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How the Loss of Cost-Sharing Subsidy Payments is Affecting 2018 Premiums

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Insurers setting rates for health coverage options on the 2018 individual market have faced substantial uncertainty regarding whether or not the federal government would continue to make payments for cost-sharing reduction subsidies to insurers, as well as whether or not the administration would continue to enforce the Affordable Care Act's individual mandate. Following the September 27th deadline for insurers planning to offer coverage on the ACA's federal marketplace to finalize premiums and sign contracts, the federal government announced on [October 12th](#) that cost-sharing reduction (CSR) payments would end, effective immediately, unless Congress appropriated the funds. In some cases insurers also increased rates due to concerns that the individual mandate might not be enforced, although no formal change in enforcement has been announced.

Regardless of whether the federal government reimburses insurers for CSR subsidies, insurers are still legally required under the ACA to offer reduced cost-sharing via silver-level plans to low-income consumers with incomes up to 250% of the poverty level. [Many insurers](#) anticipated that the CSR payments might not continue and built the loss of payments into their premiums for 2018. In some cases, state insurance departments directed insurers what to assume regarding CSR payments, and in other cases regulators were silent. Some state insurance regulators approved two sets of rates, one to be used if CSR payments continued and another if they did not.

Following the October 12th cessation of CSR payments, many insurers that had assumed the payments would continue were able to adjust their 2018 rates upward, under the review of the federal Centers for Medicare and Medicaid Services (CMS), state insurance departments, and state-based marketplaces.

Insurers – often under the guidance or direction of state regulators – have taken one of four general approaches to the end of CSR payments:

1. Not adjust rates at all in response to the termination of CSR payments. Only two states (North Dakota and Vermont) are known to have prevented insurers from adjusting rates.
2. Increase premiums for all ACA-compliant individual market policies across-the-board, both inside and outside the marketplace.
3. Increase premiums for silver-level plans inside and outside the marketplace. Silver plans are relevant because cost-sharing reductions for low-income marketplace enrollees are only available in those plans.
4. Increase premiums only for silver-level plans inside the marketplace, under the logic that cost-sharing reductions are only available in marketplace silver plans.

Premiums for silver plans have particular significance in the ACA marketplace not only because they are the only plans that offer reduced cost-sharing, but also because the second-lowest cost silver plan in each area is the benchmark for tax credits provided to subsidize premiums for low and moderate income enrollees.

A crowd-sourced compilation of the strategies used in different states is available [here](#).

This analysis seeks to quantify the impact of the termination of cost-sharing subsidy payments, based on publicly available data for 32 states and the District of Columbia. Table 1 below highlights those insurers that have explicitly factored into their final premiums the fact that cost-sharing subsidy payments will not be made *and* have specified the degree to which that assumption is influencing their premiums in public filings.

Insurers are not always consistent in how they report the premium effect of the end of CSR payments. In some cases insurers report the average impact across all ACA-compliant individual market plans, even though they have applied an increase only to silver plans, which is the approach most insurers seem to have taken. In other cases, insurers specifically cite how much of a surcharge they have applied to silver plans.

As shown in Table 1, among those insurers that specify the surcharge on silver plans for the discontinuation of CSR payments, the amount of the surcharge ranges from 7.1% to 38%.

For those insurers that report the impact on average across all plans – whether increases were actually applied to all plans or only to silver plans – the surcharge ranges from 0.1% to 27.2%. (Note that New York’s insurers, at the low end of the range, are outliers. The basic health program in that state, known as the Essential Plan, covers people with incomes from 138% to 200% of the poverty level, meaning that few people in the marketplace are in the income range to receive cost-sharing reductions.)

These results are generally consistent with a KFF estimate released in April projecting that silver marketplace premiums would have to [increase by 19%](#) on average to compensate for the loss of CSR payments, with the amount [varying substantially by state](#).

