Introduction to State Cost-Sharing Subsidies

Presentation to California Affordability Workgroup

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About State Health and Value Strategies

State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's School of Public and International Affairs. The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies, and brings together states with experts in the field. Learn more at www.shvs.org.

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About Jason Levitis

Jason Levitis is principal at Levitis Strategies LLC, a healthcare consultancy focused on the Affordable Care Act's coverage and tax provisions and state innovation waivers. He provides technical assistance to states officials in partnership with State Health and Value Strategies, a grantee of the Robert Wood Johnson Foundation housed at Princeton University. He's also a nonresident fellow at the Brookings Institution and a senior fellow at Yale Law School's Solomon Center for Health Law and Policy. He served at the U.S. Treasury Department from 2009 to 2017, where he led ACA implementation as Counselor to the Assistant Secretary for Tax Policy.

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Why a State Cost-Sharing Subsidy

Cost-sharing subsidies help people use the coverage they have and see the value in getting covered

- With the American Rescue Plan's premium tax credit (PTC) expansion, cost-sharing is perhaps the biggest remaining affordability concern
  - A family of 3 with income of $55,000 owes $2,300 per year for a benchmark silver plan after PTC but is ineligible for CSRs and faces an average deductible over $10,000
- Survey data suggests many people with health coverage cannot afford to use health care services
- The two states with cost-sharing subsidies (Mass. and Vermont) have long had among the nation's lowest uninsured rates
- Modeling by Oliver Wyman for Colorado suggests a strong coverage effect

Sources: CMS Plan Year 2021 Enrollment Data; JAMA: "Trends in Unmet Needs for…Services," KFF Health Coverage Data, Wyman Study of Colorado Indiv. Market Support Options for 2022

Federal Background

There is no federal legal barrier to state cost-sharing subsidies

- Sec. 1402 of the ACA requires carriers in the Marketplace to reduce cost-sharing for eligible consumers by providing silver variants with certain higher actuarial values (AVs)
  - This requirement remains in effect despite the termination of federal payments to support CSRs
- CMS has made clear on numerous occasions—including in writing—that state programs that further reduce cost-sharing for CSR-eligible consumers ***do not require a waiver or other federal approval***
- Massachusetts and Vermont have done so since 2014 without incident

Cost-Sharing Subsidies in Other States

Actuarial Values (AVs) Provided by Existing Cost-Sharing Subsidies

FPL Level	ACA	Mass.	Vermont	Col. (eff. 2022)
< 100%*	**94%**	**99.7%**	N/A (94%)	N/A (94%)
100-150%	**94%**	**95%**	N/A (94%)	N/A (94%)
150-200%	**87%**	**95%**	N/A (87%)	**94%**
200-250%	**73%**	**92%**	**77%**	N/A (73%)
250-300%	N/A (70%)	**92%**	**73%**	N/A (70%)
> 300%	N/A (70%)	N/A (70%)	N/A (70%)	N/A (70%)

* Individuals under 100% of FPL are generally eligible for CSRs only if “lawfully present” immigrants subject to the five-year Medicaid bar.

How State Cost-Sharing Subsidies Work

State requires reduced cost-sharing and pays carrier the differential cost

- State requires carriers to provide higher-AV silver plans to certain consumers for the price of a base silver plan
- Required state AV levels may (a) rely on federal variants—extending them to higher incomes (CO), (b) rely on new variants (MA), or (c) both (VT)
- Carriers design plans at the required AV
  - Design may be standardized (MA) or give carriers flexibility (ACA)
- Consumers shopping and using plans see the required variant
  - Federal and state CSR contributions are invisible to consumers
- State pays carrier the differential cost over the federally required AV (see next slide)

Payment Options

States can pay carriers' actual cost or use an estimate

Option 1: Estimated pre-payment with reconciliation based on actual cost (Federal/Mass/VT)

- Estimated pre-payment is calculated using a premium multiplier
  - Includes induced demand factor
- Reconciled based on actual cost difference for affected enrollees
  - Requires reporting by carrier, similar to pre-2018 federal reporting

Option 2: PMPM based on expected carrier cost (Colorado)

- PMPM may be carrier-specific, based on a premium multiplier, or other
- May account for induced demand
- No reconciliation for actual utilization, though adjusts for enrollment

Discussion

Thank You

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