



News Release

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Covered California Keeps Premiums Stable by Adding Cost-Sharing Reduction Surcharge Only to Silver Plans to Limit Consumer Impact

- *In the absence of a federal commitment to continue funding cost-sharing reduction (CSR) reimbursements through the upcoming year, Covered California health insurance companies will add a surcharge to Silver-tier products in 2018.*
- *However, because the surcharge will only be applied to Silver-tier plans, nearly four out of five consumers will see their premiums stay the same or decrease, since the amount of financial help they receive will also rise. Those who do not get financial help will not have to pay a surcharge.*
- *Financial help means that in 2018, nearly 60 percent of subsidy-eligible enrollees will have access to Silver coverage for less than \$100 per month — the same as it was in 2017 — and 74 percent can purchase Bronze coverage for less than \$10 per month.*
- *California and individual markets across the nation still need a clear commitment that the federal government will continue to make CSR payments to promote lower premiums, save taxpayer money and ensure health insurance companies participate.*

SACRAMENTO, Calif. — Covered California announced Wednesday the final rates for its health plans in 2018, giving existing consumers and new shoppers an opportunity to see their expected rates and the financial help available to help them purchase health coverage for next year given their income and particular circumstances.

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With this announcement, Covered California noted that health plans will have to include a surcharge on Silver-tier plans for the 2018 coverage year due to the ongoing uncertainty at the federal level. The surcharge is necessary because of a lack of commitment from the federal government to fund a critical piece of financial help known as cost-sharing reductions (CSRs). The average CSR surcharge increase on rates is 12.4 percent, although the surcharge will vary for each health insurance company and will range from 8 percent to 27 percent.

However, because the surcharge is only being loaded onto Silver-tier plans, those who purchase coverage without getting federal help — whether through Covered California or by buying directly from health insurance companies — can be protected from paying any surcharge. Most Covered California consumers who receive financial help in the form of an Advanced Premium Tax Credit, or subsidy, will not see a change in what they pay for their insurance in 2018 because of the surcharge, and many will actually end up paying less because their subsidy amount will increase more than the surcharge.

“Covered California worked hard to come up with a plan that ensures a stable market and protects as many consumers as possible from an unnecessary price hike,” said Peter V. Lee, executive director of Covered California. “While some consumers will face higher costs than expected this year unrelated to the CSR surcharge, they can still shop for a better deal to reduce the impact of the surcharge.”

A Covered California analysis on the impact of the CSR surcharge found that 78 percent of subsidized consumers would either see no change in what they would pay for insurance in 2018, or would pay less than what they would have paid if there had been no CSR surcharge. The remaining 22 percent will see some form of higher net premium because of the CSR surcharge, and about half of them will see increases of less than \$25 per month. There were more than 1.2 million subsidized Covered California members among the nearly 1.4 million people enrolled as of March 2017.

Californians who do not get financial help and buy individual coverage directly from their health insurance company will not be charged the CSR surcharge. In addition, Covered California consumers with Silver plans *who do not receive financial help* to pay their premium can also avoid paying the surcharge by switching to a different metal tier or buying near-identical Silver coverage directly from a health insurance company. Covered California has approximately 65,000 unsubsidized consumers enrolled in Silver plans.

“Covered California is committed to keeping care as affordable as possible and giving all consumers the tools they need to shop for the best deal,” Lee said.

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The rates announced Wednesday by Covered California for 2018 reflect regulatory review by the California Department of Managed Health Care and the California Department of Insurance.

Under the current law, health plans must offer the cost-sharing reduction subsidies to low-income consumers in the form of lower copays and deductibles, with the federal government reimbursing carriers for the difference in costs. This program will continue to provide lower-cost care to these Californians. Because the administration has made several public statements indicating it may end those payments, Covered California worked to ensure health plans could participate in 2018 by adding the surcharge to make up for the potential loss of those reimbursement payments, which are roughly estimated to be worth \$800 million or more to California consumers in 2017.

“Cost-sharing reductions help Californians of limited means access the care they need,” Lee said. “This enables Covered California and other marketplaces to provide coverage that truly matters and makes it more affordable for these consumers to see a doctor when they get sick or injured. They also help lower premiums for those who do not receive subsidies by encouraging enrollment of a larger pool of healthy individuals.”

Affordable Options

Covered California updated its Shop and Compare Tool on www.CoveredCA.com so consumers, insurance agents and others can now begin comparing their coverage options and renewing for 2018. Those who do not have coverage and do not meet special-enrollment conditions can begin shopping and comparing their options and enroll starting Nov. 1, when open enrollment begins.

Financial assistance means that in 2018, nearly 60 percent of subsidy-eligible enrollees will have access to Silver coverage for less than \$100 per month — the same as it was in 2017 — and 74 percent can purchase Bronze coverage for less than \$10 per month.

“The big story is not the fact that we need to have plans apply a CSR surcharge, but rather the fact that with the financial help consumers can get at Covered California, we continue to bring health care within reach for so many Californians,” Lee said.

Stability of the Individual Market Still Depends on Federal Action on Cost-Sharing Reductions

Lee also stressed that California and individual markets across the nation still need cost-sharing reduction reimbursements for the following reasons:

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- **Stable Markets:** Covered California and its carriers will begin developing rates for the 2019 coverage year in the spring of 2018. Providing certainty to the market will help keep rates as low as possible and ensure continued carrier participation. Absent clear federal funding of the CSR payments, it is likely that in many parts of the country, including possibly California, health plans will stop participating.
- **Lower Premiums:** In August, [the Congressional Budget Office \(CBO\) issued a report](#) that found that ending the CSR reimbursements would raise premiums by about 20 percent in 2018 and 25 percent in 2020 and subsequent years. While Covered California has developed a plan to protect consumers from these hikes, consumers in other states could feel the impact of these increased costs.
- **Save Taxpayer Money:** The CBO also found that ending the CSR reimbursements would increase the federal deficit by \$194 billion over the next 10 years, since the premium tax credit would rise along with the premiums.

“As things change federally, we will continue to be responsive to real consumers’ needs in California, even for 2018,” Lee said. “But carriers across the country need certainty, and a federal commitment to funding CSR payments would lower rates in many states and ensure that markets are stable and consumers have choice,” Lee said. “In addition, making the CSR payments actually saves taxpayer money because it keeps premiums low and reduces the amount of federal financial help needed to help consumers pay for their coverage.”

Covered California’s open-enrollment period begins Nov. 1 and runs through Jan. 31. Consumers will be able to explore their options and find out if they qualify for financial help by visiting www.CoveredCA.com and using the Shop and Compare Tool. They can also get free and confidential enrollment assistance by visiting www.coveredca.com/find-help/.

About Covered California

Covered California is the state’s health insurance marketplace, where Californians can find affordable, high-quality insurance from top insurance companies. Covered California is the only place where individuals who qualify can get financial assistance on a sliding scale to reduce premium costs. Consumers can then compare health insurance plans and choose the plan that works best for their health needs and budget. Depending on their income, some consumers may qualify for the low-cost or no-cost Medi-Cal program.

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 www.CoveredCA.com.

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