

FAQ

Cost-Sharing Reductions

ACA marketplaces (also called exchanges) provide a way for people to buy affordable health coverage on their own. The following FAQ explains the cost-sharing reductions that are available to low-income individuals and families via ACA marketplace plans, to help them afford out-of-pocket costs when they get health care.

1 What are cost-sharing reductions?

Some people receiving premium tax credits to help pay their premiums for ACA marketplace plans also are eligible to receive cost-sharing reductions (CSR) to help them pay their cost-sharing charges. (For more information about the premium tax credit, see [FAQ: Premium Tax Credits](#).) CSRs reduce the deductibles, co-payments, and other out-of-pocket charges that people pay when they use benefits covered by their health plan.

2 Who is eligible for cost-sharing reductions?

Individuals and families with incomes up to 250 percent of the poverty line are eligible for cost-sharing reductions if they are eligible for a premium tax credit and purchase a silver plan through the ACA marketplace in their state. People with lower incomes receive the most assistance.

3 How are the cost-sharing reductions provided?

People eligible for cost-sharing reductions who enroll in a silver plan will automatically receive a version of the plan with reduced cost-sharing charges, such as lower deductibles, out-of-pocket maximums and co-payments. Unlike the premium subsidies, cost-sharing reductions are not provided as a tax credit and they do not have to be “reconciled” when people file their taxes for the year they received cost-sharing reductions.

4 What is a silver plan?

A silver plan is one type of plan available through both the state’s ACA marketplace and individual market outside the marketplace. Plans offered in the individual market inside and outside the ACA marketplace generally must fit within one of four metal tiers: bronze, silver, gold, and platinum. These tiers are defined by what’s known as actuarial value.

5 What is actuarial value?

In general, actuarial value percentages represent how much of a typical population’s medical spending a health insurance plan would cover. The actuarial value is 60 percent for bronze plans, 70 percent for silver plans, 80 percent for gold plans, and 90 percent for platinum plans.

The higher the actuarial value, the more the plan covers of a typical population's costs (and thus the typical population would pay less out-of-pocket). A lower actuarial value means the plan covers less of the costs (and the population pays more). The actuarial value calculation focuses mainly on cost-sharing charges. This means that a bronze plan generally would have higher overall enrollee cost sharing than a gold plan would. (For more information about actuarial value and the metal tiers, see [FAQ: Cost-Sharing Charges](#).)

Will the cost-sharing reductions lower the out-of-pocket charges under a plan by a specific amount?

No, the cost-sharing reductions increase the actuarial value of a standard silver plan, which results in lower out-of-pocket charges. Specific cost-sharing charges will vary from silver plan to silver plan with the same actuarial value; in most states, insurers have significant flexibility to set these charges.

Table 1 shows an example of how various cost-sharing charges in a sample silver plan could be reduced to meet each of the cost-sharing reduction levels. For example, a person with annual income of 182 percent of the federal poverty line enrolled in a silver plan would be subject to a \$650 deductible under the sample silver plan. The deductible is the amount the person must pay for covered health services each year before the plan starts to pay for most covered services. (For more information on different types of cost-sharing charges, please see [FAQ: Cost-Sharing Charges](#).)

	Standard Silver Plan (no CSR)	CSR Plan for 201-250% FPL	CSR Plan for 151-200% FPL	CSR Plan for Up to 150% FPL
Actuarial Value	70% AV	73% AV	87% AV	94% AV
Deductible (individual)	\$7,000	\$5,000	\$650	\$150
Max OOP Limit (individual)	\$9,450	\$7,550	\$3,150	\$1,100
Inpatient care	40% (after deductible)	40% (after deductible)	20% (after deductible)	10% (after deductible)
Physician visit	\$45	\$45	\$20	\$5

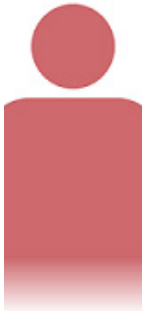

Does a person eligible for a cost-sharing reduction have to keep track of spending on health care services to get reimbursed by the health plan or the federal government?

