Bringing Health Care Coverage Within Reach —

Measuring the Financial Assistance Available through Covered California that is lowering the Cost of Coverage and Care

Introduction

The Affordable Care Act (ACA) helped cut the rate of the uninsured by more than half in California, from 17 percent in 2013 to 7.1 percent in 2016, according to the latest survey from the U.S. Centers for Disease Control and Prevention (CDC).

Under the ACA, nearly 3.7 million adults now have Medi-Cal as a result of California's expansion of the insurance program. In addition, Covered California has served 2.9 million consumers since it opened its doors in 2014.

The following report examines how Covered California enrollees, and to a degree those who purchase their health care coverage off-exchange, benefit from lower costs through Advanced Premium Tax Credits (APTC), Cost Sharing Reductions (CSR) and a healthy mix of consumers.

The data within the report examines the 2016 coverage year, in which a total of approximately 1.7 million consumers obtained health care coverage, for at least one month, through Covered California. The report details how much financial help consumers received through tax credits – which are adjusted based on age, income, region and household size.

An overview of APTC and CSR data by county is available here: http://bit.ly/2moBJD0 and a preliminary analysis of how current structure of financial help from APTC and CSR would change under the proposed age-based system in the American Health Care Act (AHCA) can be found here http://hbex.coveredca.com/pdfs/Preliminary_Analysis_of_AHCA.pdf

Bringing Coverage Within Reach

As a state-based marketplace set up under the Affordable Care Act, Covered California helps consumers get federal financial assistance to make health insurance coverage and health care at the point of service more affordable. This report summarizes the financial assistance received by Covered California's consumers in 2016.

Highlights:

- Covered California enrollees benefited from $4.2 billion in tax credits and over $700 million in subsidies to reduce costs at the point of care (cost sharing reductions) in 2016.
- Covered California enrollees receive an average of $5,300 per household and more than $3,500 per individual, per year in tax credits to help them pay for the cost of coverage (respectively $442 and $318 per month).
- Twelve percent of enrollees receive more than $10,000 per household, and 16 percent of individuals receive more than $6,000 per year in tax credits, playing a critical role in bringing health care coverage within reach to many who need it most (respectively more than $833 and $500 per month).
- In addition to tax credits, half of Covered California enrollees receive Cost Sharing Reductions that on average reduce out-of-pocket expenses by more than $1,500 per household per year or more than $1,000 for an individual.
- The vast majority of consumers who were eligible for Cost Sharing Reductions through Covered California chose Silver plans and received the enhanced coverage to lower their out-of-pocket costs.

This analysis was prepared by Covered California for its ongoing planning and to inform policy making in California and nationally.

The financial help offered under the Affordable Care Act (often referred to as the "subsidies") include three forms of financial assistance for those receiving subsidies and those who do not:

1. **Advance Premium Tax Credits (APTC)** — which allow consumers to buy health coverage at a reduced monthly premium throughout the year, based on their projected final income at year's end;
2. **Cost Sharing Reductions (CSR)** — this additional coverage is included automatically in Silver level plans for lower income enrollees, and reduces deductibles and out-of-pocket costs when care is used. These "Enhanced Silver" plans often match or exceed the coverage of a Gold or Platinum plan, yet have a Silver level premium.
3. **Reducing costs for those with no subsidies** — while it is not the subject of this report, the 10 percent of consumers who purchase health care coverage through Covered California and the more than one million who buy coverage off-exchange also benefit from lower costs achieved through a good risk mix that enrolls because of the subsidies, which lowers the premium for everyone in the individual market.

The data that follows illustrate the vital role this financial assistance plays in making coverage more affordable.[1] The data in this report is complemented by a detailed set of data tables showing many of the statistics cited in this brief broken out by demographic and geographic characteristics, available at[filename].

Advance Premium Tax Credits

Advance Premium Tax Credits are the primary form of financial help administered by Covered California to make coverage affordable for lower and middle-income consumers shopping through the marketplace. The credit adjusts to account for age, income, family size and the cost of health care where they live, which are all factors that are used to adjust their subsidy so that eligible consumers' health care expenses is capped as percentage of income.

Important features of the current tax credit design include:

1. **Advanced** — Making the tax credits available at the point of enrollment, rather than only at tax filing after year's end, helps defray the cost of health insurance throughout the year, and promotes broad participation of consumers. If the tax credit were not advanced, consumers would have to bear the full cost of the premiums throughout the year and wait for a refund after filing taxes the following spring.
2. **Adjusted by income** — By defining the amount of the tax credit in relation to the consumer's income, the tax credit gets more "bang per buck" by giving the most financial support to those with the greatest need.
3. **Adjusted by household size** — The amount of the tax credit is adjusted based on the consumer's household size which could impact their household income total.
4. **Adjusted by age** — The ages of those enrolling in the household is a key determinant in the price of insurance.

[1] Data note: The analysis that follows uses data from Covered California's eligibility and enrollment system. Both the APTC and CSR financial data are necessarily estimates – the final, actual amount of both forms of financial assistance are subject to reconciliation and the results of that reconciliation are not known to Covered California.

5. **Adjusted by regional costs** — By indexing the amount of the tax credit to a benchmark plan (the 2nd lowest cost Silver plan) available to the consumer, the tax credit adjusts the definition of "affordable" for each consumer's unique circumstances and the products available to them. This means the tax credit adjusts for regional variations in the cost of insurance.

6. **Allows choice** — Because consumers apply a fixed tax credit amount (benchmarked to the 2nd lowest cost silver plan) to reduce the cost of any available plan, the tax credit encourages choice and competition in the marketplace. Even those who see a large share of their premium paid by the tax credit have an incentive to shop for the best value among metal tiers, driving health plans to compete for all consumers based on price and networks. The following scenarios illustrate the impact of the Advanced Premium Tax Credit for California consumers, and describe the data describing summarizing the aggregate impact to consumers and the state.

An example of how the advanced premium tax credits help make coverage more affordable

Take Isaac, a 40 year old in Los Angeles, with an income of $17,000 per year. Because Isaac's income is between 150% and 200% of the Federal Poverty Level, he is expected to contribute around 5% of his income towards the cost of the benchmark plan available to him (the second lowest-cost silver plan).

When reviewing the plan choices available in his zip code for a 40 year old, Isaac would see that the benchmark silver plan would normally cost about $270 per month, or $3,246 per year. Under the current advanced premium tax credit factors, Isaac is eligible for a credit large enough to bring that $270 premium down to the cost of his expected contribution of $83 per month, or about $990 per year. Based on a $270 benchmark plan, then, Isaac is eligible for a tax credit of $188 per month, or $2,256 per year.