Table 1: Examples of 2018 Insurer Strategies and Rate Increases Attributed to Cost-Sharing Reduction Payments Ending, by State and Insurer

State	Insurer	Plans with CSR surcharges	Amount of CSR surcharge
Arkansas	Celtic Insurance Company	Silver - Both on and off-exchange	11.5% added to the overall rate increase
	QCA Health Plan	Silver - Both on and off-exchange	15.53% added to the overall rate increase
	QualChoice Life & Health Insurance Company	Silver - Both on and off-exchange	16% added to the overall rate increase
	USABLE Mutual Insurance Company	Silver - Both on and off-exchange	6.4% added to the overall rate increase
California	L.A. Care Health Plan	Silver - Exchange only	21% added to silver exchange plans
	Blue Shield of California	Silver - Exchange only	8% or 16% added to silver exchange plans
	Health Net	Silver - Exchange only	12% or 13% added to silver exchange plans

	Molina Healthcare	Silver - Exchange only	12% or 20% added to silver exchange plans
	Kaiser Permanente	Silver - Exchange only	15% added to silver exchange plans
	Oscar Health Plan of California	Silver - Exchange only	10% added to silver exchange plans
	Sharp Health Plan	Silver - Exchange only	27% added to silver exchange plans
	Valley Health Plan	Silver - Exchange only	12% added to silver exchange plans
	Chinese Community Health Plan	Silver - Exchange only	16% added to silver exchange plans
	Western Health Advantage	Silver - Exchange only	17% or 18% added to silver exchange plans
	Anthem	Silver - Exchange only	11% added to silver exchange plans
Colorado	Bright Health Insurance Company	All metals levels	2.6% added to the overall rate increase
	Cigna Health and Life Insurance Company	All metals levels	8.5% added to the overall rate increase
	Colorado Choice Health Plans	All metals levels	6.1% added to the overall rate increase
	Denver Health Medical Plan	All metals levels	12% added to the overall rate increase
	HMO Colorado	All metals levels	1.6% added to the overall rate increase
	Kaiser Foundation Health Plan of Colorado	All metals levels	8.2% added to the overall rate increase
	Rocky Mountain HMO	All metals levels	14% added to the overall rate increase
Connecticut	Anthem Blue Cross and Blue Shield of Connecticut	Silver - Exchange only	16.7% added to silver exchange plans
	ConnectiCare Benefits	Silver - Exchange only	16.7% added to silver exchange plans
Georgia	Blue Cross Blue Shield Healthcare Plan of Georgia	Not specified	16.9% added to the overall rate increase
	Alliant Health Plans	Silver - Exchange only	22.3% added to the overall rate increase
	Kaiser Foundation Health Plan of Georgia	Silver - Exchange only	26.1% added to the overall rate increase
	Ambetter of Peach State	Not specified	27.2% added to the overall rate increase
Iowa	Medica Insurance Company	Silver - Unclear if all or exchange only	13.3% added to the overall rate increase
Indiana	Celtic Insurance Company	All metal levels	16.6% added to the overall rate increase
Kentucky	CareSource Kentucky	Silver - Both on and off-exchange	10.4% added to the overall rate increase
Maryland	CareFirst BlueChoice	Silver - Exchange only	20.14% added to silver exchange plans
	Group Hospitalization and Medical Services	Silver - Exchange only	15% added to silver exchange plans
	CareFirst of Maryland	Silver - Exchange only	15% added to silver exchange plans

