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Chairman Roskam, Ranking Member Lewis, and members of the Committee, I appreciate the opportunity to be here today to testify regarding the cost-sharing reduction program under the Affordable Care Act (ACA).

Background

Since its enactment more than six years ago, the ACA has significantly reduced the number of Americans without health care coverage. Twenty million people have gained health insurance coverage because of the ACA—a reduction in the number of uninsured that is historic. The uninsured rate is the lowest on record.

Moreover, the ACA is making health coverage more affordable and accessible for Americans across the country. About 85 percent of Marketplace consumers are taking advantage of tax credits to make their coverage more affordable, paying an average premium of $106 per month after the tax credits. And since the enactment of the ACA, we've seen the slowest growth in health care costs in 50 years.

The Cost-Sharing Reduction Program

For insured individuals and families, the total cost of health care covered by a plan consists of a combination of payments to insurers and direct or indirect payments to health care providers. The payments to insurers take the form of monthly premiums that the insurers charge. The payments to health care providers, collectively known as "cost-sharing" payments, reflect the fact that insurance plans typically do not pay the full cost of covered health care services. Rather, plans typically require insured individuals to pay an amount either as a "co-payment" or "co-insurance" for visits to health care providers. Further, some plans require an individual to pay a specified amount out of pocket, known as a deductible, before certain benefits are covered by the insurer.

A principal goal of the ACA is to make health insurance more affordable for low- and moderate-income Americans. To achieve that goal, the Act establishes an integrated system of federal subsidies that lowers insurance premiums and reduces out-of-pocket costs for millions of eligible individuals, through premium tax credits and cost-sharing reductions.

Premium tax credits subsidize monthly insurance premiums for eligible individuals. Those credits are available to eligible individuals with household incomes from 100 percent to 400 percent of the federal poverty level to reduce the cost of insurance purchased through the ACA's insurance Marketplaces for low and moderate income households.

For individuals who are eligible for the premium tax credit and have household income up to 250 percent of the federal poverty level, the ACA also helps with cost-sharing expenses (such as co-payments or deductibles) for silver-level health plans obtained through the Marketplaces.

The permanent appropriation in 31 U.S.C. § 1324, as amended by the ACA, provides funding for all components of the ACA's integrated system of subsidies for the purchase of health insurance, including both the premium tax credit and cost-sharing reduction portions of the advance payments. Since January 2014, the Executive Branch has been making advance payments of premium tax credits and cost-sharing reductions to issuers of qualified health plans as provided for by the ACA.

Conclusion

I understand that some members of this Committee disagree with, and thus will have questions about, the Administration's legal conclusion that 31 U.S.C. § 1324(b) permanently appropriates funding for cost-sharing reduction payments. The Administration's conclusions about those payments are the subject of active litigation brought by the House of Representatives. Thus, for further information, I would refer you to the briefs filed in that case.

We welcome the opportunity to continue our work with this Committee and all of Congress to achieve the objectives and goals of the ACA.