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How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?

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Abstract Health insurers selling plans in the Affordable Care Act's marketplaces are required to reduce cost-sharing in silver plans for low- and moderate-income people earning between 100 percent and 250 percent of the federal poverty level. In 2016, as many as 7 million Americans may have plans with these cost-sharing reductions. In the largest markets in the 38 states using the federal website for marketplace enrollment, the cost-sharing reductions substantially lower projected out-of-pocket costs for people who qualify for them. However, the degree to which consumers' out-of-pocket spending will fall varies by plan and how much health care they use. This is because insurers use deductibles, out-of-pocket limits, and copayments in different combinations to lower cost-sharing for eligible enrollees. In 2017, marketplace insurers will have the option of offering standard plans, which may help simplify consumers' choices and lead to more equal cost-sharing.

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BACKGROUND

Since the Affordable Care Act (ACA) was passed in 2010, the number of uninsured people in the United States has fallen by about 20 million.[1] As a result, the amount Americans collectively spend out-of-pocket for health care has declined.

According to the Centers for Medicare and Medicaid Services, growth in household out-of-pocket health care spending slowed from 2.1 percent in 2013 to 1.3 percent in 2014.[2] Out-of-pocket spending on hospital services, a big-ticket item for the uninsured prior to the ACA, actually fell by more than 4 percent. Moreover, federal and private consumer surveys show nationwide declines in reports of medical bill problems and cost-related delays in getting health care.[3]

Out-of-pocket spending growth has moderated not only because millions more people have full protection against catastrophic health care costs, but also because the ACA both requires private health insurance plans

(and Medicaid plans) to cover a comprehensive set of services and places limits on annual out-of-pocket costs. Whether consumers purchase insurance inside or outside the marketplaces, they can choose among plans offering varying levels of cost protection, ranging from bronze to platinum (see box). Those who have gained coverage through the Medicaid expansion face little cost-sharing.

COST EXPOSURE IN MARKETPLACE PLANS

Insurance companies that sell plans inside or outside the marketplaces must offer plans at four different levels of cost exposure, also known as actuarial values:

- **Bronze**, covering an average 60% of medical costs
- **Silver**, covering 70%
- **Gold**, covering 80%
- **Platinum**, covering 90%.

The law also stipulates out-of-pocket limits that increase as income rises. The limit cannot exceed $6,850 for a single policy or $13,700 for a family policy (Appendix Table 1).

Insurers also are required to provide silver-level marketplace plans with reduced cost-sharing for people who have incomes between 100 percent and 250 percent of the federal poverty level. The lower one's income, the higher the proportion of health care costs covered:

- 100%–<150% of poverty: eligible for plans with 94% actuarial value
- 150%–<200% of poverty: eligible for plans with 87% actuarial value
- 200%–<250% of poverty: eligible for plans with 73% actuarial value.

The U.S. Treasury Department reimburses health plans directly for these cost-sharing reductions.

In 2016, 57 percent of people who selected plans in the largest city in the 38 states using HealthCare.gov had silver plans with reduced cost-sharing. Assuming that a similar share of people had such plans in states running their own marketplaces, as many as 7 million people may benefit from the reductions this year.[4]

For people with low or moderate incomes who are purchasing marketplace plans, the law expands financial protection in two ways: by lowering out-of-pocket limits and by reducing the amount of cost-sharing required. Cost-sharing reductions, which are available to people enrolled in silver plans who earn between 100 percent and 250 percent of the federal poverty level ($11,770 to $29,425 for an individual; $24,250 to $60,625 for a family of four), effectively increase the actuarial value of the coverage—the average percentage of costs covered—to that of a gold or platinum plan. Insurers provide these silver plan variants through a combination of lower deductibles, out-of-pocket limits, copayments, and coinsurance. The federal government reimburses insurance companies directly for these cost-sharing reductions, though Congress is currently disputing how the Obama administration is carrying this out.

In this brief, we look at the effects of cost-sharing reductions on projected 2016 out-of-pocket costs for the people who qualify for them. To do this, we compare hypothetical 40-year-old, nonsmoking males with annual income of $17,000, $20,000, and $25,000, making them eligible for the reductions, with a similar adult earning $35,000, which is above the qualifying threshold. In our study, each person purchases the second-lowest-cost silver plan available in the largest city in each of the 38 states that use the federal website HealthCare.gov to enroll residents in marketplace plans. We use the website's consumer cost comparison tool to provide a rough estimate of out-of-pocket costs for people at these different income levels and for low, medium, and high users of care, as defined by HealthCare.gov. (For further detail, see How We Conducted This Study.)

STUDY FINDINGS

Cost-Sharing Reductions Lower Plan Deductibles

People with low or moderate incomes who selected a silver plan this year will experience lower deductibles in the 38 markets we studied.[5] For our hypothetical consumer, the median deductible for the second-lowest-cost silver plan is $2,500 if his income is $25,000, $600 if his income is $20,000, and $125 if he is earning $17,000 (Exhibit 1, Table 1).[6] In contrast, the median deductible for someone earning $35,000 or more, and thus ineligible for a reduction, is $3,500.[7]

The effects of the cost-sharing reductions on deductibles vary widely across the plans we analyzed (Exhibit 2). For example, for people with a $17,000 annual income, deductibles range from zero in 12 plans to a high of $700 in Newark, New Jersey. For someone with $20,000 in income, deductibles range from zero in the largest cities in Hawaii, Nevada, Oregon, Tennessee, and Texas to $1,750 in the Indiana and Wisconsin plans (Table 1).

In six states, the second-lowest-cost silver plans required a separate deductible for prescription drugs (Appendix Table 2), but the cost-sharing reductions lowered these deductibles as well. In Wyoming, for example, the prescription drug deductible falls from $750 for those not eligible for reductions to $50 for enrollees earning $17,000.