FIGURE 1

Gross and Net Premiums, and Tax Credits, for a single 40 year old in Los Angeles who makes $17,000 per year

But Isaac can also use that premium to buy a different plan – such as the lowest cost silver, or even a Bronze plan. For example, in Los Angeles, the lowest priced Silver plan costs nearly $15 less per month - $256 per month, or $3,072 per year. By applying the tax credit to this plan, Isaac can further reduce his costs, down from $83 to $68 per month, or from $996 to $816 per year.

Isaac could also choose a Bronze plan, which would lower his monthly premiums even further and maintain his access to care, but he would lose the benefits of the Cost Sharing Reductions in his Silver plan. Even though a bigger share of his premium is covered by the tax credit he would spend more out-of-pocket if he needed care, but Isaac is able to make that decision and shop for the right plan for him. The fact that consumers in California benefit from this competition has been the subject of independent academic research.[3]

[2] Because the CalHEERS system is now programmed for 2017 benefit year, the example scenarios will use 2017 premium availability and APTC calculations for convenience.

[3] http://news.coveredca.com/2016/02/new-data-show-how-covered-california.html

Covered California Households That Are Eligible for Tax Credits Receive an Average of $5,300 per Year in Assistance or $3,500 for an Individual to Help Them Pay for Health Insurance Premiums

In 2016, Covered California enrollees received on average $299 per enrollee per month – or $442 per household per month – of advanced tax credits to help them purchase insurance coverage. On an annualized basis, this assistance represents on average more than $3,500 per individual, or $5,300 per household, per year.

In addition, 12 percent of enrollees received more than $10,000 per household ($833 per month), and 16 percent of individuals receive more than $6,000 per year ($500 per month) in tax credits to bring health care coverage within reach. This shows how expensive health care can be and how much financial help is needed to help consumers get the coverage they need.

See Figure 2 below for summary data on enrollment, premiums and tax credits in 2016, and Figure 3 for statistics on key financial data (gross premiums, net premiums, tax credits, and cost sharing reductions) summarize at the individual and household level for 2016.[4]

FIGURE 2

Summary Enrollment and Financial Data for Covered California 2016 Enrollees

Unique Enrollees	Total	1,698,326
Not subsidy eligible	*Not subsidy eligible*	213,789
Subsidy eligible	*Subsidy eligible*	1,484,537
Subsidy eligible (subset)	*No CSR*	654,539
Subsidy eligible (subset)	*Enrolled in CSR*	829,998
Members Months	Total	15,817,927
Not subsidy eligible	*Not subsidy eligible*	1,784,169
Subsidy eligible	*Subsidy eligible*	14,033,758
Subsidy eligible (subset)	*No CSR*	6,082,433
Subsidy eligible (subset)	*Enrolled in CSR*	7,951,325
Household/Policy Months	Total	10,710,754
Not subsidy eligible	*Not subsidy eligible*	1,216,532
Subsidy eligible	*Subsidy eligible*	9,494,222
Subsidy eligible (subset)	*No CSR*	3,932,812
Subsidy eligible (subset)	*Enrolled in CSR*	5,561,410
Financials ($)		
Gross Premiums	*Total*	6,490,691,272
Gross Premiums (subset)	*Subsidy eligible*	5,839,111,473
Advanced Premium Tax Credits	*Subsidy eligible*	4,200,597,579
Net Premiums	*Subsidy eligible*	1,638,535,997
Cost Sharing Reductions	*Enrolled in CSR*	723,799,157
Aggregate Financial Assistance	*Subsidy eligible*	4,924,396,736

[4] A complete reporting of similar metrics is available at hbex.coveredca.com\data-research, including breakdowns by demographics and geography.

FIGURE 3

Mean Premiums and Financial Assistance for Covered California 2016 Enrollees

Gross Premiums ($)		
Individual - mean (monthly)	*Subsidy eligible*	416
Individual - annualized mean	*Subsidy eligible*	4,993
Household - mean (monthly)	*Subsidy eligible*	615
Household - annualized mean	*Subsidy eligible*	7,380
Advance Premium Tax Credits ($)		
Individual - mean (monthly)	*Subsidy eligible*	299
Individual - annualized mean	*Subsidy eligible*	3,592
Household - mean (monthly)	*Subsidy eligible*	442
Household - annualized mean	*Subsidy eligible*	5,309
Aggregate Net Premiums ($)		
Individual - mean (monthly)	*Subsidy eligible*	117
Individual - annualized mean	*Subsidy eligible*	1,401
Household - mean (monthly)	*Subsidy eligible*	173
Household - annualized mean	*Subsidy eligible*	2,071
Cost Sharing Reductions ($)		
Individual - mean (monthly)	*Enrolled in CSR*	91
Individual - annualized mean	*Enrolled in CSR*	1,092
Household - mean (monthly)	*Enrolled in CSR*	130
Household - annualized mean	*Enrolled in CSR*	1,562
Total Financial Assistance per Subsidy-eligible Enrollee ($)		
Individual - mean (monthly)	*Subsidy eligible*	519
Individual - annualized mean	*Subsidy eligible*	6,224
Household - mean (monthly)	*Subsidy eligible*	519
Household - annualized mean	*Subsidy eligible*	6,224

These average figures only partially describe the impact of the assistance provided by the Advanced Premium Tax Credits, as there is a considerable range in the amount of assistance received. As Figure 4 shows, over half of all households receiving tax credits received assistance worth $5,000 per year or more ($417 per month or more), and one-third of households received $7,000 or more per year ($583 per month or more) in tax credits. Figure 5 provides the distribution at the individual level, showing over half of all individuals receiving a credit worth $3,000 or more per year ($250 per month or more), and one-third of all individuals receiving more than $3,000 per year ($333 per month or more).

