Fact Sheet

Health Insurance Cost-Sharing Reductions Are Critical to Ensuring Affordable Health Care for Older Adults

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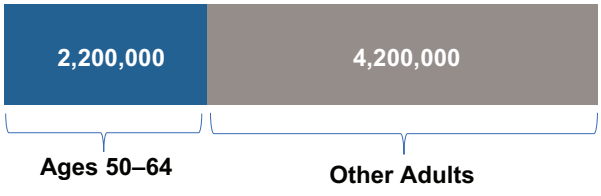
Under current law,[1] subsidies known as *cost-sharing reductions* help make health care more affordable and accessible for millions of lower-income Americans—including more than 2 million older adults—who purchase individual health insurance coverage.[2] The term *cost-sharing* refers to consumers' out-of-pocket costs for health care services—typically deductibles, coinsurance, and copayments. For people with modest incomes, high cost-sharing can present an enormous barrier to accessing necessary medical care. By reducing these barriers, cost-sharing reductions provide critical financial protection for consumers, especially older adults with chronic conditions or significant health care needs.

More than 2 Million Older Adults Rely on Cost-Sharing Reductions to Afford Care

The majority of people (58 percent) enrolled in state and federal health insurance marketplaces receive cost-sharing reductions.[3] Over a third (35 percent) of adults receiving cost-sharing reductions are older adults ages 50–64 (figure 1).[4] While people with incomes up to 250 percent of the Federal Poverty Level (FPL) are eligible for cost-sharing reductions, the large majority (78 percent) of 50- to 64-year-olds who receive cost-sharing reductions actually earn less than 200 percent of the FPL (or $24,120 for an individual in 2017).

Among older enrollees ages 50–64 who receive cost-sharing, 63 percent identify as White, 17 percent as Hispanic, 13 percent as Black, and 5 percent as Asian.[5] Most adults ages 50–64 who receive cost-sharing reductions (59 percent) are also employed, which indicates that many lower-income older adults do not have access to affordable employer-based coverage.

FIGURE 1
Over One-Third of Adults Receiving Cost-Sharing Reductions Are Ages 50–64



Source: 2017 Urban Institute, Health Insurance Policy Simulation Model, 2016 enrollment.

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Cost-Sharing Reductions Lower Out-of-Pocket Health Care Costs

Under the Affordable Care Act (ACA), cost-sharing reductions are available to lower-income people with incomes between 100 percent and 250 percent of the FPL[6] who qualify for premium tax credits (another mechanism designed to increase health care affordability) and enroll in Silver level coverage.[7]

Insurance companies are required to offer eligible consumers cost-sharing reduction plans, which are variations of typical silver plans with lower cost-sharing responsibilities (including deductibles, copayments, and coinsurance amounts) than typical silver plans. These plans also have lower out-of-pocket limits (described in next section).

Cost-sharing reduction plans cover a higher share of health care costs than do typical silver plans. Typical Silver plans generally cover only 70 percent of average health care costs, leaving consumers to pay for 30 percent of average health care costs out-of-pocket. Cost-sharing reduction plans cover between 73 percent and 94 percent of average health care costs, depending on the individual's income level.[8]

Lower Out-of-Pocket Limits

The ACA requires insurance companies to set an annual out-of-pocket limit that caps consumer's cost-sharing. Once a person reaches that annual limit, the insurance company pays 100 percent of covered services for the remainder of the calendar year.

Consumers eligible for cost-sharing reductions benefit from lower annual out-of-pocket limits than consumers in typical silver plans. In 2017, the maximum annual out-of-pocket limit that an insurance company can set is $7,150 for an individual (although insurance companies can set lower limits).[9] However, out-of-pocket limits for cost-sharing reduction plans may not be higher than between $2,350 and $5,700, depending on the enrollee's income level. Lower out-of-pocket limits represent significant financial protection from high out-of-pocket costs for consumers, especially those with chronic conditions, who may otherwise have significant cost sharing.