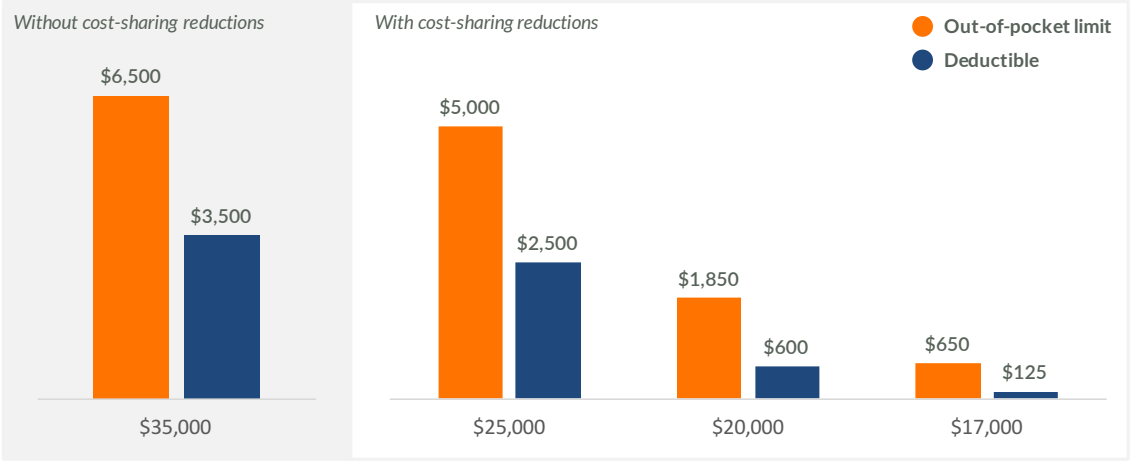
Cost-Sharing Reductions Lower Out-of-Pocket Limits

A health plan's deductible is only one of many factors that determine enrollee costs over the year. Another is the plan's out-of-pocket spending limit: the maximum amount someone would have to pay for their care in a given year. These limits are particularly important for people who need a lot of health care.

Exhibit 1

At lower incomes, enrollees have lower out-of-pocket limits and deductibles

Median out-of-pocket (OOP) limits and median deductible in states that use HealthCare.gov



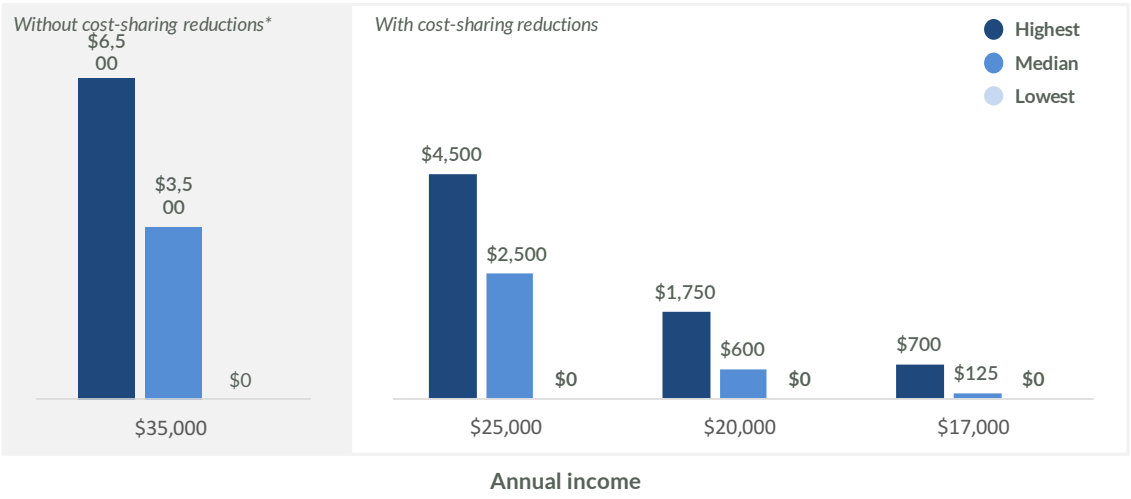
Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker; largest city in state. The median includes 36 states that use the HealthCare.gov platform, excluding Alaska and Hawaii for the $17,000 category; 37 states that use the HealthCare.gov platform for the $20,000 category; and the 38 states that use the HealthCare.gov platform for the $25,000 and $35,000 categories.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

Exhibit 2

There is wide variation in deductibles across markets for silver plans

Highest, median, and lowest in-network deductible amounts in states that use HealthCare.gov



Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker; largest city in state. The highest, median, and lowest amounts include 36 states that use the HealthCare.gov platform, excluding Alaska and Hawaii for the $17,000 category; 37 states that use the HealthCare.gov platform for the $20,000 category; and the 38 states that use the HealthCare.gov platform for the $25,000 and $35,000 categories.

* Minimum values are not displayed because the benchmark plan for Texas has a zero dollar deductible across all income levels.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

The ACA's cost-sharing reductions help lower enrollees' out-of-pocket limits. In the 38 markets we examined, the median out-of-pocket limit in the second-lowest-cost silver plans for people with incomes too high for the reductions is $6,500, which is just under the legal maximum set by the health reform law (see box) (Exhibit 1, Table 1). But for people with incomes low enough to qualify for the reductions, out-of-pocket limits are lower: $5,000 for someone earning $25,000; $1,850 for someone earning $20,000; and $650 for someone earning $17,000. This is in part because the ACA lowers the out-of-pocket maximum as incomes fall (some insurers set their out-of-pocket limits at the legal maximum, while others set lower limits to meet the actuarial value thresholds for plans).

Out-of-pocket limits vary across the 38 plans we analyzed (Exhibit 3, Table 1). For example, at the $17,000 income level, out-of-pocket limits range from $500 in eight states to $2,250—the maximum amount allowed for this income level in 2016—in three states. For someone with a $20,000 income, limits ranged from $1,000 in the New Mexico plan to $2,250 in 13 plans.

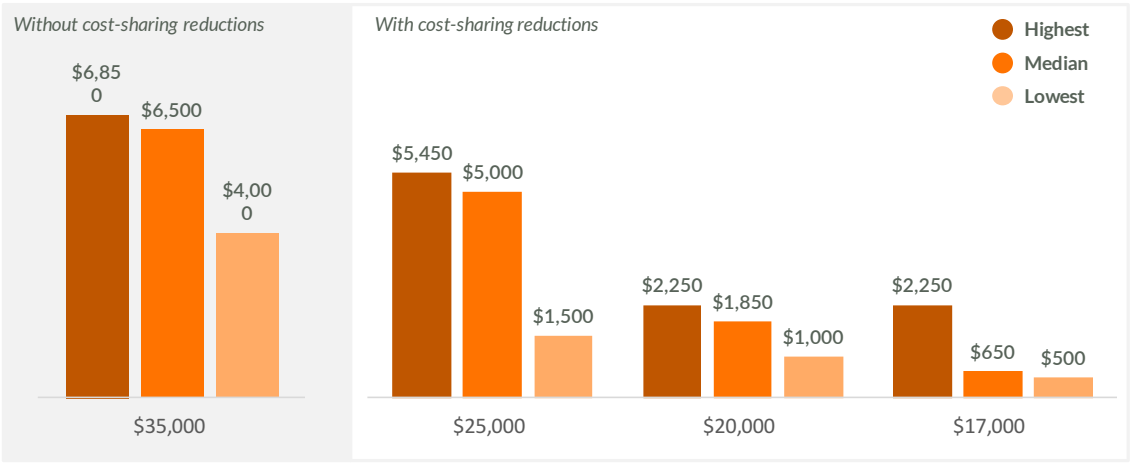
Cost-Sharing Reductions Lower Copayments and Coinsurance

Under most health insurance, people must make a copayment or pay coinsurance whenever they use their plan to get health care. We find that the cost-sharing reductions in many health plans lower these costs for many services. For example, in about three-quarters of plans, copayments for primary care visits are lower for adults earning $17,000 or $20,000 compared to adults earning $35,000 (Appendix Tables 3–7). In 18 plans, people with income of $25,000 had copayments for primary care visits that were lower than those who earned $35,000.