	Kaiser Foundation Health Plan of the Mid-Atlantic States	Silver - Exchange only	16.86% added to silver exchange plans
Maine	Harvard Pilgrim Health Care	Silver - Both on and off-exchange	17.3% added to silver plans
	Maine Community Health Options	Silver - Exchange only	22% added to silver exchange plans
Michigan	Blue Care Network of Michigan	Silver - Both on and off-exchange	14.8% added to silver plans
	Blue Cross Blue Shield of Michigan	Silver - Both on and off-exchange	9.9% added to silver plans
	McLaren Health Plan Community	Silver - Exchange only	19% added to silver exchange plans
	Meridian Health Plan of Michigan	Silver - Both on and off-exchange	38% added to silver plans
	Molina Healthcare of Michigan	Silver - Both on and off-exchange	28.1% added to silver plans
	Physicians Health Plan	Silver - Exchange only	20% added to silver plans
	Priority Health	Silver - Both on and off-exchange	21.7% added to silver plans
	Montana	Montana Health Cooperative	Silver - Both on and off-exchange
PacificSource Health Plans		Silver - Both on and off-exchange	12.1% added to silver plans
North Carolina	Blue Cross & Blue Shield of North Carolina	Not specified	14% added to the overall rate increase
New Mexico	CHRISTUS Health Plan	Silver - Both on and off-exchange	12.6% added to the overall rate increase
Nevada	Health Plan of Nevada	Silver - Exchange only	11% added to silver exchange plans
New York	Capital District Physicians Health Plan	Silver - Both on and off-exchange	0.3% added to the overall rate increase
	Health Insurance Plan of Greater New York	Silver - Both on and off-exchange	0.4% added to the overall rate increase
	Excellus Health Plan	Silver - Both on and off-exchange	0.2% added to the overall rate increase
	New York State Catholic Health Plan	Silver - Both on and off-exchange	0.6% added to the overall rate increase
	HealthNow New York	Silver - Both on and off-exchange	0.4% added to the overall rate increase
	Independent Health Benefits Corporation	Silver - Both on and off-exchange	0% added to the overall rate increase
	MetroPlus Health Plan	Silver - Both on and off-exchange	1.1% added to the overall rate increase
	MVP Health Plan	Silver - Both on and off-exchange	1.1% added to the overall rate increase
	Oscar Insurance Corporation	Silver - Both on and off-exchange	0.1% added to the overall rate increase
	UnitedHealthcare of New York	Silver - Both on and off-exchange	0.5% added to the overall rate increase
	Healthfirst PHSP	Silver - Both on and off-exchange	1.1% added to the overall rate increase
	Ohio	CareSource	Silver - Unclear if all or exchange only
Medical Health Insuring Corporation of Ohio		Silver - Exchange only	20% added to silver exchange plans

	Molina Healthcare of Ohio	Silver - Unclear if all or exchange only	21.4% added to silver plans
	Oscar Insurance Corporation of Ohio	Silver - Exchange only	14% added to silver exchange plans
	Paramount Insurance Company	Silver - Exchange only	23.5% added to silver exchange plans
	Summa Insurance Company	Silver - Exchange only	17.9% added to silver exchange plans
Oregon	BridgeSpan Health Company	Silver - Both on and off-exchange	7.1% added to silver plans
	Moda Health Plan	Silver - Both on and off-exchange	7.1% added to silver plans
	PacificSource Health Plans	Silver - Both on and off-exchange	7.1% added to silver plans
	Kaiser Foundation Health Plan of the Northwest	Silver - Both on and off-exchange	7.1% added to silver plans
	Providence Health Plan	Silver - Both on and off-exchange	7.1% added to silver plans
Pennsylvania	Capital Advantage Assurance Company	Silver - Exchange only	34.29% added to silver exchange plans
	First Priority Health	Silver - Exchange only	34.29% added to silver exchange plans
	Highmark	Silver - Exchange only	34.29% added to silver exchange plans
	Highmark Choice Company	Silver - Exchange only	34.29% added to silver exchange plans
	Highmark Health Insurance Company	Silver - Exchange only	34.29% added to silver exchange plans
	Geisinger Health Plan	Silver - Exchange only	34.29% added to silver exchange plans
	Keystone Health Plan East	Silver - Exchange only	34.29% added to silver exchange plans
	QCC Insurance Company	Silver - Exchange only	34.29% added to silver exchange plans
	UPMC Health Options	Silver - Exchange only	34.29% added to silver exchange plans
Rhode Island	Neighborhood Health Plan of Rhode Island	Silver - Exchange only	22.4% to 22.8% added to silver exchange plans
	Blue Cross & Blue Shield of Rhode Island	Silver - Exchange only	19.5% added to silver exchange plans
South Carolina	Blue Cross and Blue Shield of South Carolina	Silver - Exchange only	24% added to silver exchange plans
Tennessee	BlueCross BlueShield of Tennessee	Silver - Both on and off-exchange	14% added to the overall rate increase
	Cigna Health and Life Insurance Company	Silver - Both on and off-exchange	17.4% to 21.4% added to silver plans
	Oscar Insurance Company of Tennessee	Silver - Exchange only	17% added to silver exchange plans
Utah	University of Utah Health Insurance Plans	Silver - Exchange only	~30% added to silver exchange plans
	SelectHealth	Silver - Exchange only	~30% added to silver exchange plans
Virginia	HealthKeepers	Silver - Exchange only	12% added to silver exchange plans
	CareFirst BlueChoice	Silver - Exchange only	21% added to silver exchange plans

