

Healthcare Advisory

Trump Administration Finalizes Plan To Trim Obamacare Subsidies

CMS is finalizing a technical change to how Obamacare subsidies are calculated, raising insurance costs for some customers and likely shrinking enrollment in the law's marketplaces.

The Trump administration expects the changes in the final 2020 payment and benefit rules will result in \$980 million less in federal financial assistance in 2020 and 70,000 fewer Obamacare customers.

The administration is also finalizing its proposal to reduce the exchange fee that insurers pay by half a percentage point. That should reduce premiums slightly since insurers typically add that fee into their rates.

CMS said its decision to adjust the subsidy formula was justified in part by the removal of cost-sharing-reduction payments, which President Donald Trump eliminated in 2017. Insurers hiked premiums in response to that decision, resulting in significantly higher subsidies for Obamacare customers.

In past years, CMS only used premiums for employer-based plans in the formula to calculate subsidies, in part because of big fluctuations in individual market premiums during Obamacare's early years. But now it will use a blend of premiums for individual market and employer-sponsored plans to calculate financial assistance, resulting in less aid.

The cuts in assistance will be smaller for lower-income customers and bigger for those with higher incomes.

Under the administration's original proposal, which was tweaked in the final version released today, an exchange customer who earns 300 percent of the federal poverty threshold would have seen their annual subsidies decrease by \$92 in 2020, according to calculations by the Brookings Institution's Matt Fiedler. A family of four at the same income level would have lost \$189 in annual aid.

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