Exhibit 3

There is wide variation in out-of-pocket limits across markets for silver plans

Highest, median, and lowest out-of-pocket limits in states that use HealthCare.gov



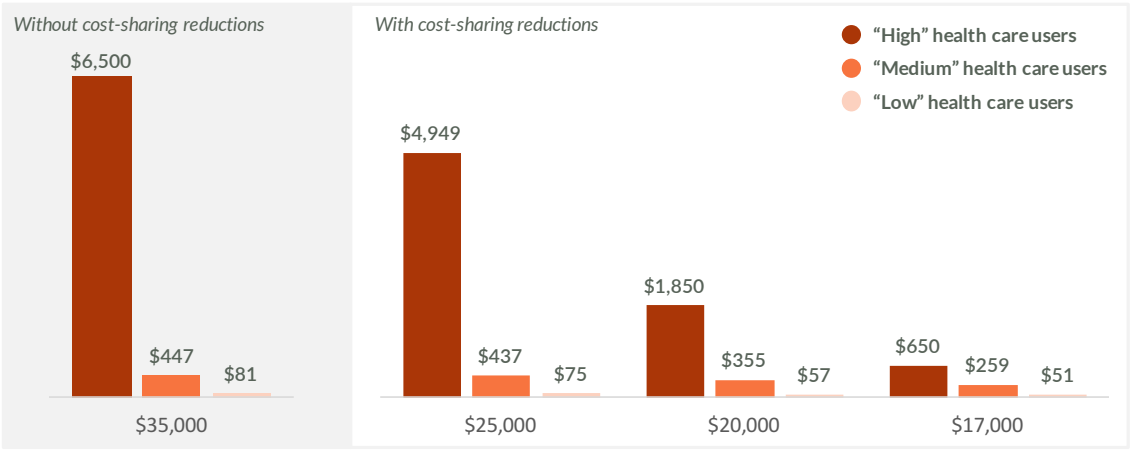
Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker; largest city in state; The highest, median, and lowest amounts include 36 states that use the HealthCare.gov platform, excluding Alaska and Hawaii for the $17,000 category; 37 states that use the HealthCare.gov platform for the $20,000 category; and the 38 states that use the HealthCare.gov platform for the $25,000 and $35,000 categories.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

Exhibit 4

Cost-sharing reductions lower peoples' projected out-of-pocket costs, especially for those who use health care the most

Median projected out-of-pocket costs



Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker; largest city in state. The median includes 36 states that use the HealthCare.gov platform, excluding Alaska and Hawaii for the $17,000 category; 37 states that use the HealthCare.gov platform for the $20,000 category; and the 38 states that use the HealthCare.gov platform for the $25,000 and $35,000 categories. OOP costs is either the difference between total expected costs and the annual premium cost to the enrollee, or the plan's out-of-pocket limit, whichever is lower.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

In addition, most plans offered in the 38 marketplaces provide full coverage for many key services. This means that even if they have not yet met their deductible, enrollees can go to the doctor or fill a prescription while making only the required copayment. (See our companion brief, *How Deductible Exclusions in Marketplace Plans Improve Access to Many Health Care Services.*)

Cost-Sharing Reductions Lower Projected Out-of-Pocket Costs for 2016

What do these reductions in deductibles, out-of-pocket limits, and copayments mean for someone's out-of-pocket costs? To get a rough estimate, we used the HealthCare.gov out-of-pocket cost comparison tool, designed to help consumers shop for a marketplace plan. We determined costs for low, medium, and high users of care, as defined by the government for a 40-year-old nonsmoking male. Men use somewhat fewer services than women in this age group, so women's costs will be higher than those presented here. (For further detail, see How We Conducted This Study.)

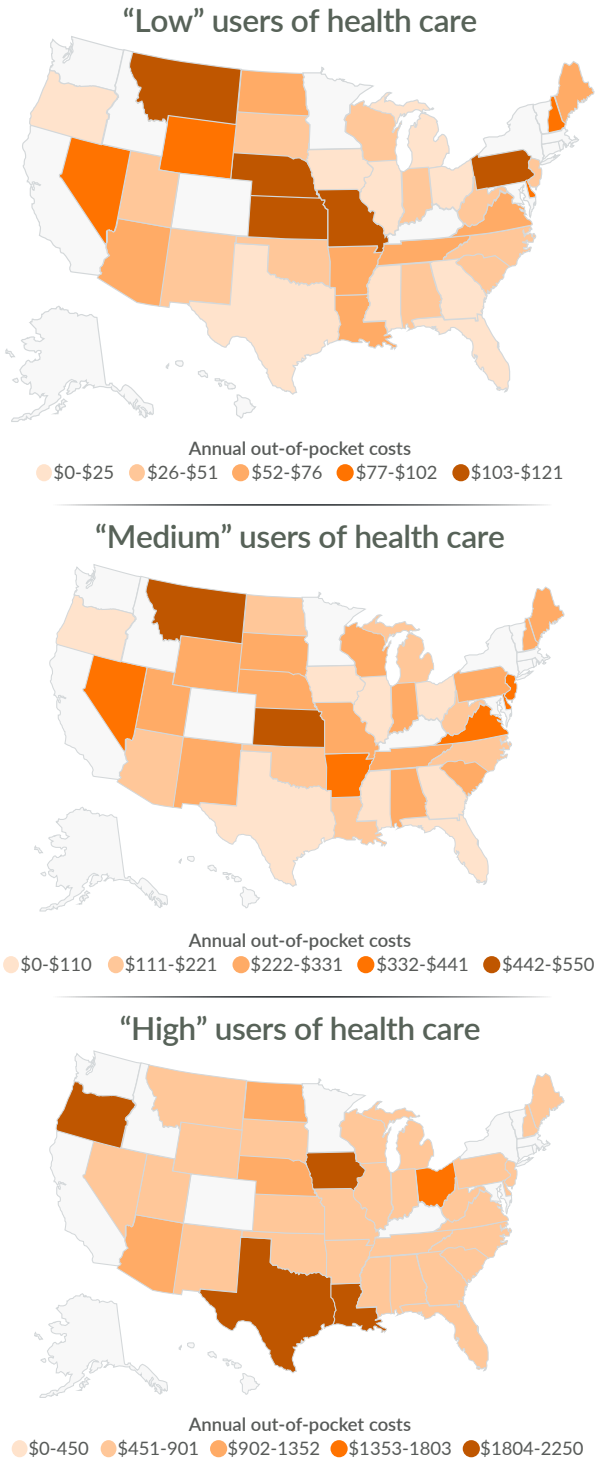
We find that the combination of the cost-sharing reductions and maximum out-of-pocket limits will lower out-of-pocket costs for people eligible for them (Exhibit 4, Table 2). People who use the most health care will see the largest reductions. For a 40-year-old-man who is a high user of care and has a $35,000 income (and therefore is not eligible for cost-sharing reductions), the projected median out-of-pocket expense for the plans we analyzed is $6,500. But projected median costs are much lower for high users with lower incomes: $4,949 for someone earning $25,000, $1,850 for someone earning $20,000, and $650 for someone earning $17,000.

