **not** require an offset. That’s because CSRs were already fully paid for as part of the ACA, and they are part of the official current law budget “baseline.”
- Paying CSRs helps consumers. Contrary to claims that making CSR payments is only important to insurers, providing certainty around CSRs is critical to preventing unnecessary rate hikes and making sure consumers nationwide continue to have options.
- Providing an explicit appropriation for CSRs isn’t the same as supporting or endorsing the ACA; it is about preventing chaos in insurance markets. Providing certainty around CSRs is supported by [state insurance commissioners](#) and [health experts](#) of both parties and by a range of stakeholders including the Chamber of Commerce because it’s a commonsense measure to stabilize the individual health insurance market and protect consumers.