No. The cost-sharing charges for the silver plan are automatically reduced for someone who is eligible for a cost-sharing reduction. For example, consider the situation of Jane, a single woman buying her own health insurance. If Jane is not eligible for CSR and enrolls in the standard silver plan shown in Table 1, she would have a \$7,000 annual deductible, with a 40% coinsurance for many services after meeting that deductible, and a \$45 co-payment for each

physician visit (that would apply before the deductible is met). She could be charged no more than \$9,450 in out-of-pocket charges (deductibles, co-payments, and coinsurance) for in-network covered benefits for the year. However, if Jane has income equal to 200 percent of the federal poverty line, she would face lower cost-sharing charges, as shown in the column of Table 1 for the plan with an 87 percent actuarial value. For example, she would have a \$650 deductible instead of the \$7,000 deductible under the standard silver plan. She would pay \$20 for each doctor visit instead of \$45.

Will people who have the same income spend the same amount of money out-of-pocket if they qualify for a cost-sharing reduction?

No. How much anyone spends out-of-pocket depends on what health care they use and the details of the specific health insurance plan they select. As Figure 1 shows, two people in the same silver plan with the same cost-sharing reduction will pay different amounts because they use different medical services.

FIGURE 1: Two People, One Silver Plan			
Silver Plan: 87% AV, \$650 deductible, \$3,150 out-of-pocket maximum, 20% copayment for hospital admission (after deductible), \$40 copayment for physical therapy visits (after deductible)			
Example: John		Example: Jane	
	Health Care: 3 non-preventive physician visits		Health Care: Hospitalized, 3 physician visits, 15 physical therapy visits
	Total Cost: \$100/physician visit → \$300		\$4,000 hospital admission \$100/physician visit → \$300 \$125/physical therapy visit → \$2,250 \$6,550
	John's share of the cost \$60 <i>(\$20 copayment for each physician visit)</i>		Jane's share of the cost \$2,170 <i>(\$650 deductible + 20% coinsurance of \$4,000 hospital admission (\$800) + \$10 for each office visit (\$720))</i>

Are there any requirements for how insurers must design their cost-sharing reduction plans?

Yes. Insurers offering coverage in the marketplaces must offer variations of each standard silver plan that corresponds to the different cost-sharing reduction levels. A standard silver plan has an actuarial value of 70 percent. Insurers will provide several variants of each silver plan: one with a 73 percent actuarial value for people with incomes between 201 percent and 250 percent of the poverty line, one with an 87 percent actuarial value for those with incomes between 151 percent and 200 percent of the poverty line, and one with a 94 percent actuarial value for those with incomes up to 150 percent of the poverty line. Each silver plan variation will cover the same benefits and include the same health care providers in its network as the standard silver plan on which it is based.

Federal rules also specify how cost-sharing charges under a standard silver plan should be adjusted to increase their actuarial values. First, the out-of-pocket maximum — the maximum amount that an enrollee would pay out of pocket each year for in-network items and services covered by the plan — is reduced.

The 2024 out-of-pocket maximum amounts for the income levels of people receiving cost-sharing reductions appear in Table 2.

For example, a person with income at 140 percent of the poverty level will receive a silver plan with an out-of-pocket limit no greater than \$3,150. The enrollee would not have to spend more than the maximum annual out-of-pocket limit on deductibles, co-payments, and coinsurance for in-network, covered items and services during the course of the year. Note: Monthly premiums are not included in the maximum annual out-of-pocket limit.

After the insurer reduces the maximum out-of-pocket limit for a plan to an amount no greater than the amount in the Table 2 below, further adjustments may be needed so that the plan reaches the actuarial value target for the specific cost-sharing reduction level. In general, insurers can make these reductions in the deductible and/or the co-payments or coinsurance for each silver plan variation. However, some states have set specific standards for the cost-sharing charges insurers may establish under the cost-sharing reduction plans.

Income (as % of the federal poverty line)	Maximum Annual Out-of-Pocket Limit (in 2024)		Plan Type & Actuarial Value
	Individual	Family	
Up to 150% FPL	\$3,150	\$6,300	CSR Silver Plan 94% AV
151-200% FPL	\$3,150	\$6,300	CSR Silver Plan 87% AV
201-250% FPL	\$7,550	\$15,100	CSR Silver Plan 73% AV
Max OOP Limit for Non-CSR Plans	\$9,450	\$18,900	All plans with no CSR

Note: These amounts are indexed and will change each enrollment year. For yearly guidelines, see [Reference Chart: Yearly Guidelines and Thresholds](#).