How Much Consumers Pay Depends on Their Health Plan

While the cost-sharing reductions lower people's out-of-pocket costs, the degree to which they

Exhibit 5

Variation in projected out-of-pocket costs across markets, for enrollees with incomes of $17,000



Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker; largest city in state. The amounts include 36 states that use the HealthCare.gov platform, excluding Alaska and Hawaii. OOP costs is either the difference between total expected costs and the annual premium cost to the enrollee, or the plan's out-of-pocket limit.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

fall depends on their health and their health plan. This is because insurance companies use different combinations of deductibles, out-of-pocket limits, copayments, and coinsurance to arrive at the same average actuarial value for enrollees in a plan. And these different combinations mean very different costs for people, depending on how much health care they use in a given year.

For a 40-year-old man earning $17,000 and using very little care during the year, projected out-of-pocket costs for the second-lowest-cost silver plan range from $7 in the Mississippi plan to $121 in the Pennsylvania plan (Exhibit 5, Table 2). For a medium care user at that same income level, out-of-pocket costs range from $59 in the Ohio plan to $550 in the Montana plan (Exhibit 5, Table 2). And for a high user, costs in the silver plan range from $500 in eight plans to $2,250 in three plans (Exhibit 5, Table 2).[8]

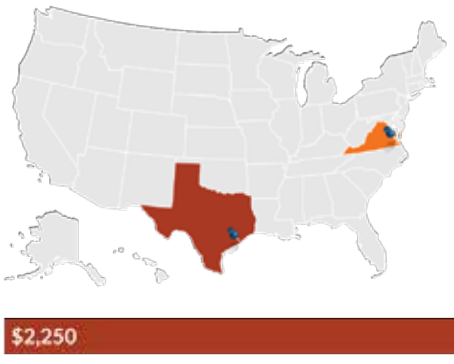
Explaining the Wide Range in Plan Costs

To understand what's behind the wide variation in potential out-of-pocket costs in the 38 state markets, we compare the experiences of a 40-year-old man earning $17,000, and thus eligible for the greatest cost-sharing reduction, in the second-lowest-cost silver plan in four markets: Houston, Texas; Virginia Beach, Virginia; Newark, New Jersey; and Columbus, Ohio.

Differences between the silver plans in Houston and Virginia Beach demonstrate why it is important to look beyond the deductible when projecting enrollees' potential cost exposure (Exhibit 6). Virginia's second-lowest-cost silver plan for someone earning $17,000 has a $150 medical deductible but also a $250 prescription drug deductible. The plan also comes with a low $600 out-of-pocket limit. It provides coverage for primary care visits and specialist visits before the medical deductible and charges $15 and $30 copayments, respectively. But for both generic and preferred prescription

Exhibit 6

Silver plans in Houston, Texas, and Virginia Beach, Virginia, for enrollees with incomes of $17,000



Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker with an annual income of $17,000; largest city in state. OOP costs is either the difference between total expected costs and the annual premium cost to the enrollee, or the plan's out-of-pocket limit, whichever is lower.

* Copayments/Coinsurance are compared for only 5 of the services displayed on HealthCare.gov.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

	Cost breakdown	
$0	In-network deductible	$150
$0	Prescription drug deductible	$250
$2,250	Out-of-pocket limit	$600
	Copayments/Coinsurance*	
$0	*Primary care visit*	*$15*
$10	*Specialist visit*	*$30*
$3	*Generic drugs*	*$15 copayment after deductible*
$8	*Preferred drugs*	*50% coinsurance after deductible*
$100	*Emergency room visit*	*20% coinsurance after deductible*

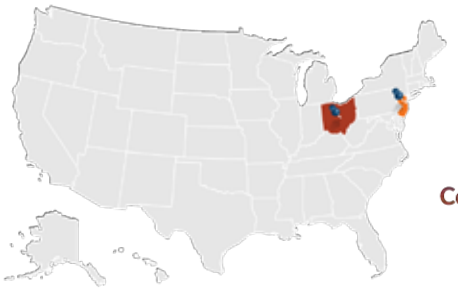
medications, the enrollee must first meet the drug deductible, after which a $15 copayment is charged for generic drugs and 50 percent coinsurance is charged for preferred drugs. Low users of care are projected to spend $72 for the year, medium users, $403, and high users, $600.

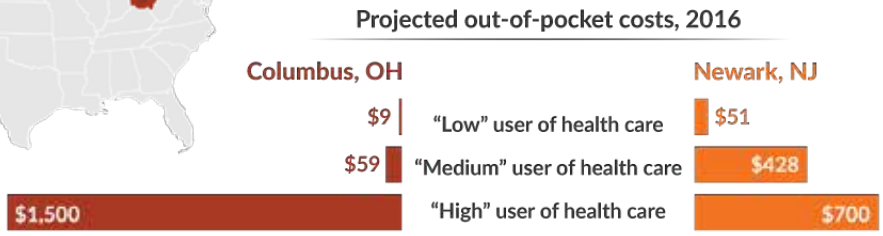
The Texas plan is quite different. It has no deductible for either medical or prescription drugs but a high $2,250 out-of-pocket limit. People have free primary care visits and pay $10 for specialist visits. Prescription drug costs are substantially lower compared to those in the Virginia plan: $3 copayments for generic drugs and $8 for preferred drugs. These low copayments mean that low and medium users of care spend significantly less in the Texas plan ($15 and $69 vs. $72 and $403). But because out-of-pocket limits are so much higher, someone enrolled in the second-lowest-cost silver plan in Texas who uses a lot of health care will have out-of-pocket costs more than three-and-a-half times those incurred by a high user in Virginia ($2,250 vs. $600).

