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Allowing the American Rescue Plan Premium Tax Credits to Expire Would Reverse Recent Progress in Reducing the Rate of Uninsured Americans

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Francisco Montero (center) of Richmond wears a mask while waiting with others in a long line outside of Terra Nova Clinic in the Fruitvale neighborhood of Oakland, CA, on Tuesday, May 12, 2020. Dr. Carlos Ramirez runs Terra Nova Clinic and serves only the uninsured. (Jessica Christian/The San Francisco Chronicle via Getty Images)

The American Rescue Plan Act (ARPA) temporarily enhanced and expanded eligibility for premium tax credits on Affordable Care Act (ACA) Marketplace plans in 2021 and 2022. With Marketplace coverage more affordable, more people are covered now through the Marketplace than at any time since its inception in 2014.

At the end of open enrollment in January 2022, 14.5 million people had selected a plan—2.5 million more than the 12.0 million (PDF) who had selected a plan by the end of the 2021 open enrollment period.

Though previous recessions have generally led to increases in the number of people without coverage, the ACA and additional congressional actions enacted since the start of the pandemic have bolstered the health insurance safety net, providing greater access to Medicaid and affordable Marketplace coverage to people who lost jobs and employer-sponsored insurance.

Despite the pandemic's economic disruptions, the number of adults without health insurance coverage didn't increase in 2020, and recent estimates find the number of uninsured people dropped between the last quarter of 2020 and the last quarter of 2021. The increases in subsidized Marketplace enrollment during that period are one of the key drivers of these coverage trends.

But if Congress allows ARPA's enhanced premium tax credits to expire as scheduled by the end of 2022, these improvements would likely be reversed. Marketplace enrollment would plummet, and the number of uninsured people would increase relative to coverage levels if ARPA were extended.

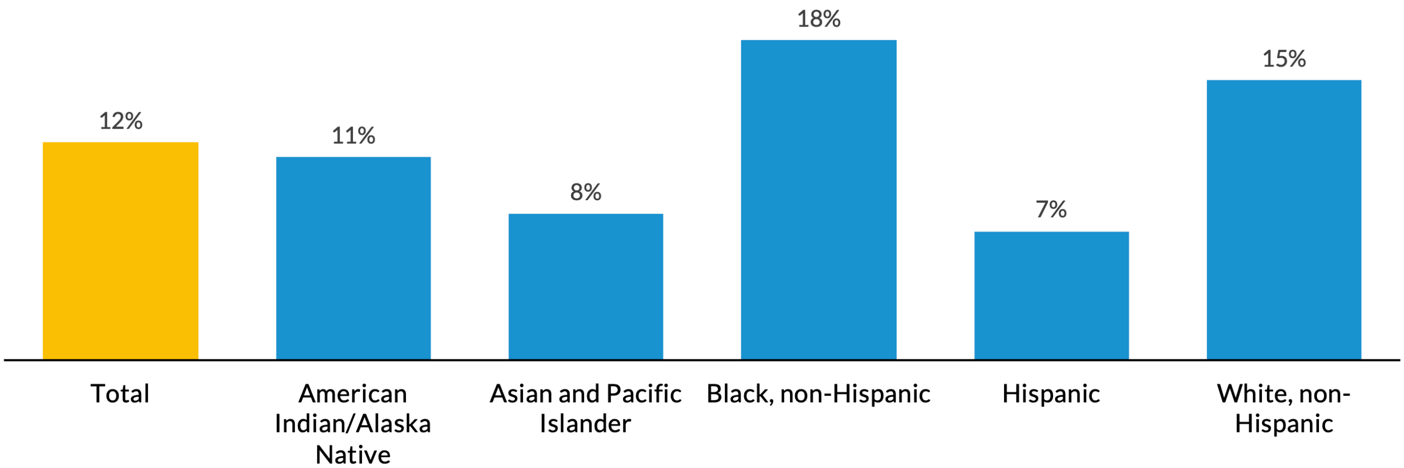
What expiration could mean for insurance rates

In a recent report, funded by the Robert Wood Johnson Foundation, my colleagues and I estimate nearly 5 million fewer people would enroll in subsidized Marketplace plans in 2023 as a result of the reductions in premium assistance compared with enrollment under an ARPA extension.

Some people leaving the subsidized Marketplace would find other sources of coverage, including unsubsidized nongroup and employer-sponsored plans, but the number of uninsured people would increase by 3.1 million without an ARPA extension—a 12 percent increase of the nonelderly uninsured population.

Percent Change in the Uninsured Nonelderly Population If the Enhanced Premium Tax Credits Expire, 2023

By race and ethnicity



Source: Urban Institute Health Insurance Policy Simulation Model, last updated 2022, https://www.urban.org/research/data-methods/data-analysis/quantitative-data-analysis/microsimulation/health-insurance-policy-simulation-model-hipsm.