FIGURE 4

Distribution of 2016 Advance Premium Tax Credits per Household, Annualized

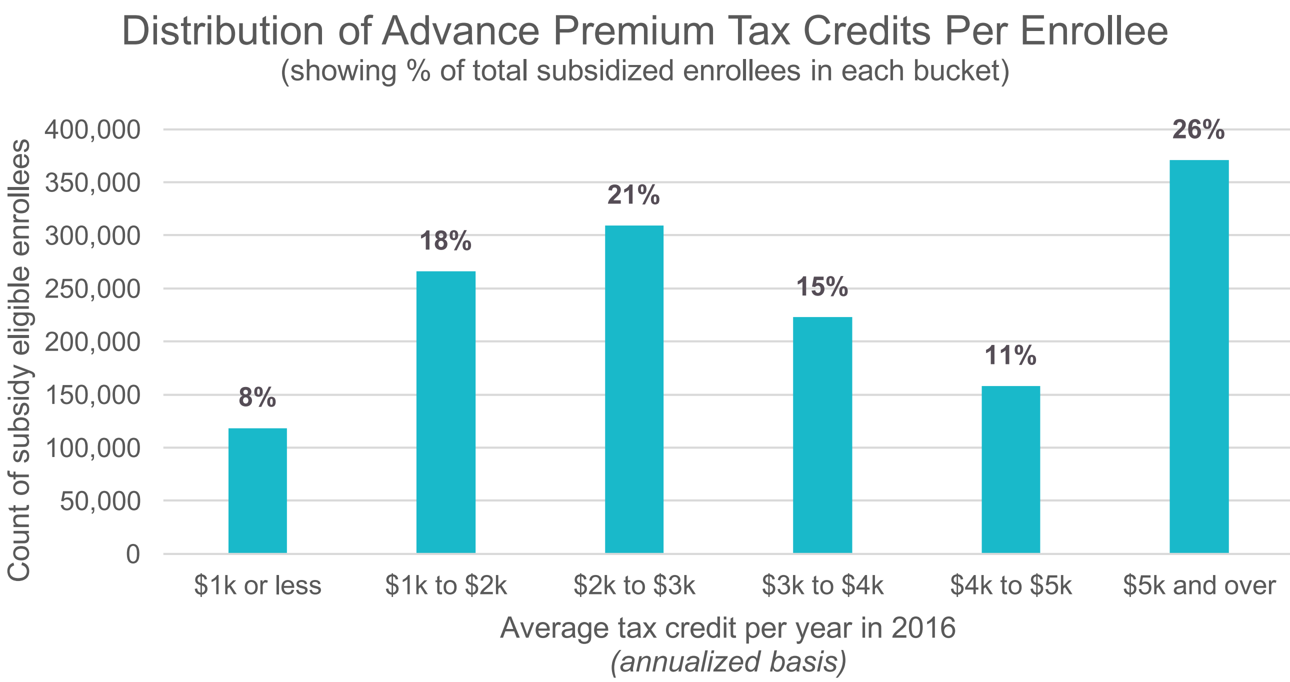
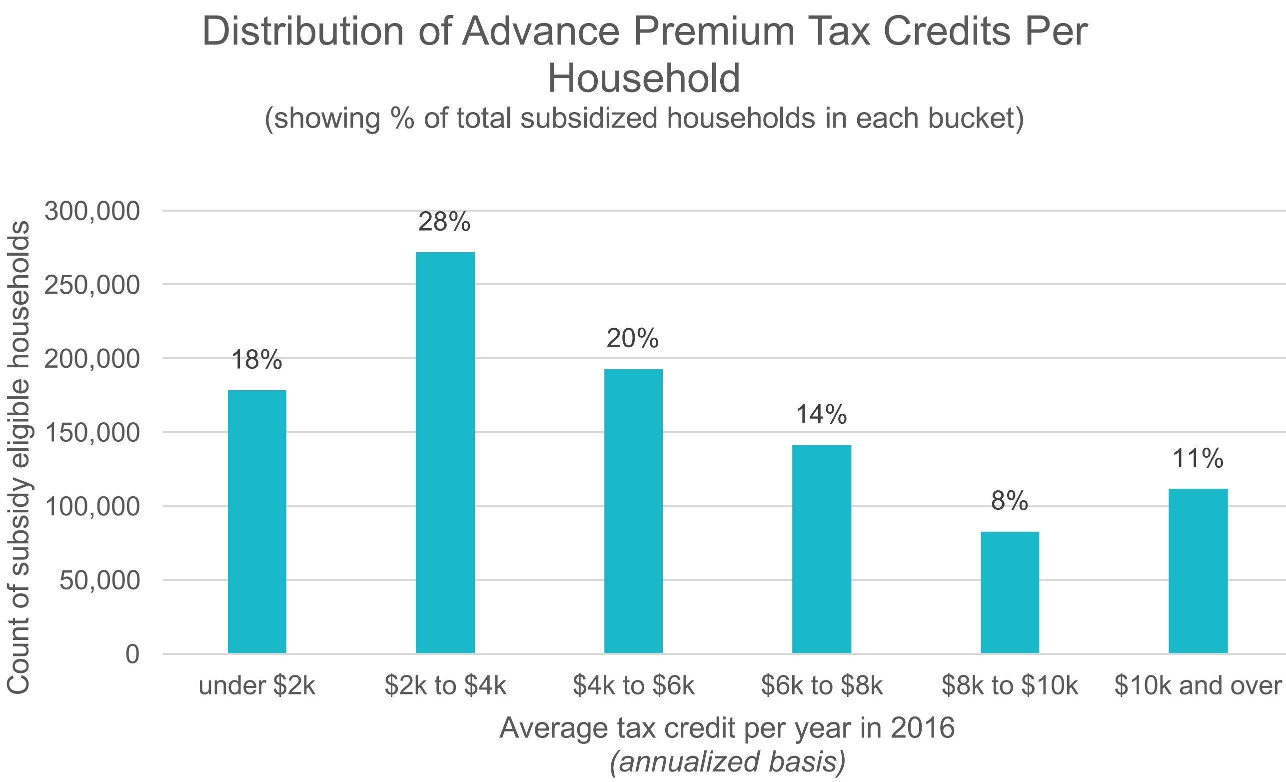


FIGURE 5

Distribution of 2016 Advance Premium Tax Credits per Individual, Annualized



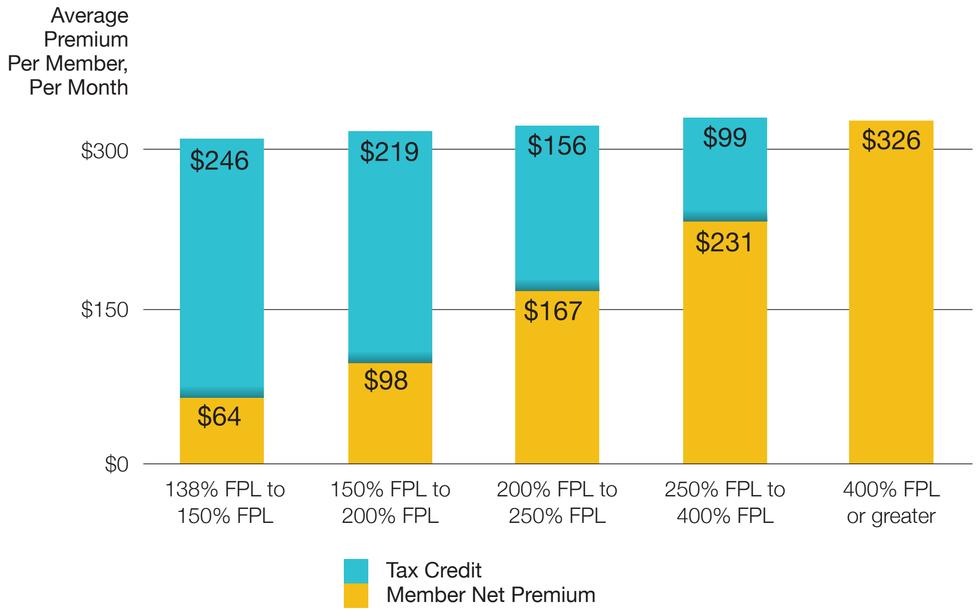
Examples: different levels of assistance for different situations

To illustrate key design principles of the Advanced Premium Tax Credit, the chart below lays out a series of variations on affordability scenarios by age, income, family size and geography, listing the gross premiums, tax credits, net premium after tax credit, as well as the estimated value of cost sharing reductions received by each scenario. The scenarios describe the costs to the consumer or family of the second lowest silver plan available to them and also the cost of the lowest bronze plan available, after taking into account the tax credit. Key features of each scenario will be explored in the following sections.