There are similar differences in estimated out-of-pocket costs in the silver plans in Columbus, Ohio and Newark, New Jersey (Exhibit 7). Low and medium users of care are projected to spend significantly less in Ohio than in New Jersey ($9 and $59 vs. $51 and $428), but high users in Ohio are projected to spend more than twice what they would spend in New Jersey ($1,500 vs. $700). In this case, the higher out-of pocket-costs for low and medium users in New Jersey are driven in part by what's included in the plan deductible. While the New Jersey plan excludes primary care visits and generic drugs from the deductible, plan enrollees have to pay the full price of specialist visits and preferred drugs until they have met their deductible. By contrast, there is no deductible in Ohio; people just pay $10 for specialist visits and $15 for preferred drugs.

Exhibit 7

Silver plans in Columbus, Ohio, and Newark, New Jersey, for enrollees with incomes of $17,000





Cost breakdown		
$0	In-network deductible	$700
$0	Prescription drug deductible	$0
$1,500	Out-of-pocket limit	$700
	Copayments/Coinsurance*	
$0	*Primary care visit*	*$0*
$10	*Specialist visit*	*$0 after deductible*
$2	*Generic drugs*	*$0*
$15	*Preferred drugs*	*$0 after deductible*
$100	*Emergency room visit*	*$0 after deductible*

Notes: Second-lowest-cost silver plans for 2016; 40-year-old male nonsmoker with an annual income of $17,000; largest city in state. OOP costs is either the difference between total expected costs and the annual premium cost to the enrollee, or the plan's out-of-pocket limit, whichever is lower.

* Copayments/Coinsurance are compared for only 5 of the services displayed on HealthCare.gov.

Data: HealthCare.gov. Source: S. R. Collins, M. Gunja, and S. Beutel, *How Will the Affordable Care Act's Cost-Sharing Reductions Affect Consumers' Out-of-Pocket Costs in 2016?* The Commonwealth Fund, March 2016.

CONCLUSION

The Affordable Care Act's cost-sharing reductions are playing a critical role in limiting out-of-pocket cost exposure for low- and moderate-income people enrolled in marketplace plans. If the House of Representatives prevails in its suit against the Obama administration challenging the financing of these reductions, up to 7 million people will have higher out-of-pocket costs than before (see box). This may lead many people, especially those in good health, to disenroll from their plans, an event that could destabilize the marketplaces.

A CHALLENGE TO THE COST-SHARING REDUCTIONS: *HOUSE V. BURWELL*

The Affordable Care Act requires the U.S. Treasury to reimburse insurers on a monthly basis for the cost-sharing reductions they provide to consumers. But last year, the House of Representatives filed a lawsuit against the Obama administration challenging the legality of how it is financing these payments to insurers.

The House argues that the payments are illegal, since Congress never appropriated specific funding to pay for them.[9] The administration counters that no specific appropriation is necessary to pay for the cost-sharing reductions, because these payments and the law's premium tax credits are linked and thus covered under the same appropriation.[10]

If the House prevails in the case and Congress fails to pass an appropriation, insurers would still be required under the ACA to provide the cost-sharing reductions–but now could not be reimbursed by the federal government. Insurers could sue the federal government for the money they are owed, or insurers could argue that, without reimbursement, they cannot be required to continue providing the reductions.[11]

Facing substantial revenue shortfalls, many insurers would likely leave the marketplaces or sharply increase premiums to cover their costs. With higher premiums and cost-sharing protections eliminated, many consumers–particularly those in better health–might give up their coverage. A decision on the merits of the case, *House of Representatives v. Burwell,* is expected this spring.[12]

We also found that the considerable variation in the design of the second-lowest-cost silver plans creates variation in estimated out-of-pocket costs in the 38 markets. In its final rule for 2017, the federal government will give insurers the option of offering a set of standard plans in the federal marketplaces.[13] These plans would have fixed deductibles, out-of-pocket limits, and copayments or coinsurance for health care services. In addition, they would provide pre-deductible coverage for eight services and prescription drugs. If insurers offer the plans, it will be easier for consumers to compare their potential out-of-pocket costs under different health plans. The standard options also could lead to more equal consumer cost-sharing across across the country, at least for some plans.

How We Conducted This Study

For this analysis, we looked at the second-lowest-cost silver plan in the largest city in the 38 states that used the federal website HealthCare.gov to enroll consumers in marketplace plans for 2016. We pulled information for a 40-year-old, nonsmoking male.

State	ZIP code	Largest city (by population)	Second-lowest-cost silver plan
Alabama	35203	Birmingham	Humana *Humana Silver 3800/Birmingham PPOx*
Alaska	99501	Anchorage	Premera Blue Cross Blue Shield of Alaska *Blue Cross Blue Shield Plus 3000, a Multi-State Plan*
Arizona	85018	Phoenix	Health Choice Insurance Co. *Health Choice Total Wellness Silver*
Arkansas	72201	Little Rock	Arkansas Blue Cross and Blue Shield *Silver 2500 with PCP/Rx Copayments*
Delaware	19802	Wilmington	Highmark Blue Cross Blue Shield Delaware *Shared Cost Blue EPO 4000*
Florida	32207	Jacksonville	Ambetter from Sunshine Health *Ambetter Balanced Care 1 (2016)*
Georgia	30303	Atlanta	Ambetter from Peach State Health Plan *Ambetter Balanced Care 1 (2016)*
Hawaii	96812	Honolulu	Kaiser Permanente *KP Silver III $30–Fit*
Illinois	60601	Chicago	Ambetter Insured by Celtic *Ambetter Balanced Care 1 (2016): Sinai/IlliniCare Health Network*
Indiana	46201	Indianapolis	Ambetter from MHS *Ambetter Balanced Care 2 (2016)*
Iowa	50301	Des Moines	Coventry *Coventry Silver $10 Copayment UnityPoint Health Des Moines*
Kansas	67209	Wichita	BlueCross BlueShield Kansas Solutions, Inc. *BlueCare Solutions Simple Silver*
Louisiana	70130	New Orleans	HMO Louisiana *Blue Connect Copayment 70/50 $3,500*
Maine	04101	Portland	Anthem Blue Cross and Blue Shield *Anthem Silver X HMO 3500 20*
Michigan	48201	Detroit	Harbor Health Plan, Inc. *Harbor Choice Silver*
Mississippi	39202	Jackson	Ambetter from Magnolia Health *Ambetter Balanced Care 1 (2016)*
Missouri	64101	Kansas City	Blue Cross and Blue Shield of Kansas City *Saver Select Silver*
Montana	59102	Billings	Montana Health CO-OP *Connected Care Silver Plus*
Nebraska	68102	Omaha	UnitedHealthcare *Silver Compass HSA 3000*
Nevada	89112	Las Vegas	Health Plan of Nevada, Inc. *MyHPN Silver 3.1*
New Hampshire	03105	Manchester	Minuteman Health, Inc. *MyDoc HMO Silver Basic*