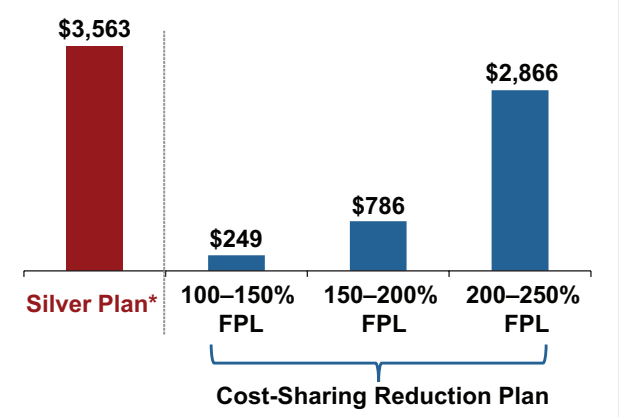
In 2017, people enrolled in cost-sharing reduction plans have significantly lower out-of-pocket limits than those in plans without cost-sharing reductions. Among people with incomes between 100 percent and 150 percent of the FPL, the out-of-pocket limits are an average **$5,600 lower** (table 1). The difference in average annual out-of-pocket limits between Silver plans with and without cost-sharing reductions varies by state and is as much as $6,330 for someone in North Carolina whose income falls between 100 percent and 150 percent of the FPL.

Lower Deductibles

High deductibles can often present a barrier for consumers, especially for those with lower incomes, to accessing necessary medical care.[10] While typical Marketplace Silver plan annual deductibles average $3,563 in 2017, consumers eligible for cost-sharing reductions benefit from significantly lower deductibles (figure 2). These lower deductibles are a substantial benefit that can make health care significantly more accessible for people with limited incomes.

In 2017, people enrolled in CSR plans earning **below 150 percent of the FPL** (or up to $18,090 for an individual) have an average deductible of $249, which is **$3,314** lower than if they enrolled

FIGURE 2
Average Deductibles are Significantly Lower for People with Cost-Sharing Reductions



** Marketplace Silver Plan coverage without cost-sharing reductions.*

Source: AARP Public Policy Institute analysis of Center for Medicare and Medicaid Services 2017 Health Insurance Marketplace Public Use File.

TABLE 1

Cost-Sharing Reductions Protect Consumers from Out-of-Pocket Costs: Difference in Average Out-of-Pocket Limits between Marketplace Silver Plans with and without Cost-Sharing Reductions in 2017

State	100–150% FPL	151–200% FPL	201–250% FPL
Alabama	$6,325	$5,725	$2,000
Alaska	$5,125	$4,075	$975
Arizona	$4,713	$4,509	$1,109
Arkansas	$5,638	$4,491	$1,012
California	$5,900	$5,150	$1,450
Colorado	$5,900	$5,150	$1,450
Connecticut	$5,900	$5,150	$1,450
Delaware	$5,267	$4,800	$1,517
District of Columbia	$5,900	$5,150	$1,450
Florida	$5,748	$4,795	$1,378
Georgia	$5,731	$4,669	$1,246
Hawaii	$5,164	$4,764	$1,364
Idaho	$5,900	$5,150	$1,450
Illinois	$6,097	$5,080	$1,575
Indiana	$5,712	$4,602	$1,046
Iowa	$4,795	$3,909	$807
Kansas	$4,417	$3,815	$712
Kentucky	$5,478	$4,430	$1,049
Louisiana	$4,869	$4,355	$1,193
Maine	$6,135	$5,117	$1,610
Maryland	$5,900	$5,150	$1,450
Massachusetts	$5,900	$5,150	$1,450
Michigan	$5,925	$4,999	$1,262
Minnesota	$5,900	$5,150	$1,450
Mississippi	$5,945	$4,678	$1,125
Missouri	$5,764	$4,838	$1,392
Montana	$4,856	$3,871	$782
Nebraska	$4,618	$3,774	$690
Nevada	$5,688	$4,614	$1,107
New Hampshire	$5,465	$4,461	$1,183
New Jersey	$5,347	$4,378	$1,180
New Mexico	$5,780	$4,930	$1,532
New York	$5,900	$5,150	$1,450
North Carolina	$6,330	$4,809	$1,450
North Dakota	$4,640	$4,113	$931
Ohio	$5,643	$4,646	$1,224
Oklahoma	$6,090	$5,013	$1,535
Oregon	$5,994	$4,996	$1,604
Pennsylvania	$5,529	$4,545	$1,564
Rhode Island	$5,900	$5,150	$1,450
South Carolina	$4,697	$4,343	$1,197
South Dakota	$5,305	$4,277	$993
Tennessee	$5,701	$4,797	$1,397
Texas	$5,536	$4,512	$1,308
Utah	$5,822	$5,135	$1,715
Vermont	$5,900	$5,150	$1,450
Virginia	$5,859	$4,953	$1,546
Washington	$5,900	$5,150	$1,450
West Virginia	$6,002	$4,963	$1,454
Wisconsin	$5,550	$4,501	$1,294
Wyoming	$5,742	$4,550	$1,217
NATIONAL	$5,614	$4,751	$1,314