	Cigna Health and Life Insurance Company	Silver - Both on and off-exchange	18.8% - 20.5% added to silver plans
	Group Hospitalization and Medical Services	Silver - Exchange only	24% added to silver exchange plans
	Kaiser Foundation Health Plan of the Mid-Atlantic States	Silver - Exchange only	12.4% added to silver exchange plans
Washington	BridgeSpan	Silver - Exchange only	27% added to silver exchange plans
	Coordinated Care Corporation	Silver - Exchange only	10% added to silver exchange plans
	Kaiser Foundation Health Plan of Washington	Silver - Exchange only	23% added to silver exchange plans
	Kaiser Foundation Health Plan of the Northwest	Silver - Exchange only	18% added to silver exchange plans
	LifeWise Health Plan of Washington	Silver - Exchange only	14% added to silver exchange plans
	Molina Healthcare of Washington	Silver - Exchange only	12% added to silver exchange plans
	Premera Blue Cross	Silver - Exchange only	10% added to silver exchange plans

NOTES: “Not specified” indicates the insurer stated the amount of their overall average rate increase attributed to CSR payments ending but did not explicitly state how the increase was applied. Data for Colorado, Montana, and Pennsylvania were confirmed by state insurance departments.

SOURCE: Kaiser Family Foundation analysis of insurer rate filings to state regulators; state insurance regulators.

Discussion

Data on 2018 marketplace premiums indicate premiums will increase substantially for the vast majority of insurers due to the discontinuation of cost-sharing reduction payments. In many cases, the premium surcharges are only for silver-level plans.

How consumers themselves will be affected by these premium increases, if at all, will depend in some cases on the approach taken by insurers (sometimes at the direction of state regulators).

Eighty-four percent of marketplace enrollees receive premium subsidies through tax credits, and those tax credits will increase dollar for dollar along with benchmark silver premiums. These enrollees should not be affected financially by the premium surcharges. Lower-income consumers eligible for cost-sharing reductions will likely want to continue to enroll in silver plans to qualify for those reductions.

Marketplace enrollees with incomes 250-400% of the poverty level – who are eligible for premium subsidies but not cost-sharing subsidies – could in some instances be better off. They will receive bigger premium subsidies, and could use those to pay less than they would now for a bronze plan (with higher patient cost-sharing) or a gold plan (with lower patient cost-sharing).

How middle and upper income people ineligible for premium subsidies will be affected will depend largely on the approach taken by insurers and states. Where premiums are increasing across-the-board to offset the loss of cost-sharing subsidies payments, they will be unable to avoid higher premiums. Where only silver premiums are increasing, they can avoid paying a surcharge by enrolling in a bronze or gold plan. And, where only silver

premiums inside the marketplace are increasing, they can avoid paying more by enrolling in a bronze or gold marketplace plan or any type of plan outside the marketplace.

While consumers will generally be protected, the federal government [could end up paying more](#) in premium subsidies than it is saving in discontinuing the cost-sharing reduction payments.

Methods

Data were collected from health insurer rate filing submitted to state regulators. These submissions are publicly available for the states we analyzed. Most rate information is available in the form of a SERFF filing (System for Electronic Rate and Form Filing) that includes a base rate and other factors that build up to an individual rate. For some states where approved filings were unavailable, we gathered data from information released by state insurance departments. Premium data are current as of October 24, 2017; however, filings may still be updated before open enrollment for some states and insurers included in this analysis.