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How are insurers paid for providing the cost-sharing reductions?

Until late 2017, the federal government reimbursed each health insurer over the course of the year for the estimated costs of reducing the cost-sharing that would otherwise be charged under their standard silver plans for all the plan enrollees eligible for cost-sharing reductions. Later, the federal government compared the upfront payments to the costs the insurer actually incurred to provide cost-sharing reductions to eligible people, and make adjustments needed to account for any under- or over-payments. In October 2017, the Trump Administration decided to stop making CSR payments to insurers, amid a long-running court case over the payments. In response, insurers in most states responded by charging higher silver plan premiums, a practice known as silver loading. People eligible for premium tax credits are largely shielded from these increases, even when they enroll in a silver plan, because the amount of the credit they receive is tied to the (now higher) sticker price of a silver plan. People who are not eligible for subsidies can generally avoid the premium increase related to “silver loading” by enrolling in a silver plan outside of the marketplace, or in a bronze or gold plan.

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How will someone eligible for cost-sharing reductions select a plan?

The marketplace website is likely to be the easiest place to compare all marketplace plans. Once a person has applied and received a determination that they are eligible for both premium tax credits and cost-sharing reductions, the website will display the silver plan variations (with lower deductibles and other cost sharing) that correspond to the individual's cost-sharing reduction level. In other words, the silver plans that the individual sees will have the cost-sharing reductions built in. Most people will have multiple silver plan options to choose from, meaning that people eligible for cost-sharing reductions will also have multiple silver plan options. Each of the standard silver plans may have differences in benefits, visit limits, provider networks, and drug formularies. One insurer may offer different silver plan options, each with its own set of cost-sharing reduction variations that may differ substantially in terms of the specific deductibles and co-payments charged to enrollees.

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Does it matter which silver plan someone getting the cost-sharing reductions selects?

Yes. Silver plans are going to be different in various ways, as noted above, in addition to the cost-sharing charges. For example, one silver plan may include the doctor or hospital a person now sees in its network, while another may not, and plans will have different formularies, or lists of covered prescription medications. It will be important for people, including those receiving cost-sharing reductions, to be aware of such differences as they decide which plan to choose.


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Would it ever make sense for someone eligible for cost-sharing reductions to buy a bronze plan instead of a silver plan?

If a person with income below 250 percent of the poverty line enrolls in a bronze plan instead of a silver plan, they would not be eligible for cost-sharing reductions. They would have to pay whatever out-of-pocket charges are required under the bronze plan. In most cases, it will be more cost-efficient for people at the lower end of the income scale to pick a silver plan and receive cost-sharing reductions than to choose a plan from a different metal tier. But the choice

will depend on an individual's situation and preferences. Consider the example in Figure 2:

- ▶ John has income equal to 200 percent of the federal poverty line and is eligible for a premium credit of \$4,417 per year to help him purchase coverage. He is also eligible for a cost-sharing reduction if he enrolls in a silver plan. With the premium credit, he could get the benchmark silver plan by paying \$49 per month of his own money, with the credit taking care of the remaining cost of getting the health insurance. With the cost-sharing reduction, he is able to get a plan with a deductible of \$800. The plan also caps his out of pocket costs for in-network, covered benefits at \$3,150 for the year.
- ▶ If John picks a bronze plan, he would pay nothing toward the premium because his premium credit covers the entire cost. But the cost-sharing charges he could face should he need health care services would be significantly greater in the bronze plan than in the silver plan with a cost-sharing reduction. He would face a \$6,400 annual deductible in the bronze plan, and up to \$9,450 in out-of-pocket costs if he ends up having very high medical expenses.