State	ZIP code	Largest city (by population)	Second-lowest-cost silver plan
New Jersey	07102	Newark	Oscar *Oscar Classic Silver*
New Mexico	87107	Albuquerque	New Mexico Health Connections *Care Connect Silver HMO*
North Carolina	28263	Charlotte	UnitedHealthcare *Silver Compass 5000*
North Dakota	58103	Fargo	Medica *Medica Applause Silver Copayment*
Ohio	43215	Columbus	Molina Marketplace *Molina Marketplace Silver Plan*
Oklahoma	73101	Oklahoma City	Blue Cross and Blue Shield of Oklahoma *Blue Advantage Silver PPO℠ 102*
Oregon	97207	Portland	Kaiser Permanente *KP OR Silver 3000/30*
Pennsylvania	19147	Philadelphia	UnitedHealthcare *Silver Compass HSA 2000-1*
South Carolina	29201	Columbia	BlueCross BlueShield of South Carolina *BlueEssentials Silver 7*
South Dakota	57104	Sioux Falls	Avera Health Plans *Avera MyPlan $2,500/$6,350 Out-of-Pocket*
Tennessee	38103	Memphis	BlueCross BlueShield of Tennessee *Silver S02E, Network E*
Texas	77002	Houston	Molina Marketplace *Molina Marketplace Silver Plan*
Utah	84101	Salt Lake City	Humana *Humana Silver 3800/Salt Lake City HMOx*
Virginia	23451	Virginia Beach	Optima Health *OptimaFit Silver 4000 20*
West Virginia	25301	Charleston	Highmark Blue Cross Blue Shield West Virginia *Shared Cost Blue PPO 4750*
Wisconsin	53233	Milwaukee	Ambetter from MHS Health Wisconsin *Ambetter Balanced Care 2 (2016)*
Wyoming	82001	Cheyenne	Blue Cross Blue Shield of Wyoming *BlueSelect Silver ValueTwo with Kid's Dental*

For the analysis presented in this brief, we then focused on adults at four annual income levels: $17,000, $20,000, $25,000, and $35,000. People with incomes between 100 percent and 250 percent of poverty who purchase silver-level plans through the marketplaces are eligible for cost-sharing reductions that increase the actuarial value—that is, the cost protection—of their plans through lower deductibles and copayments. People with incomes of $17,000 are between 100 percent and less than 150 percent of poverty and are eligible for cost-sharing reductions that increase the actuarial value of their plans to 94 percent; for those with income of $20,000 and between 150 percent and less than 200 percent of poverty, it increases to 87 percent; and for those with income of $25,000 and between 200 percent and less than 250 percent of poverty, it increases to 73 percent. Our comparison group is adults making $35,000, as this income exceeds 250 percent of poverty and therefore exceeds the cost-sharing reduction range.

Under each income category, we include only states for which plan information is available. This is because states that have expanded Medicaid enroll low-income adults in that program rather than in a marketplace plan. For adults earning $17,000, we include 36 states, since Alaska and Hawaii would enroll people at this income level in Medicaid; for those earning $20,000, we include 37 states, since Alaska would enroll them in Medicaid; and for those earning $25,000 and $35,000, we include all 38 HealthCare.gov states.

For our analyses of deductible exclusions, we included only the second-lowest-cost silver plans that have deductibles. At the $35,000 annual income level, Texas is the only state that has no deductible and is therefore not included in the analysis.

Our estimates for out-of-pocket costs come from HealthCare.gov. To enable consumers to more accurately estimate their total costs for the year under different health plans, this year HealthCare.gov added an out-of-pocket cost comparison tool that allows consumers to compare plans based on their potential out-of-pocket costs.[14] Consumers can choose whether they are "low," "medium," or "high" users of health care, categories that will affect their projected costs (see examples below). We calculated a 40-year-old male's out-of-pocket costs by taking the difference between his total estimated costs and his annual premium contribution, data that are available through HealthCare.gov. If the estimated out-of-pocket costs exceed a consumer's out-of-pocket limit, then we report the out-of-pocket limit, rather than the out-of-pocket costs. Health care use is somewhat higher for women of the same age and older adults, and somewhat lower for younger people. The cost comparison tool is based on national average cost estimates for services. This means that the estimates presented in the analysis do not reflect regional differences in health care costs. Differences in out-of-pocket costs reflect differences in plan design only.

Assumed Health Care Service Use Among 40-Year-Old Nonsmoking Males and Females

	Low user		Medium user		High user	
	Male	Female	Male	Female	Male	Female
Doctor visits	1	3	4	7	13	18
Lab or diagnostic tests	0	1	1	3	6	11
Prescription drugs	2	5	6	11	28	32
Days in hospital	0	0	0	0	1	2
Other medical expenses	Minimal	Minimal	$100	$300	$10,300	$13,800

Source: HealthCare.gov.

Notes

[1] S. R. Collins and D. Blumenthal, "New Federal Survey Shows Gains in Private Health Coverage and Fewer Cost-Related Problems Getting Care," *The Commonwealth Fund Blog*, Feb. 24, 2016.

[2] S. R. Collins and D. Blumenthal, "New U.S. Health Care Spending Estimates Reflect ACA Coverage Expansions and Higher Drug Costs," *The Commonwealth Fund Blog,* Dec. 4, 2015.

[3] R. A. Cohen and J. S. Schiller, *Problems Paying Medical Bills Among Persons Under Age 65: Early Release of Estimates from the National Health Interview Survey, 2011–June 2015* (Washington, D.C.: National Center for Health Statistics, Dec. 2015); S. L. Hayes, S. R. Collins, D. C. Radley, D. McCarthy, S. Beutel, and J. Kiszla, *The Changing Landscape of Health Care Coverage and Access: Comparing States' Progress in the ACA's First Year* (New York: The Commonwealth Fund, Dec. 2015); *Early Release of Selected Estimates Based on Data From the National Health Interview Survey, January–March 2015, Failure to Obtain Needed Medical Care* (Washington, D.C.: National Center for Health Statistics, Sept. 2015); and S. R. Collins, P. W. Rasmussen, M. M. Doty, and S. Beutel, *The Rise in Health Care Coverage and Affordability Since Health Reform Took Effect* (New York: The Commonwealth Fund, Jan. 2015).

[4] By the end of the third open enrollment period on January 31, 2016, 12.7 million people nationwide had selected a plan through the health insurance marketplaces. Fifty-seven percent of people enrolled through HealthCare.gov had cost-sharing subsidies, and we applied this percentage to the overall number, yielding approximately 7.2 million people. See Centers for Medicare and Medicaid Services, *Health Insurance Marketplace Open Enrollment Snapshot—Week 13* (Washington, D.C.: CMS, Feb. 4, 2016); U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, *Addendum to the Health Insurance Marketplace 2016 Open Enrollment Period: January Enrollment Report* (Washington, D.C.: ASPE, Jan. 7, 2016), Appendix Table B5.

