

How do cost-sharing reductions work?

- Individuals and families with income between 100 percent and 250 percent of the federal poverty level (FPL) can also get help paying out-of-pocket costs for services covered by their plan. The extra help, known as “cost-sharing reductions,” lowers the out-of-pocket limit and increases the level of coverage under the plan.
- Unlike the premium tax credits, cost-sharing reductions can only be obtained with a Silver-level plan. If you buy a plan in another metal tier, you will not get the out-of-pocket help.
- Three levels of cost sharing reductions are based on an individual or families’ income level
- With cost-sharing reductions, the federal government should pay the insurer upfront.
- Cost-sharing charges are automatically reduced when an eligible individual enrolls in a Silver plan.
- Cost sharing reductions are not tax credits. Additionally, unlike premium tax credits, if your income goes up so that you would no longer qualify for cost-sharing reductions, you will not have to repay that out-of-pocket help when you file taxes.
- A Silver plan without this help would cover, on average, 70 percent of a person’s medical costs over the course of the year, with the consumer paying the rest in deductibles, co-pays and

co-insurance. A Gold plan covers, on average, 80 percent of a consumer's costs and a Platinum plan covers, on average, 90 percent of a consumer's costs. The cost-sharing reduction increases the generosity of the plan so that those with income between 100 and 150 percent FPL get a plan that is better than a platinum plan (covering on average 94 percent of costs). Those with income between 150 percent and 200 percent FPL get a plan that is almost as generous as a Platinum plan (covering 87 percent of costs), and those with income between 200 percent and 250 percent FPL get a plan that is slightly better than a Silver level plan (covering 73 percent of costs).

- See more at:

<http://workingamericahealthcare.org/how-do-cost-sharing-reductions-work#sthash.oUHIRnYO.dpuf>

2016 Federal Poverty Level Chart*

The Department of Health & Human Services (HHS) issues poverty guidelines that are often referred to as the "federal poverty level" (FPL). Federally-facilitated Marketplaces will use the [2016 guidelines](#) when making calculations for the insurance affordability programs starting November 1, 2015.

Household Size	100%	138%	150%	200%	250%	300%	400%
1	\$11,770	\$16,242	\$17,655	\$23,540	\$29,425	\$35,310	\$47,080
2	\$15,930	\$21,983	\$23,895	\$31,860	\$39,825	\$47,790	\$63,720
3	\$20,090	\$27,724	\$30,135	\$40,180	\$50,225	\$60,270	\$80,360
4	\$24,250	\$33,465	\$36,375	\$48,500	\$60,625	\$72,750	\$97,000
5	\$28,410	\$39,205	\$42,615	\$56,820	\$71,025	\$85,230	\$113,640
6	\$32,570	\$44,946	\$48,855	\$65,140	\$81,425	\$97,710	\$130,280
7	\$36,730	\$50,687	\$55,095	\$73,460	\$91,825	\$110,190	\$146,920
8	\$40,890	\$56,428	\$61,335	\$81,780	\$102,225	\$122,670	\$163,360

* Chart is for 48 contiguous states and the District of Columbia; for Hawaii and Alaska please visit the website of the HHS Assistant Secretary for Planning and Evaluation (ASPE): <http://aspe.hhs.gov/poverty/14poverty.cfm>.

** Dollar amounts are calculated based on 100% column; rounding rules may vary across federal, state, and local programs.

Every year, the perimeters of the [Federal Poverty Level \(FPL\)](#) increase based on the cost of living. Families need to understand where they fall on the FPL so they know whether they are eligible for Medicaid in their state or whether they are eligible for a federal subsidy because they earn between 100 and 400 percent of the FPL, or whether they are eligible for a tax credit because they purchased a Silver plan and earn less than 250 percent of the FPL.

To qualify for Cost-Sharing, one must be enrolled in a Silver level plan through a Marketplace

Cost-sharing reductions are not available for coverage purchased outside of the Marketplace.

Individuals and families with household incomes generally up to 250% of the FPL may be eligible to receive cost-sharing reductions. Household income is determined by calculating a consumer's modified adjusted gross income (MAGI). Members of federally recognized tribes may qualify for additional cost-sharing benefits.

Cost-sharing Reductions Calculations Table

Reduction in Maximum Annual Limitation on Cost Sharing for 2016

Plan Variation (from 70% AV Silver Plan)	Income Range for Individual*	Individual Out-of- Pocket Maximum (standard 2016 limit: \$6,850)	Income Range for Family of Three*	Family Out-of-Pocket Maximum (standard 2016 limit: \$13,700)
94% AV Silver Plan Variation (for households with a MAGI between 100-150% of FPL)	\$11,770- \$17,655	\$2,250	\$20,090- \$30,135	\$4,500
87% AV Silver Plan Variation (for households with a MAGI between 150-200% of FPL)	\$17,655- \$23,540	\$2,250	\$30,135- \$40,180	\$4,500
73% AV Silver Plan Variation (for households with a MAGI between 200-250% of FPL)	\$23,540- \$29,425	\$5,200	\$40,180- \$50,225	\$10,400

American Indians/Alaska Natives with MAGI below 300% of FPL enrolled in a zero cost sharing plan variation have all cost sharing eliminated for EHB. American Indians/Alaska Natives with MAGI above 300% of FPL enrolled in a limited cost sharing plan variation have cost sharing eliminated for any EHB item or service that is furnished directly by the Indian Health Service, an Indian Tribe, Tribal Organization, Urban Indian Organization, or through referral under contract health services.

*Please review the 2015 Federal Poverty Chart in the Resources tab to find dollar ranges for the different percentages of FPL. These figures are higher in Alaska and Hawaii.