		Gross Premium for Silver (2nd lowest cost)	Covered California 2017 Actuals: Advanced Premium Tax Credit	Net Premium for Silver (2nd lowest cost)	Cost Sharing Reductions (estimated value)	Net Premium for Bronze (lowest cost)
Income of $17,000 per year ($35,000 for family of four) ~ 143 percent FPL	**Los Angeles**					
	Age 27	222	170	52	117	1
	Age 40	270	218	52	117	1
	Age 62	608	556	52	117	1
	Family (42, 40, 16, 12)	820	711	109	234	4
	San Francisco					
	Age 27	365	313	52	157	1
	Age 40	446	393	53	157	1
	Age 62	1,002	948	54	157	2
	Family (42, 40, 16, 12)	1,350	1,239	111	314	4
Income of $20,000 per year ($41,000 for family of four) ~ 170 percent FPL	**Los Angeles**					
	Age 27	222	140	82	83	24
	Age 40	270	188	82	83	13
	Age 62	608	526	82	83	1
	Family (42, 40, 16, 12)	820	651	169	166	4
	San Francisco					
	Age 27	365	283	82	115	1
	Age 40	446	363	83	115	1
	Age 62	1,002	918	84	115	2
	Family (42, 40, 16, 12)	1,350	1,179	171	230	4
Income of $30,000 per year ($61,000 for family of four) ~ 253 percent FPL	**Los Angeles**					
	Age 27	222	15	207	-	149
	Age 40	270	63	207	-	138
	Age 62	608	401	207	-	142
	Family (42, 40, 16, 12)	820	398	422	-	210
	San Francisco					
	Age 27	365	158	207	-	106
	Age 40	446	238	208	-	84
	Age 62	1,002	793	209	-	2
	Family (42, 40, 16, 12)	1,350	926	424	-	50
Income of $50,000 per year ($102,500 for family of four) ~ 420 percent FPL	**Los Angeles**					
	Age 27	222	-	222	-	164
	Age 40	270	-	270	-	201
	Age 62	608	-	608	-	451
	Family (42, 40, 16, 12)	820	-	820	-	608
	San Francisco					
	Age 27	365	-	365	-	264
	Age 40	446	-	446	-	325
	Age 62	1,002	-	1,002	-	724
	Family (42, 40, 16, 12)	1,350	-	1,350	-	976

FIGURE 6

Statewide Average Premiums for Subsidy Eligible 40 year old Silver Plan Enrollees, by Income, as Indicated by Percentage of Federal Poverty Level (FPL) Bucket



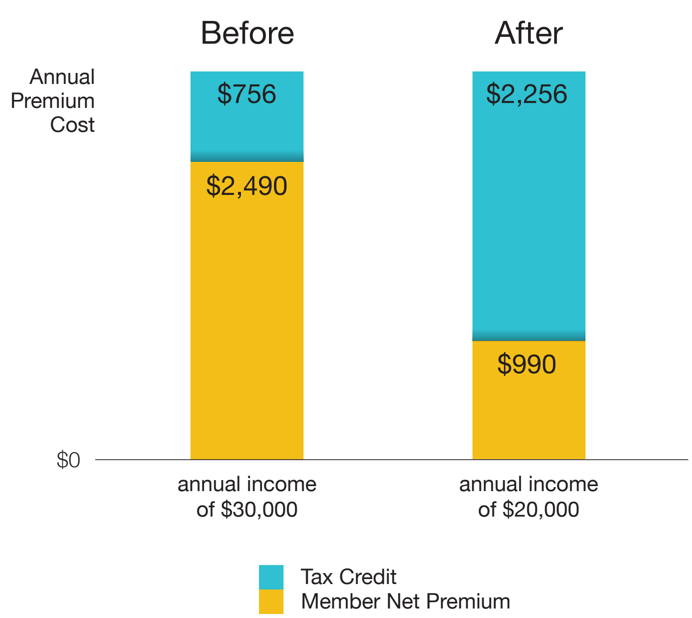
Tax Credits are income-based, helping consumers afford coverage

The Advance Premium Tax Credit adjusts the amount of financial assistance based on a consumer's projected household income. For example, Figure 6 below illustrates the variation in member net premium and tax credit for a 40-year old purchasing a Silver plan, with various levels of income (defined as percentage of the Federal Poverty Level). The average gross premium for a 40 year old – whether they enrolled through Covered California or off-exchange was $327 per month in 2016, or $3,924 per year.[5] Because financial assistance caps at 400% of the Federal Poverty Level (FPL), a single consumer earning over approximately $47,000 per year was responsible for the entire $327.

As observed in the scenario of Isaac, above, 40 year old Covered California enrollees in the 150% - 200% FPL range (with an income of approximately $18,000 to $24,000 for a single tax filer) paid just under $100 per month for their Silver plan, while the tax credit covered the remaining $200 or more.

FIGURE 7

Example: Tax Credits Adapt to Maintain Affordability During Income Change Due to Reduction in Income (40-year-old, Los Angeles)



[5] All references to income data in this brief refer to the consumer's projected Modified Adjusted Gross Income (MAGI). Covered California does not receive final filed income data for consumers from the IRS.