[5] The cost-sharing medians are for the largest city in the state and may not apply for every 40-year-old male nonsmoker in the market.

[6] We analyzed plans in 36 markets for adults earning $17,000 annually, as adults in Alaska and Hawaii would qualify for Medicaid at this income level, and in 37 markets for adults earning $20,000, as at this income level, adults in Alaska would qualify for Medicaid.

[7] For adults earning $17,000, we include 36 markets, since they would be eligible for Medicaid in Alaska and Hawaii; for those earning $20,000, we include 37 markets, since they would be eligible for Medicaid in Alaska; and for those earning $25,000 and $35,000, we include the markets in all 38 HealthCare.gov states.

[8] The out-of-pocket cost comparison tool at HealthCare.gov estimates high users of health care with annual incomes of $17,000 to spend $2,250 on out-of-pocket costs in the Texas and Oregon plans. We also include the Louisiana plan in this definition since the second-lowest-cost silver plan's out-of-pocket limit is $2,250.

[9] S. Rosenbaum, "House of Representatives Sues Secretary Burwell, Round 1," *The Commonwealth Fund Blog,* Sept. 24, 2015.

[10] N. Bagley, "Legal Limits and the Implementation of the Affordable Care Act," *University of Pennsylvania Law Review* (forthcoming 2016).

[11] The case is being heard by Judge Rosemary Collyer of the United States District Court for the District of Columbia. T. Jost, "Implementing Health Reform: House Can Sue Administration Over ACA Cost-Sharing Reduction Payments (Sept. 10 Individual Market Update)," *Health Affairs Blog,* Sept. 10, 2015.

[12] Both the House and the Obama administration have filed final briefs in the case and the administration has requested oral arguments. T. S. Jost, "Perspective: The House and the ACA—A Lawsuit over Cost-Sharing Reductions," *New England Journal of Medicine,* Jan. 7, 2016, 374(1):5–7.

[13] Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2017; Final Rule, *Federal Register,* March, 8, 2016 81(45):12204–352.

[14] Centers for Medicare and Medicaid Services, Center for Consumer Information and Insurance Oversight, "CMS Final Bulletin on Out-of-Pocket (OOP) Cost Comparison Tool for the Federally-Facilitated Marketplaces (FFMs)," Oct. 29, 2015.

Table 1. Deductible and Out-of-Pocket Limit for the 2016 Second-Lowest-Cost Silver Plan in the Largest City in HealthCare.gov States for a 40-Year-Old Nonsmoking Male, by State and Income

	$17,000		$20,000		$25,000		$35,000	
State	Deductible	Out-of-pocket limit	Deductible	Out-of-pocket limit	Deductible	Out-of-pocket limit	Deductible	Out-of-pocket limit
Median	**$125**	**$650**	**$600**	**$1,850**	**$2,500**	**$5,000**	**$3,500**	**$6,500**
Alabama	$500	$750	$900	$1,500	$3,250	$4,750	$3,800	$6,300
Alaska					$1,000	$1,500	$3,000	$5,400
Arizona	$100	$1,100	$600	$2,200	$2,450	$5,450	$3,100	$6,850
Arkansas	$200	$500	$500	$1,700	$2,400	$5,100	$2,500	$6,850
Delaware	$250	$500	$750	$1,500	$4,000	$4,500	$4,000	$6,850
Florida	$0	$650	$350	$2,250	$3,500	$5,000	$5,500	$6,500
Georgia	$0	$650	$350	$2,250	$3,500	$5,000	$5,500	$6,500
Hawaii			$0	$2,250	$0	$2,250	$2,500	$6,850
Illinois	$0	$650	$350	$2,250	$3,500	$5,000	$5,500	$6,500
Indiana	$550	$550	$1,750	$1,750	$4,500	$4,500	$6,500	$6,500
Iowa	$0	$2,100	$1,000	$2,150	$3,000	$4,900	$3,500	$6,250
Kansas	$500	$500	$1,250	$1,250	$3,250	$3,250	$4,000	$4,000
Louisiana	$25	$2,250	$500	$2,250	$2,750	$5,400	$3,500	$6,850
Maine	$200	$600	$750	$1,450	$2,500	$4,750	$3,500	$6,850
Michigan	$100	$630	$600	$2,250	$2,300	$5,450	$3,500	$6,500
Mississippi	$0	$650	$350	$2,250	$3,500	$5,000	$5,500	$6,500
Missouri	$250	$500	$850	$1,200	$2,300	$3,300	$3,000	$4,750
Montana	$550	$550	$1,250	$1,250	$3,300	$3,300	$4,100	$4,100
Nebraska	$250	$1,000	$800	$2,250	$2,500	$5,200	$3,000	$6,500
Nevada	$0	$500	$0	$1,250	$3,000	$4,500	$4,000	$6,250
New Hampshire	$175	$650	$800	$1,500	$1,800	$5,000	$2,000	$6,000
New Jersey	$700	$700	$1,600	$1,600	$2,500	$4,500	$2,500	$6,600
New Mexico	$100	$500	$500	$1,000	$2,500	$5,000	$4,000	$6,850
North Carolina	$0	$500	$800	$1,600	$3,600	$5,000	$5,000	$6,600
North Dakota	$50	$1,000	$400	$1,850	$2,400	$4,800	$2,600	$5,750
Ohio	$0	$1,500	$450	$2,250	$2,000	$5,450	$2,000	$6,850
Oklahoma	$0	$700	$200	$2,000	$2,000	$5,400	$2,000	$6,850
Oregon	$0	$2,250	$0	$2,250	$1,500	$5,350	$3,000	$6,850
Pennsylvania	$200	$700	$550	$2,250	$1,800	$4,900	$2,000	$6,500
South Carolina	$200	$700	$1,000	$2,250	$4,500	$5,450	$6,200	$6,850
South Dakota	$350	$700	$1,000	$2,000	$2,250	$5,300	$2,500	$6,350
Tennessee	$0	$600	$0	$1,500	$1,000	$4,400	$1,000	$6,250
Texas	$0	$2,250	$0	$2,250	$0	$5,450	$0	$6,850
Utah	$500	$750	$900	$1,500	$3,250	$4,750	$3,800	$6,300
Virginia	$150	$600	$500	$1,300	$2,500	$5,450	$4,000	$6,850
West Virginia	$100	$500	$500	$2,000	$4,000	$5,200	$4,750	$6,850
Wisconsin	$550	$550	$1,750	$1,750	$4,500	$4,500	$6,500	$6,500
Wyoming	$150	$700	$1,250	$1,500	$3,000	$3,750	$3,000	$6,600

Notes: Data are for the second-lowest-cost silver plan for a 40-year-old male nonsmoker in the largest city in each of the 38 states that use HealthCare.gov as its enrollment platform for the 2016 open enrollment season. Blank cells represent states that have expanded Medicaid making people in that income range eligible for Medicaid. We analyze plans in 36 states for adults with incomes of $17,000, as adults in Alaska and Hawaii would qualify for Medicaid at this income level; 37 plans for adults with incomes of $20,000, as adults in Alaska would qualify for Medicaid at this income level.
Source: HealthCare.gov.

