The ACA's Cost-Sharing Reduction: Protecting Consumers from High Out-of-Pocket Health Costs

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The Trump administration announced that it would continue to pay for cost-sharing reductions (aka "subsidies") this year while a lawsuit over the subsidies is pending. Neither Congress nor the Trump administration have said whether they will continue to fund the program in the future. If they do not quickly agree to fund this program, premiums will rise, and insurers may pull out of the market leaving consumers without help paying for health care.

In addition to the tax credits that the Affordable Care Act (ACA) gives low-income consumers to help them pay their monthly premiums, there's another way the law keeps costs low.

Under the ACA, 6 million people—who qualify because their incomes are low or modest—get extra help that limits how much they will have to pay out of their own pocket for health care. The assistance is designed to protect low-income consumers from spending too much on copayments, deductibles, and other health care expenses. Known as cost-sharing reductions (or subsidies), this assistance is essential to whether people can afford to get health care.

People with insurance often face a number of health care costs they must pay themselves in addition to what their plan covers. Typically, these include a deductible and copayments or coinsurance for most services. When these costs are too high, covering them can force people into making tough decisions or incurring medical debt.

To protect all consumers in the marketplace from high costs, **the ACA caps the amount of money that consumers can be charged** out of pocket during the year.

In addition, it pays health insurance companies to keep out-of-pocket costs low for millions of consumers with low or moderate incomes. This provision of the law, also called **cost-sharing reduction**, lowers (or subsidizes) the amount of money that a person or family would have to pay out of pocket for drugs and services in a year that they were really sick. On HealthCare.gov you may see this described as **plans with "extra savings**."

This reduction in cost-sharing also helps people with modest incomes buy plans with low deductibles.

How the ACA's cost-sharing reduction works in practice: Sarah has an income of $17,000. She uses her premium tax credit to buy a silver plan which costs her $52 a month. She qualifies for a plan with "extra savings" – that is, cost sharing reductions. She has small copayments when she goes to the doctor.

If she needs hospital care, she'll need to meet a $600 deductible before her plan begins to pay for hospital care. (In a plan without extra savings, the deductible for hospital care might be $3,500.) The most Sarah will ever have to pay out-of-pocket for deductibles, copayments and coinsurance in a year that she is really sick is $600 – as opposed to the $7,150 out-of-pocket maximum she could face if she didn't have the extra savings. If she reaches this $600 amount, her plan will pay all remaining costs for in-network care for the rest of the year.

Learn about the lawsuit, *House v. Price*, that threatens this financial assistance.