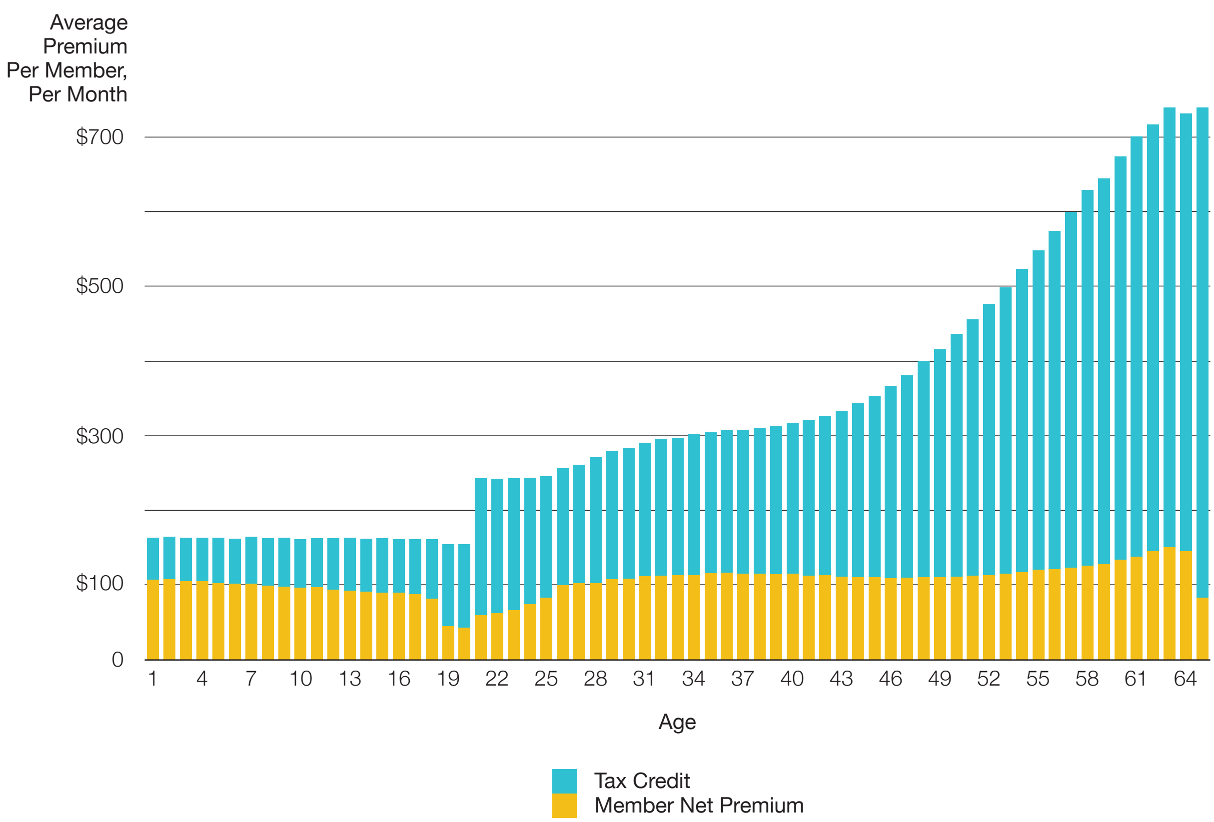
By adjusting to a consumer's income, the Advance Premium Tax Credit seeks to maximize affordability for the greatest number of consumers. All consumers are still responsible for paying their "fair share" towards the cost of coverage, but the amount they must contribute is based on their ability-to-pay.

Consider the scenario if Isaac had started the year enrolled in January at an income of $30,000 per year equivalent. As seen in Figure 7, Isaac would have been eligible for a modest tax credit of $63 dollars per month. Yet if his income should slowly fall off, (e.g. as a result of getting fewer and fewer shifts each month), Isaac's new expected income at year end is now $20,000, placing him in the 150% - 200% FPL range (for a single tax filer). At this point, the tax credit would kick in to make up the difference, providing nearly 2/3 of the cost of the premium and making the consumer responsible for less than 1/3 of the total cost of the premium.

Tax Credits Help Keep Coverage Affordable as Consumers Age:
The tax credits under the Affordable Care Act adjust to ensure that consumers only pay a share of their income towards their premium, which means that the "fair share" paid by a consumer is the same, regardless of age. As shown by Figure 8 below, among Covered California subsidized enrollees enrolled in Silver plans in 2016, older adults faced much higher average gross premium costs, but also in turn received proportionally more from tax credits to defray the cost of coverage than their younger counterparts. While younger adults do pay a larger share of member net premium, their average premium is far below the average premium for older adults. The Affordable Care Act implemented a 3-to-1 age rating curve, meaning that the older adults can be charged no more than 3 times what younger adult consumers are charged.

FIGURE 8

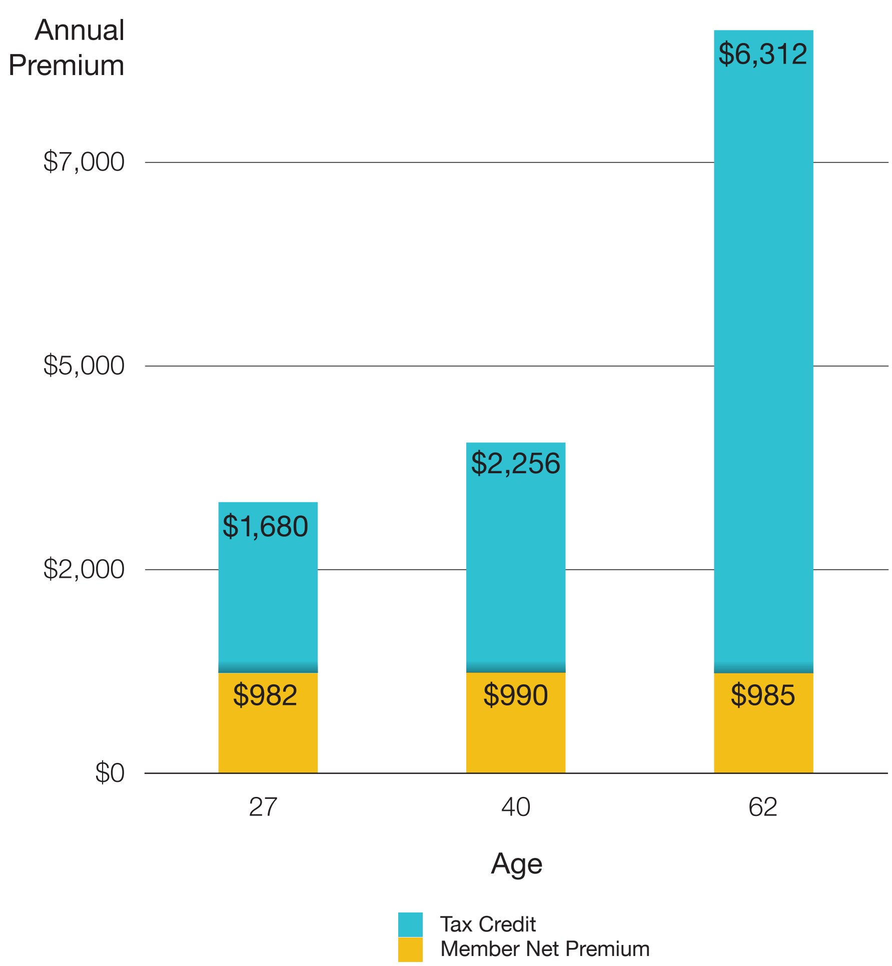
Statewide Average Premiums for Subsidy Eligible Silver Plan Enrollees in 2016, by Age, Showing Portion of Premium Paid by Enrollee and Portion Covered by APTC



Returning to the hypothetical example of Isaac, a person earning $20,000 in Los Angeles, consider the way the tax credit would adapt for Isaac as he ages. Due to the actuarial age curve used in health plan premium rating, health premiums generally increase much more rapidly each year over one's lifetime than wages. Thus, even supposing Isaac keeps steady work at $20,000 per year, the relative cost of his insurance would climb, such that by age 62 he is being charged more than double what he was being charged at age 62 — even if the cost of care is the same (i.e. no medical inflation).

