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For further information, contact:

Mary Mahon: (212) 606-3853, mm@cmwf.org

Bethanne Fox: (301) 448-7411, bf@cmwf.org

Twitter: [@commonwealthfund](https://twitter.com/commonwealthfund)

New Commonwealth Fund Report: Federal ACA Marketplace Enrollees Whose Plans Qualify for Cost-Sharing Reductions Can Expect Out-of-Pocket Costs to Vary by Plan

Provisions Designed to Keep Costs Affordable for Low- and Moderate-Income Enrollees Are Working; Those Who Use the Most Health Care See Greatest Benefit

New York, NY, March 17, 2016—Out-of-pocket costs for people who qualify for the Affordable Care Act’s (ACA) cost-sharing reductions vary widely by plan, according to a new Commonwealth Fund study examining plans available in the largest markets in 38 states using the federal marketplace. The cost-sharing reductions are available for people who buy silver-tier health insurance plans on the marketplaces and have low or moderate incomes. The reductions lower deductibles by thousands of dollars and are estimated to substantially reduce out-of-pocket spending, especially for people using the most health care services.

The study, *How Will the Affordable Care Act’s Cost-Sharing Reductions Affect Consumers’ Out-of-Pocket Costs in 2016?*, found that across all 38 plans analyzed, cost-sharing reductions substantially lower deductibles and out-of-pocket spending limits, as well as copayments for primary care and specialist visits, generic and preferred drugs, and emergency room visits. However, how much those costs are reduced depends on the way individual health insurance plans are designed, leading to variation from plan to plan in potential out-of-pocket costs.

“The Affordable Care Act’s cost-sharing provisions will reduce out-of-pocket costs substantially for low- and moderate- income people. However, because health insurance plans are so different, how much your potential costs drop depends on where you live and how much care you need,” said Sara Collins, Vice President for Health Care Coverage and Access at The Commonwealth Fund and the report’s lead author. “Making plan design more consistent could simplify plan choice and help equalize costs for people across states.”

Deductible Exclusions

The study also looked at deductible exclusions, another way plans can help enrollees to access care without incurring substantial costs. Insurers will cover certain services without the enrollee needing to meet the plan deductible first; instead, only a copayment or coinsurance is required. The researchers found that many silver-tier plans exclude from deductibles a number of additional services beyond the preventive care the ACA requires insurers to fully cover. In fact, 30 of the 37 plans analyzed that had

deductibles exclude primary care visits and generic drugs from deductibles, and a majority of plans also excluded specialist visits, prescriptions for preferred drugs, and mental or behavioral health outpatient visits.

How Cost-Sharing Is Working for Enrollees

The ACA's cost-sharing provision requires that insurers offer low-and moderate-income people the option to buy a silver plan that, with cost sharing reductions, covers an average of between 73 percent and 94 percent of medical costs. This is more coverage than the silver plan without cost sharing reductions, which covers only 70 percent on average. Qualifying for the reductions are individuals with incomes between \$11,770 and \$29,425 a year and families of four earning between \$24,250 and \$60,625—an estimated 7 million of the 12.7 million people who selected plans in the 2016 open enrollment period.

The reductions, however, are the subject of a lawsuit, *House of Representatives v. Burwell* that is currently making its way through the federal court system.

The researchers calculated the median out-of-pocket costs for a hypothetical, 40-year-old nonsmoking male who would not qualify for cost-sharing reductions and compared them with those for a similar individual who is eligible for a plan with cost-sharing reductions. It's important to note that even though the researchers used a hypothetical man, the findings apply to both genders with the exception of out-of-pocket costs, which could be higher for women, who use more health care.

Looking at the silver tier plans in 38 markets in states using the federal enrollment website, the study found that cost-sharing reductions:

- **Lower deductibles by thousands of dollars.** The median deductible with cost-sharing reductions drops to \$2,500 for an enrollee making \$25,000 a year and \$125 for an enrollee making \$17,000 a year, compared to a median deductible of \$3,500 for an enrollee who makes \$35,000 a year or more and doesn't qualify for the cost-sharing reductions.
- **Reduce out-of-pocket limits.** The ACA requires insurers to limit enrollees' yearly out-of-pocket spending, with lower levels for lower-income people. The study found that the median out-of-pocket annual spending limit for the 38 silver plans is \$6,500. However, the cost-sharing reductions, combined with the law's lower out-of-pocket spending thresholds for lower-income people, reduces that limit to \$5,000 for an enrollee earning \$25,000, \$1,850 for an enrollee earning \$20,000, and \$650 for an enrollee earning \$17,000.
- **Drop copayments and coinsurance substantially.** In about three-quarters of the plans studied, copayments for primary care visits are lower for enrollees with incomes of \$17,000 and \$20,000 compared to those with incomes of \$35,000. In 18 plans, enrollees with incomes of \$25,000 have copayments for primary care visits that are lower than those of enrollees earning \$35,000.
- **Will keep out-of-pocket costs down for people who use the most health care.** The projected median out-of-pocket expense for a 40 year old male who is a high user of health care across the 38 markets is \$6,500. Cost-sharing reductions lower out-of-pocket costs for high health care users to \$4,949 for a man earning \$25,000, to \$1,850 for someone earning \$20,000, and to \$650

for someone earning \$17,000. Women who are high health care users would face similar out-of-pocket costs.

Moving Forward

The authors note that the Centers for Medicare and Medicaid Services in 2017 will give insurers the option of offering a set of standard plans in the federal marketplaces that feature fixed deductibles, out-of-pocket limits, and copayments or coinsurance for health care services, as well as exclude a defined set of services from the deductible. If insurers take up the option, it will be easier for consumers to compare their potential out-of-pocket costs under different health plans when they shop for coverage. The standard options could also lead to more equal consumer spending.

“We know that when people have health insurance but their deductibles, co-pays, and other costs are more than they can afford, they don’t get the care they need,” said Commonwealth Fund President David Blumenthal, M.D. “This study shows that features of the Affordable Care Act are working to make health care more affordable for many Americans. But we must continue to find ways to ensure that those with limited resources have adequate protection against the high cost of health care.”

When the embargo lifts, the study will be available at

<http://www.commonwealthfund.org/publications/issue-briefs/2016/mar/cost-sharing-reductions>.

Methods

For this analysis, the authors looked at the second-lowest-cost silver plan, in each of the states that used the federal website HealthCare.gov to enroll consumers in marketplace plans for 2016. They collected information for a 40-year-old, nonsmoking male in the most populous city of each state.

The analysis presented in this brief 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 which is between 150 percent and less than 200 percent of poverty, it increases to 87 percent; and for those with income of \$25,000 which is between 200 percent and less than 250 percent of poverty, it increases to 73 percent. The comparison group is adults making \$35,000, as this income exceeds 250 percent of poverty and therefore exceeds the cost-sharing reduction range.

For the analyses of deductible exclusions, only plans that have deductibles are included. At the \$35,000 annual income level, the Texas plan is the only one that has no deductible and was therefore not included in the analysis.

The figures for total expected annual 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. Consumers can choose whether they are “low,” “medium,” or “high” users of health care, categories that will affect their projected costs. The authors 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 the authors 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 Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high performance health system.