Stabilization Funding

Congressional efforts to repeal and replace the Affordable Care Act have included additional funding in an effort to stabilize state individual insurance markets. The funding level proposed is inadequate, as discussed in more detail below:

Background on Stabilization funding in the Better Care Reconciliation Act (BCRA)

The Senate health care proposal, the Better Care Reconciliation Act, includes funding intended to stabilize the individual and small group insurance markets. This funding includes:

- **Short-Term State Stability Fund** - which provides $50 billion over four years (2018-2021) directly to insurers for a reinsurance program that compensates insurers for high-cost enrollees
- **Long-Term State Stability Fund** - which provides $62 billion over eight years (2019-2026) to states for market stabilization programs

The proposal says states may use their long-term state stability funds for one or more of these purposes:

- To create a state reinsurance program
- To create a state high-risk pool
- To provide cost-sharing subsidies
- To provide direct payments to providers

Stability Fund Shortcomings*:*

- **The stability funding provided in the bill is completely inadequate**. According to an Urban Institute estimate, establishing a national high-risk pool for uninsured enrollees who are likely to have high health care costs because of pre-existing conditions alone would cost at least $359 billion over ten years. If every state devoted every dollar of its stability funds under the current proposal to high-risk pools, the amount of funding provided in the Senate bill would be $247 billion **less** than what is needed.
- **The stability fund won't make up for the other provisions of the bill that will increase costs for consumers.** The Congressional Budget Office (CBO) estimates that the stability funds provided in the BCRA would only reduce average premiums by four percent. Unfortunately, other provisions of the bill (such as an increase in the age rating to 5:1 and a significant reduction in the amount of tax credits available to consumers) will result in many consumers paying significantly higher premiums. For example, the CBO estimates that under the BCRA, unsubsidized premiums for a 64-year-old in a silver-level plan will be 34 percent higher in 2026. The CBO also recognizes that premiums and cost sharing could rise even higher for consumers with pre-existing conditions in states that opt to waive the Essential Health Benefits or other key protections under this law.
- **Stability funds end after 2026**. The financing of the stability funds ends after 2026, leaving individual markets without any federal assistance to help stabilize the markets in subsequent years.

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