But as indicated in Figure 9 below, under the Advanced Premium Tax Credit, Isaac's net premium remains constant, thanks to a tax credit that grows to meet the rising cost of coverage for an older consumer, such that Isaac's tax credit as a 62 year old would be nearly 3 times the credit he would receive as a 40 year old, rising from $2,256 per year ($188 per month) to $6,312 per year ($526).

FIGURE 9
Example: Tax Credits Adjusts to Keep Coverage Affordable — Despite Higher Premium for Older Consumers (Los Angeles resident earning $20,000 per year)



By ensuring that net premiums are determined based on income, the advance premium tax credit preserves affordability across all ages – even as premiums change dramatically across the rating curve.

Keeping Coverage Affordable Despite Wide Regional Variation in the Cost of Coverage:
The cost of coverage – and the cost of health care – vary substantially in California due to differences in market conditions, such as the availability of hospitals and provider networks.

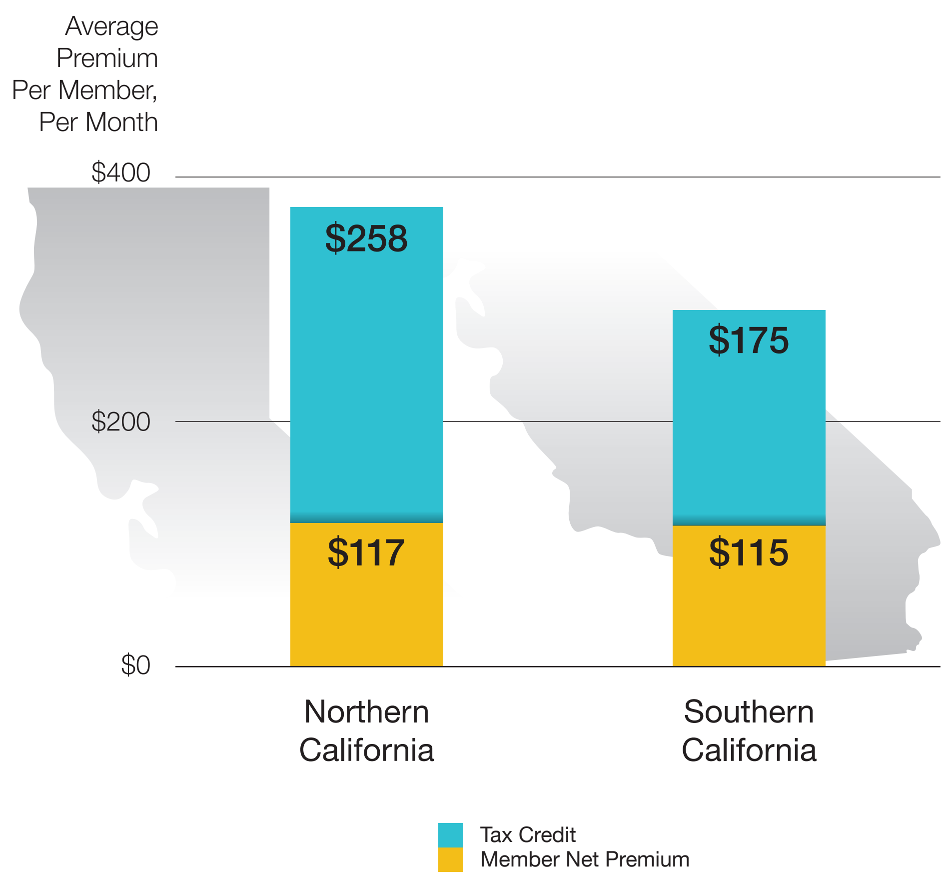
For example, a recent analysis by the Integrated Healthcare Association (IHA) using the California Regional Health Care Cost & Quality Atlas documented substantial disparities in cost of providing care for individuals with commercial insurance (including many of the Qualified Health Plans available through Covered California) between Northern and Southern California, in which all Northern California regions had a cost above the statewide average, while all Southern California regions had costs below the statewide average. For example, IHA found that the average cost to provide care per enrollee was $5,400 in San Francisco, but only $3,600 in Los Angeles, meaning costs of care varied by 50%.[6]

Due to these extensive variations in the cost to provide care, the cost of coverage varies accordingly. Thus, even after negotiations with insurers to get the best deal possible for consumers, gross premiums offered through Covered California reflect these differences. Indeed, as indicated in Figure 10 below, the average gross premiums in 2016 for 40 year olds in Silver plans was 30% higher in Northern California than in Southern California.

However, because the Advance Premium Tax Credit adjusts for the cost of care where the consumer lives the financial assistance makes coverage relatively affordable regardless of whether a consumer happens to live in an area of unusually high-priced health care (such as Region 4 – San Francisco – or Region 9 on the central coast) or an area of abundant competition that has lower prices (such as Regions 15 and 16 – Los Angeles County).

FIGURE 10

Tax Credits Account for Wide Differences in the Underlying Cost of Care between Northern and Southern California



[6] Benchmarking California Health Care Quality and Cost Performance. http://www.iha.org/sites/default/files/resources/issue-brief-cost-atlas-2016.pdf.

Consider the example of two families of four earning $61,000, one living in Los Angeles and the other in San Francisco. Both families have two middle aged parents (ages 42 and 40) and two kids (ages 16 and 12). In either location, the children are eligible for Medi-Cal. Without a tax credit, the parents face very different costs, with the coverage for the family in San Francisco costing $1,350 while the parents in Los Angeles face a gross premium of $820. But because the tax credit calculation ensures that families with the same income should pay the same amount for their coverage, the credits adjust for regional differences in the cost of care, making the family in San Francisco eligible for over twice the tax credit ($926 per month) as the Los Angeles family ($398). As a result of the credits, both families can purchase a second lowest silver policy for nearly the identical price: $422 in Los Angeles compared to $424 in San Francisco.

Cost Sharing Reductions

The Affordable Care Act recognized that low-income consumers face challenges not only with monthly premium costs to purchase coverage, but also affording the price of health care when services are used – even when covered under an insurance plan. As a result, the Affordable Care Act requires that low-income enrollees be eligible for special silver plans – called Enhanced Silver 73, 87, and 94 in California.

