

# TIME

## **The Latest Obamacare Fight Centers on Insurance Subsidies. Here's What They Are and How They Will Affect Your Costs**

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October 18, 2017

Obamacare's cost-sharing subsidies remained in the crosshairs on Wednesday, as President Donald Trump withdrew his prior support for a bipartisan deal proposed by Sens. Lamar Alexander and Patty Murray to continue them.

This latest battle began last Thursday, when the Trump administration announced that it would discontinue the cost-sharing subsidies. But several days later, Trump appeared to support a deal by Alexander, a Republican of Tennessee, and Murray, a Democrat from Washington state, to continue them for two years. Trump withdrew that support today, saying, "I continue to believe Congress must find a solution to the Obamacare mess instead of providing bailouts to insurance companies," the Associated Press reported.

Below, MONEY answers some common questions about Obamacare subsidies and their role in the embattled health care law, which the Republican party has tried unsuccessfully to repeal over much of 2017.

### **What Are the Obamacare Subsidies?**

Obamacare, also known as the Affordable Care Act, established two types of subsidies for consumers on the individual insurance market. Premium subsidies lower monthly premium costs for everyone who makes under \$48,240 for an individual and \$98,400 for a family of four in 2017.

The cost sharing subsidies are an additional benefit for lower-income enrollees—that is, the roughly 6 million Obamacare consumers making up to \$30,150 for an individual and \$61,500 for a family of four.

Cost-sharing subsidies lower deductibles and other out-of-pocket costs for eligible consumers, making their health care more affordable and accessible. Many Obamacare plans have deductibles that are in the \$3,000 to \$5,000 range, and when consumers have to pay that much out-of-pocket for most services before their insurance kicks in, they tend to avoid going to the doctor when they're sick.

Both premium and cost-sharing subsidies flow directly from the federal government to insurance carriers on behalf of qualifying enrollees. Since they don't pocket the money directly, some

beneficiaries may not realize they're receiving government assistance with their health care costs.

### **Are Obamacare Subsidies Illegal?**

Some experts, such as Michael Cannon of the libertarian Cato Institute, have argued that Obamacare subsidies are unconstitutional, while others have argued that the Affordable Care Act properly provided for them. This is a question currently before the courts. The House of Representatives brought a lawsuit against the Obama administration in 2014, arguing that the government had wrongly spent billions of dollars on subsidies that were neither explicitly authorized by the law nor appropriated by Congress, and a trial court agreed.

The Obama administration appealed the trial court's decision, and the case is now on hold at the U.S. Court of Appeals for the District of Columbia Circuit.

Trump has called the Obamacare subsidies "bailouts" to insurers, but that characterization is not accurate. Subsidies are not intended to prop up financially failing insurers, as that term implies. Instead, they were a payment that insurers fully expected under the law. In fact, Obamacare requires insurers to foot the bill for cost-sharing subsidies whether the government reimburses them or not, so any withdrawal of the payments would leave insurers vulnerable to losses.

### **When do Obamacare Subsidies End?**

The Trump administration's announcement last Thursday said the payments would be discontinued immediately; the administration had been making them on a monthly basis since Trump took office. As the fate of Obamacare subsidies hangs in the balance, Obamacare open enrollment is set to begin on Nov. 1. Since the law requires insurers to continue the subsidy payments regardless of reimbursement, consumers will unlikely see any immediate fallout from Trump's announcement. Many insurers had anticipated that the government would discontinue the cost-sharing payments and already priced that likelihood into their premiums for 2018. The big wild card is whether some insurers will exit the markets altogether — certain states may allow carriers to break their contracts in the absence of payments, and their exit would be disruptive for affected consumers and eventually, for the entire Obamacare system.