Figure 2: Comparing Different Plan Tiers		
John	Example 1: Silver Plan with CSR	Example 2: Bronze Plan
 <p>John Age: 24 Premium Credit: \$4,417 Income: 200% FPL</p>	Total Premium: \$5,000	Total Premium: \$3,000
	John's Premium Contribution: \$49/ month	John's Premium Contribution: \$0 / month
	Plan AV with CSR: 87%	Plan AV without CSR: 60%
	Sample Silver-CSR Plan	Sample Bronze Plan
Deductible	\$650	\$6,400
OOP Maximum	\$3,150	\$9,450
Inpatient Hospital	20% of the charge (after deductible)	50% of the charge (after deductible)
Physician Visit	\$20	50% of the charge (after deductible)

- ▶ If John does not expect to use much health care, he may choose to buy the bronze plan and forgo the cost-sharing reduction. If he does that, he would be taking a risk that he may have to pay high out of pocket charges if he needs health care services, but he may decide the risk is worth taking because he would pay nothing in premiums (because of the premium tax credit) in order to purchase the bronze plan.

Might someone eligible for a cost-sharing reduction be better off getting a gold or platinum plan instead of a silver plan?

In general, a person with income at or below 200 percent of the poverty line would be better off enrolling in a silver plan and taking advantage of the cost-sharing reduction. For example, if John (who has income equal to 200 percent of the poverty line) used his premium tax credit

to purchase a gold plan, he would pay more for his share of the premium — \$132 per month if the gold plan costs \$6,000 per year — than he would pay for the silver plan with a cost-sharing reduction. Moreover, under the cost-sharing reduction variation of the standard silver plan John is eligible to receive, the cost-sharing charges would also be lower compared to a gold plan. The gold plan has an actuarial value of 80 percent (with, say, a \$1,000 deductible and \$30 physician-visit copayments), while the cost-sharing reduction John can get would make an 87 percent actuarial value plan available to him (with a \$650 deductible and \$20 physician copayments in our example). So, in this case, John would clearly be better off from a pure cost perspective buying a silver plan and taking advantage of the cost-sharing reduction because it would mean paying less toward the premium and paying less out-of-pocket when he uses health care services.

If John's income were at 225 percent of the poverty line, the decision may not be as clear. He would be eligible for a 73 percent actuarial value version of the silver plan, but the difference between cost-sharing charges under that plan and the 70 percent actuarial value standard silver plan are not likely to be dramatic. If John wants more generous coverage and can manage to pay a higher premium, he might decide to choose a gold plan (which has an 80 percent actuarial value).

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Does someone have to take the premium tax credit in advance in order to receive the cost-sharing reduction?

No. To get the cost-sharing reductions, a person only needs to be eligible for the premium tax credit. The person can still get the cost-sharing reductions if they choose to wait until they file their taxes to receive the premium tax credits.

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What happens if someone receiving a cost-sharing reduction experiences a change (such as a change in income) during the course of the year?

A change in circumstances during the year may result in a change in eligibility for cost-sharing reductions. A person could no longer be eligible and move to a standard silver plan without a cost-sharing reduction, or a person could become eligible for a lesser or more generous cost-sharing reduction level. Unlike with the premium credits, no reconciliation or repayment of cost-sharing reduction amounts occurs in these situations, nor can the person generally receive a refund of any prior cost-sharing charges paid that they wouldn't have had to pay if enrolled in a cost-sharing reduction plan with a higher actuarial value. But in some cases, the person can get credit for cost-sharing charges already paid that year.

Consider an example: John anticipates an annual income of 200% of the federal poverty line in 2024 (\$29,160) and, enrolls in a silver plan, (which is automatically a cost-sharing reduction plan with an 87 percent actuarial value). During January and February, John spends a total of \$300 out of pocket, lower than the amount of the deductible in the 87 percent plan. Then, he loses his job and gets a new one with lower pay.

His new total expected income for the 2024 is \$21,870 (150% of the poverty line). He informs the marketplace and gets a redetermination of his eligibility. John is now eligible for, a different cost-sharing reduction variation of the silver plan he is currently enrolled in. This new variation has an actuarial value of 94 percent. The deductible under this cost-sharing reduction plan is \$100. John is able to get credit for the \$300 he already paid out of pocket toward the deductible and out-of-pocket limit in the cost-sharing reduction version he is newly enrolled in, but he would not receive a refund of the amounts he paid toward his deductible.

John would receive “credit” for his prior out-of-pocket costs only if he remains enrolled in the same silver plan offered by the same health insurer when his cost-sharing reduction level changes. He can enroll in a different silver plan, but if he does that, any out-of-pocket amounts he already spent during the year would not count toward the deductible or out-of-pocket maximum.