Reducing the cost to the consumer at point of care is a critical component of ensuring that consumers not only have affordable coverage, but that they can get affordable care.

Even without the benefit of additional Cost Sharing Reductions, Covered California takes careful steps to ensure that copays are not a deterrent to care by requiring all Qualified Health Plans to offer their Bronze, Silver, Gold, Platinum, and Minimum Coverage plans in Patient-centered Benefit Designs. These benefit designs ensure that consumers can access primary care without first having to meet deductibles, limit the use of co-insurance, and take other steps to incentivize high value care.

Because coverage alone does not ensure that care is affordable, the Affordable Care Act's Cost Sharing Reductions ensure that the lower income consumers enrolled through Covered California receive additional financial protection in the form of richer coverage. By being available at 250% (approximately $29,000 for a single person) of the Federal Poverty Level and below, this assistance is targeted precisely those who are most likely to be deterred from seeking care due to up-front cost of copays and deductibles

Effectively, Cost Sharing Reductions increase the actuarial value of Silver plans for consumers below 250% of the Federal Poverty Level as follows:

- 100-150% FPL: 94% actuarial value
- 150-200% FPL: 87% actuarial value
- 200-250% FPL: 73% actuarial value
- All other incomes: 70% actuarial value

Additionally, American Indian and Alaska Native (AI/AN) consumers are eligible for specific reduced and no-cost sharing coverage at any metal level.

Any consumer who is below 250% of the Federal Poverty Line and chooses a Silver plan is automatically placed into an Enhanced Silver plan according to their eligibility.

In addition cost-sharing reductions, Covered California's patient-centered benefit designs put the consumer first by removing the financial hurdles to getting care. Most outpatient services in Silver, Gold and Platinum plans are not subject to a deductible, including primary care visits, specialist visits, lab tests, X-rays and imaging. Even consumers in Covered California's most affordable Bronze plans are able to see their doctor or a specialist three times before the visits are subject to the deductible. In 2017, most consumers saw a lower copay for their primary care visits, and urgent care costs in every plan are now the same as the primary care visit, helping consumers save up to $55 per visit. Consumers in Silver, Gold and Platinum plans will also pay a flat copay for emergency room visits in 2017, without having to satisfy a deductible, which could help them save thousands of dollars.

Enhanced Silver Plans Provide Better Coverage for Same Premium

Enhanced silver plans include much richer coverage for the price of the same silver premium. These plans include lower co-pays, co-insurance, and deductibles than normal silver plans. For consumers in Enhanced Silver 87 plans and 94, the coverage is richer than Gold plans and Platinum plans, respectively.

FIGURE 11

Covered California Patient-Centered Benefit Designs for 2017 Show How Cost Sharing Reductions Improve Benefits and Lower Cost of Using Care

Coverage Category	Enhanced **Silver 94**	Enhanced **Silver 87**	Enhanced **Silver 73**	**Silver**
Cost-Sharing Reduction Single Income Range	**up to $17,820** (100% to ≤150% FPL)	**$17,820 to $23,760** (>150% to ≤200% FPL)	**$23,760 to $29,700** (>200% to ≤250% FPL)	N/A
Primary Care Vist	$5	$10	$30	$35
Specialist Visit	$8	$25	$55	$70
Tier 1 (Generic Drugs)	$3	$5	$15	$15
Tier 2 (Preferred Drugs)	$10	$20**	$50**	$55**
Tier 3 (Non-preferred Drugs)	$15	$35**	$75**	$80**
Tier 4 (Specialty Drugs)	10% up to $150 per script	15% up to $150** per script	20% up to $250** per script	20% up to $250** per script
Medical Deductible	Individual: $75 Family: $150	Individual: $650 Family: $1,300	Individual: $2,200 Family: $4,400	Individual: $2,500 Family: $5,000
Pharmacy Deductible	N/A	Individual: $50 Family: $100	Individual: $250 Family: $500	Individual: $250 Family: $500
Annual Out-of-Pocket Maximum	$2,350 individual $4,700 family	$2,350 individual $4,700 family	$5,700 individual $11,400 family	$6,800 individual $13,600 family

Items in blue are not subject to any deductible.
Drug prices are for a 30 day supply.

* Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, future visits will be at full cost until the medical deductible is met.

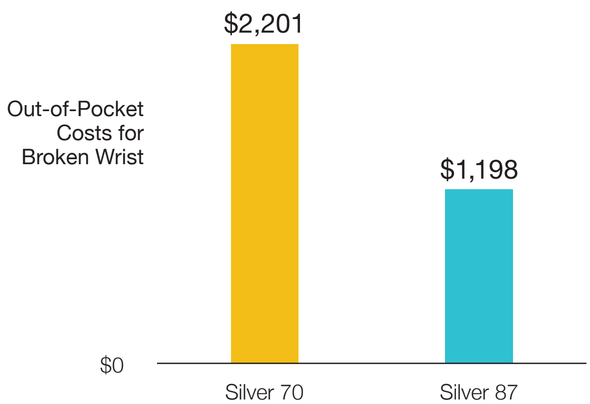
** Price is after pharmacy deductible amount is met.

Cost Sharing Reductions significantly lower the out-of-pocket costs of medical care

Cost-Sharing Reductions are an important component of affordability because they significantly reduce a consumer's out-of-pocket exposure. Using publicly available cost data on a moderate injury, a broken wrist, Figure 12 shows how the Enhanced Silver 87 plan saves the consumer $1,000.

FIGURE 12

Cost Sharing Reductions (CSR) Cut by Half the Out of Pocket Costs for a Typical Broken Wrist



The scenario used to derive these out of pocket estimates are based on one emergency room visit, 2 view X-ray, a specialist procedure to treat broken wrist, and a single follow-up visit. Cost data uses FAIR (fairhealthconsumer.org) commercial pricing for Zip code 90017 (discounted to reflect Covered California's lower, negotiated rates).

In this example, the consumer had not yet used any services in the plan year. In this case, the total cost of the care to treat the broken wrist was estimated to be $2,201 – less than the $2,500 deductible in the Silver 70, but more than the more modest $650 deductible in the Enhanced Silver 87 plan. Thanks to the Cost Sharing Reductions, the consumer in the Silver 87 sees the benefits of their coverage "kick in" much earlier. As a result, thanks to the Enhanced Silver 87 coverage, the consumer will save over $1,000 dollars in the month of the accident, and will also have met their deductible for any future follow-ups or other medical treatments needed in the year.

The average Covered California enrollee eligible for Silver 87 has a mean monthly income of just over $2,200, based on their projected income. Thus, for the more than half of Covered California's consumers who receive Cost Sharing Reductions, this assistance is a critical support without which consumers would be forced to choose between health care and basic necessities like food or rent, or to go without care entirely.