Table 2. Annual Out-of-Pocket Costs for the 2016 Second-Lowest-Cost Silver Plan in the Largest City in HealthCare.gov States for a 40-Year-Old Nonsmoking Male, by State and Income

	$17,000			$20,000			$25,000			$35,000		
	Out-of-pocket costs*			Out-of-pocket costs*			Out-of-pocket costs*			Out-of-pocket costs*		
State	Low user	Medium user	High user	Low user	Medium user	High user	Low user	Medium user	High user	Low user	Medium user	High user
Median	**$51**	**$259**	**$650**	**$57**	**$355**	**$1,850**	**$75**	**$437**	**$4,949**	**$81**	**$447**	**$6,500**
Alabama	$49	$329	$750	$51	$355	$1,500	$64	$391	$4,750	$72	$434	$6,300
Alaska							$59	$314	$1,500	$60	$351	$5,400
Arizona	$66	$219	$1,100	$72	$476	$2,200	$74	$501	$5,450	$77	$503	$6,850
Arkansas	$76	$332	$500	$70	$430	$1,695	$84	$474	$5,099	$81	$472	$6,846
Delaware	$80	$397	$500	$73	$413	$1,497	$77	$416	$4,500	$78	$424	$6,848
Florida	$18	$87	$650	$38	$290	$2,250	$59	$363	$5,000	$79	$441	$6,500
Georgia	$16	$85	$650	$36	$288	$2,250	$57	$361	$5,000	$81	$443	$6,500
Hawaii				$28	$108	$2,250	$39	$179	$2,250	$80	$371	$6,850
Illinois	$10	$80	$650	$42	$294	$2,250	$51	$356	$5,000	$73	$435	$6,500
Indiana	$27	$259	$550	$33	$264	$1,750	$85	$453	$4,500	$88	$469	$6,500
Iowa	$23	$94	$2,100	$58	$354	$2,150	$63	$437	$4,900	$86	$501	$6,250
Kansas	$118	$500	$500	$123	$686	$1,250	$115	$678	$3,250	$119	$681	$4,000
Louisiana	$61	$209	$2,250	$74	$441	$2,250	$86	$512	$5,400	$96	$521	$6,850
Maine	$65	$290	$600	$81	$476	$1,450	$85	$510	$4,750	$97	$530	$6,850
Michigan	$22	$141	$630	$29	$171	$2,250	$49	$282	$5,450	$81	$431	$6,500
Mississippi	$7	$76	$650	$39	$291	$2,250	$60	$364	$5,000	$74	$436	$6,500
Missouri	$118	$306	$500	$123	$686	$1,200	$115	$678	$3,300	$125	$687	$4,750
Montana	$118	$550	$550	$123	$686	$1,250	$115	$678	$3,300	$125	$687	$4,100
Nebraska	$118	$292	$1,000	$123	$686	$2,250	$115	$678	$4,136	$125	$687	$4,615
Nevada	$81	$380	$500	$86	$385	$1,250	$84	$444	$4,500	$87	$447	$6,250
New Hampshire	$98	$289	$649	$111	$574	$1,500	$110	$617	$4,997	$110	$625	$5,996
New Jersey	$51	$428	$700	$57	$434	$1,600	$61	$437	$4,500	$58	$435	$6,600
New Mexico	$48	$258	$500	$73	$341	$1,000	$95	$418	$5,000	$93	$416	$6,850
North Carolina	$50	$212	$500	$61	$366	$1,595	$64	$370	$4,999	$62	$368	$6,596
North Dakota	$69	$211	$1,000	$74	$444	$1,850	$66	$436	$4,800	$76	$446	$5,750
Ohio	$9	$59	$1,500	$42	$197	$2,250	$74	$328	$5,450	$74	$336	$6,850
Oklahoma	$26	$150	$700	$50	$299	$2,000	$64	$392	$5,400	$73	$401	$6,850
Oregon	$22	$91	$2,250	$48	$234	$2,250	$83	$451	$5,350	$83	$450	$6,850
Pennsylvania	$121	$307	$700	$114	$584	$2,250	$118	$681	$4,900	$122	$684	$5,502
South Carolina	$46	$289	$700	$39	$308	$2,250	$43	$312	$5,450	$66	$400	$6,850
South Dakota	$30	$235	$700	$49	$293	$2,000	$68	$392	$5,300	$88	$452	$6,350
Tennessee	$52	$297	$600	$57	$303	$1,500	$95	$546	$4,400	$98	$550	$6,250
Texas	$15	$69	$2,250	$56	$236	$2,250	$76	$422	$5,450	$84	$439	$6,850
Utah	$51	$331	$750	$54	$357	$1,500	$66	$393	$4,750	$72	$434	$6,300
Virginia	$72	$403	$600	$76	$507	$1,297	$80	$511	$5,450	$77	$508	$6,848
West Virginia	$46	$203	$500	$47	$314	$1,995	$62	$362	$5,198	$59	$360	$6,846
Wisconsin	$30	$262	$550	$36	$267	$1,750	$77	$445	$4,500	$91	$472	$6,500
Wyoming	$99	$224	$700	$109	$600	$1,500	$101	$592	$3,750	$110	$601	$6,600

Notes: Data are for the second-lowest-cost silver plan for a 40-year-old male nonsmoker who is a "low" user of health care in the largest city in each of the 38 states that use HealthCare.gov as its enrollment platform for the 2016 open enrollment season. Blank cells represent states that have expanded Medicaid making people in that income range eligible for Medicaid. We analyze plans in 36 states for adults with incomes of $17,000, as adults in Alaska and Hawaii would qualify for Medicaid at this income level; 37 plans for adults with incomes of $20,000, as adults in Alaska would qualify for Medicaid at this income level. Out-of-pocket costs are calculated by taking the difference between an adult's total expected costs as a low user of health care and their annual premium.

* Out-of-pocket costs is either the difference between total expected costs and the annual premium cost to the enrollee, or the plan's out-of-pocket limit.

Source: HealthCare.gov.

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