



Status of CSRs Remains Unclear: Impact on Individual Market Possible

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Background

Cost-sharing reduction subsidies (CSRs) continue to play a prominent role in the debate concerning the future of the Affordable Care Act (ACA). They are one of two major sources of federal funding for individual health care. The first source of federal funding is direct subsidies provided to individuals to offset their monthly premiums. The second source is the CSRs. The CSRs are payments to insurers that are used to reduce copays and deductibles for coverage under the Silver Plans. Republicans have long argued that the ACA did not contain language appropriating funds for the CSRs and that the payments made by the federal government to the insurers have been illegal. One lower court has agreed with the Republicans on this point, and the matter is currently making its way through the courts.

Current Debate

The future of the CSRs is unclear as of this writing. Last week, President Trump announced that the federal government would no longer make CSR payments to the insurers. Then, earlier this week, two senators – Lamar Alexander (R-Tennessee), and Patty Murray (D-Washington), who is the chair and ranking member of the influential Senate HELP Committee – struck a bipartisan deal in principle to extend the CSRs for two years. Initially, President Trump signaled support for the compromise legislation; but subsequently, mixed signals have emerged. It's also not clear that Republicans in the House or the more conservative Republican senators will support the legislation, which will need 60 votes to clear the Senate.

Why It Matters

The individual market accounts for about 7% of all healthcare insurance purchased in the United States. But its viability is seen as a key indicator of the health of the ACA. Continued CSR payments are critical to the individual market, for a few reasons. Over the long term, premiums will go up dramatically if the CSRs are discontinued. Also, according to the Congressional Budget Office, if other parts of the ACA remain, increased premiums resulting from discontinued CSRs will likely require that more direct subsidies be provided to individuals. This could end up increasing the federal deficit by as much as \$190 billion over 10 years. The fate of the CSRs over the near term will have a profound impact on how individual insurance is priced in 2018, how premiums are communicated during open enrollment, and how many insurers will remain in the individual market. And, not surprisingly, President Trump's decision to end the CSR payments has already spurred litigation from a number of state attorneys general.

Conclusion

Developments concerning the CSRs and the individual market are certain to have an indirect impact on group health plans, as well as on the larger political debate regarding health care. Stay tuned as we track this one.

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