FPL = federal poverty level

Source: Calculations by AARP Public Policy Institute. Based on 2017 QHP Landscape Individual Market county-level data. Calculated as average difference in actual maximum medical out-of-pocket (OOP) limits between individual standard Silver plans and Silver plans with a 94% AV (actuarial value). For the 12 state-based marketplaces in 2017 (CA, CO, CT, DC, ID, MD, MA, MN, NY, RI, VT, WA) we used maximum out-of-pocket limits from CMS.

in a typical silver plan (figure 2). These savings amount to **at least 18 percent of their annual income**. Enrollees **with incomes between 150 percent and 200 percent of the FPL** (between $18,090 and $24,120 per year) have average deductibles of $786 per year, which is **$2,777** lower than they would have otherwise. Enrollees with **incomes between 200 percent and 250 percent of the FPL** (between $24,120 and $30,150 per year) have an average deductible of $2,866, or **$697** less than the typical Silver plan.

Conclusion

Along with premium tax credits that lower health insurance premiums, cost-sharing reductions are a critical financial protection for lower-income Americans, including many older adults. Cost-sharing subsidies are most important to low-income people with high medical expenses—including older adults with chronic conditions—who, without the subsidy, would be at risk of unaffordable out-of-pocket cost burdens and medical debt.

1 Cost-sharing reductions were authorized under the Affordable Care Act.

2 Urban Institute, Health Insurance Policy Simulation Model, data for 2016 enrollment.

3 Centers for Medicare and Medicaid Services, "Addendum to the Health Insurance Marketplaces 2017 Open Enrollment Period: January Enrollment Report," January 10, 2017, https://downloads.cms.gov/files/addendum-final-marketplace-mid-year-2017-enrollment-report-1-10-2017.pdf.

4 2017 Urban Institute, Health Insurance Policy Simulation Model, data for 2016 enrollment.

5 2017 Urban Institute, Health Insurance Policy Simulation Model, data for 2016 enrollment.

6 Income levels are for an individual in 2017. For states that expanded their Medicaid programs, eligibility for cost-sharing reductions begins at 138 percent of the FPL.

7 There are four levels of Marketplace plans: Bronze, Silver, Gold, and Platinum. These metal levels are based on how the individual and insurance plans split costs.

8 People with incomes between 100 percent and 150 percent of the FPL are eligible for coverage with 94 percent actuarial value, which is similar to a Platinum-level plan (which has 90 percent actuarial value). People with incomes between 150 percent and 200 percent of the FPL are eligible for coverage with 87 percent actuarial value, which covers more cost sharing than does a typical Gold-level plan (80 percent actuarial value). People with incomes between 200 percent and 250 percent of the FPL are eligible for coverage with 73 percent actuarial value, which covers more cost sharing than do typical Silver plans (70 percent actuarial value).

9 Healthcare.gov, "Out-of-pocket maximum/limit", 2017.

10 Commonwealth Fund, "How High Is Too High? Implications of High-Deductible Health Plans", 2005.

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