Covered California enrollees with Cost Sharing Reductions pay on average $1,000 less per year out of pocket when they use care.

For the half of Covered California enrollees who benefit from Cost Sharing Reductions in Enhanced Silver plans, the average reduction in out of pocket costs when they use care is estimated to be $90 per month, or $1,000 per year (see Figure 13).[7] Because there are multiple levels of Cost Sharing Reductions, and because use of services is uneven across the population, the actual specific savings will vary greatly from enrollee to enrollee. At a household level, Cost Sharing Reductions represented over $1,500 in financial assistance in 2016.

[7] All Cost Sharing Reduction financial data cited in this brief is based on the estimate of the value of the cost sharing reductions, following the proscribed methodology from the Centers for Medicare and Medicaid Services (CMS) for estimating the amount of Cost Share Reductions. The actual amount of out of pocket costs that have been reduced depend on the actual services incurred by the enrollees, and Covered California is not part of the final reconciliation that occurs between Qualified Health Plans (QHPs) and CMS.

FIGURE 13

Member Months and Total Estimated Value of Cost Sharing Reductions, by Metal Tier Cost Share Variant

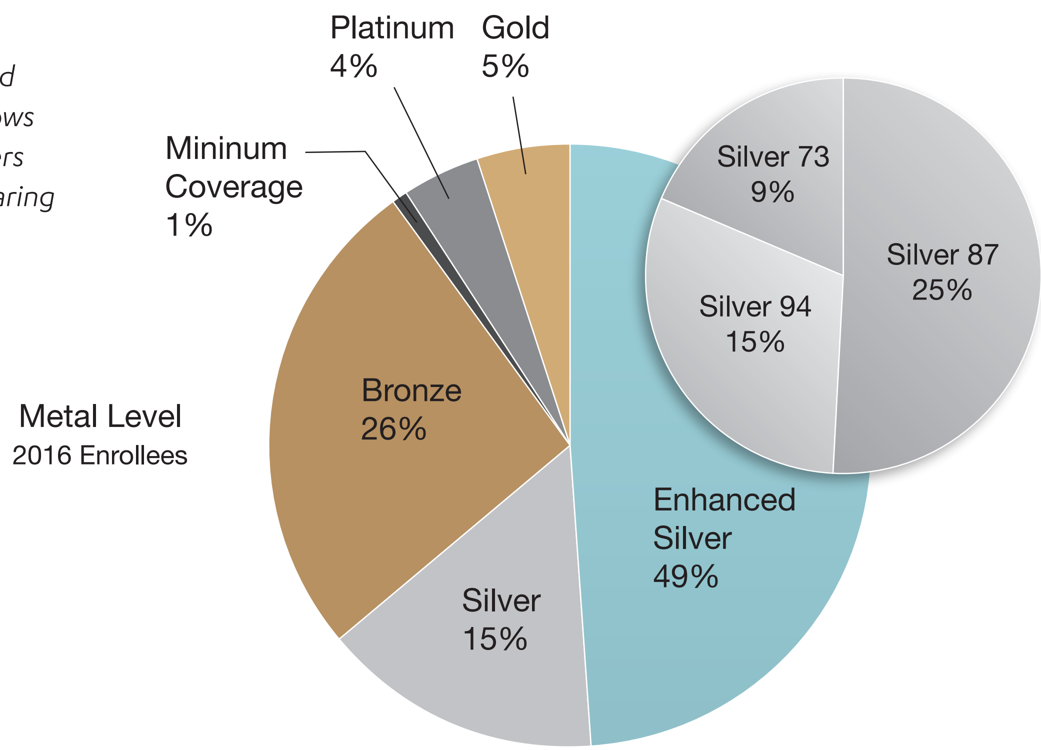
Cost Sharing Reduction Category	Members Months Enrollment in 2016	Household Months Enrollment in 2016	Aggregate Estimated Value of Cost Sharing Reductions
Silver 73 Cost Sharing Reduction	1,455,692	1,004,394	$ 20,272,252
Silver 87 Cost Sharing Reduction	4,035,157	2,838,566	$ 386,769,039
Silver 94 Cost Sharing Reduction	2,422,932	1,686,863	$ 310,567,614
AI/AN Cost Sharing Reduction - Zero Cost Share	37,572	31,590	$ 6,521,981
Total	**7,951,353**	**5,561,413**	**$ 724,130,886**

Cost Sharing Reduction Category	Individual - Mean Estimated Monthly Value of Cost Sharing Reductions	Individual - Mean Estimated Annualized Value of Cost Sharing Reductions	Household - Mean Estimated Monthly Value of Cost Sharing Reductions	Household - Mean Estimated Annualized Value of Cost Sharing Reductions
Silver 73 Cost Sharing Reduction	$ 14	$ 167	$ 20	$ 242
Silver 87 Cost Sharing Reduction	$ 96	$ 1,150	$ 136	$ 1,635
Silver 94 Cost Sharing Reduction	$ 128	$ 1,538	$ 184	$ 2,209
AI/AN Cost Sharing Reduction - Zero Cost Share	$ 174	$ 2,083.03	$ 206	$ 2,477.49
Total	**$ 91**	**$ 1,093**	**$ 130**	**$ 1,562**

Half of Covered California enrollees benefit from Cost Sharing Reductions in Enhanced Silver plans
Half of all Covered California enrollees benefit from Cost Sharing Reductions in Enhanced Silver plans, of which over ¾ receive benefits well-above "gold" level coverage (i.e. those enrolled in Silver 87 or Silver 94).

Additionally, American Indian and Alaska Native consumers are eligible for additional Cost Sharing Reductions, with limited cost sharing for those above 300% FPL and no cost sharing for those below 300% FPL. Over 3,000 American Indian or Alaskan Native consumers in Covered California benefited from these reductions to cost sharing in 2016.

FIGURE 14
Metal Tier Choice by Covered California 2016 Enrollees Shows that Majority of All Consumers Are Benefiting from Cost Sharing Reductions



Conclusion
The observations and findings presented in this Covered California Data Brief document how California consumers receiving tax credits and/or Cost-Sharing Reductions have been made better off through more affordable coverage and financial protection for routine and unexpected medical expenses. As federal policymakers evaluate proposals that may repeal and replace the Affordable Care Act, it will be important to measure the impact of such proposals on coverage in the individual market and affordability for consumers for both premiums and out-of-pocket costs. This should involve careful consideration of policy changes to financial assistance that is currently provided on an advanced basis and adjusted by income, age, family size and geography to take into account a consumer's unique circumstances and local market conditions.

About Covered California

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California's consumers. It is overseen by a five-member board appointed by the governor and the legislature. For more information about Covered California, please visit CoveredCA.com.