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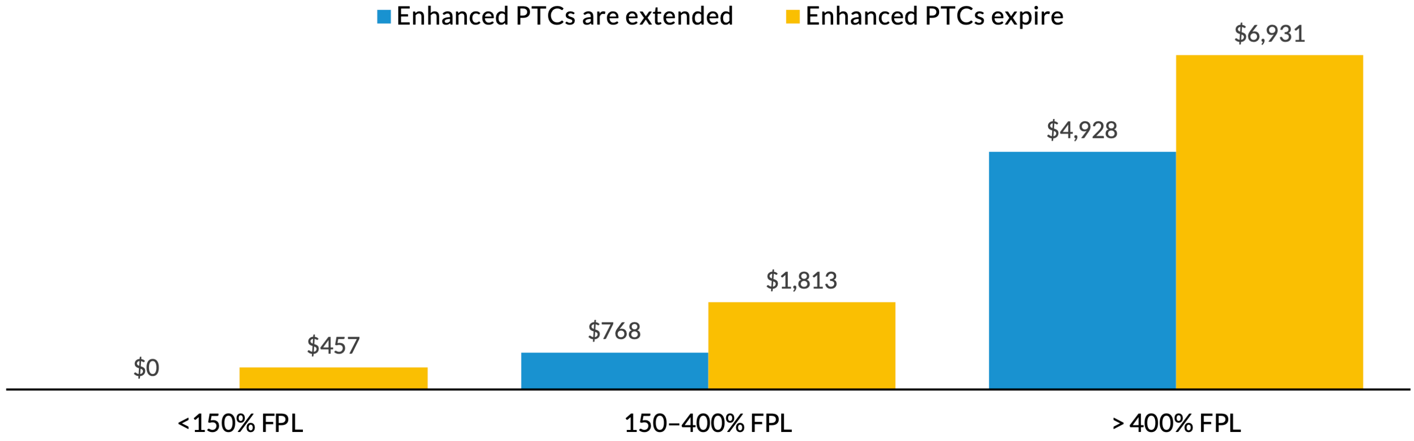
But the increases in uninsured people would not be distributed evenly across groups. Communities of color would be hardest hit, with Black non-Hispanic people experiencing the greatest increase at 18 percent.

What expiration could mean for premiums

While many people facing higher out-of-pocket premiums would drop out of the Marketplace, those who continue to purchase coverage through the Marketplace would experience much higher premiums.

Average Annual Household Per Person Premium with Marketplace Premium Tax Credits If Credits Are Extended and If Credits Expire, by Income, 2023

Analysis limited to non–tobacco users with silver Marketplace plans



Source: Urban Institute Health Insurance Policy Simulation Model, last updated 2022, https://www.urban.org/research/data-methods/data-analysis/quantitative-data-analysis/microsimulation/health-insurance-policy-simulation-model-hipsm.
Notes: PTC = premium tax credit; FPL = federal poverty level.

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Under ARPA's more generous premium tax credits, people with incomes below 150 percent of the federal poverty level (FPL)—in 2023, about $20,400 for a single person or $34,500 for a family of three—were eligible for zero-premium plans. The availability of zero-premium plans helped boost enrollment for some people in this income group because even small monthly premiums can burden those without credit cards or checking accounts.

But if ARPA expires, average annual premiums would increase to $457 per person for people in this income group choosing a silver plan, the most common choice of Marketplace shoppers.

Most Marketplace enrollees have incomes between 150 and 400 percent of the FPL ($20,400 to $54,400 per year for an individual and from $34,500 to $92,100 per year for a family of three). If ARPA credits expire, people in this group would see silver premiums more than double in 2023 compared with premiums if ARPA were extended. Average annual premiums would climb from $768 to $1,813 per person, an increase of 136 percent.

Before ARPA, eligibility for premium tax credits was capped at 400 percent of the FPL—$54,400 for a single adult or $92,100 for a family of three.

Under ARPA, premium tax credits are available only to those in this higher income group who face Marketplace premiums that exceed 8.5 percent of the family income. The people most likely to benefit from this provision include 50-to-64-year-olds and those living in areas with higher premiums, such as certain rural communities and those with fewer insurers competing in the Marketplace.

We estimate that if ARPA expires, people in this group will see annual average silver premiums climb from $4,928 to $6,931 per person, an increase of more than 40 percent.

What expiration could mean for health care providers

An overlooked consequence of not extending ARPA premium subsidies falls upon health care providers. Providers would see substantially lower revenues in 2023 if ARPA is not extended, largely because the 3.1 million additional uninsured people would use much less health care than they would if they were insured.

We estimate that spending for health care services and products would fall by $11.4 billion compared with spending if ARPA subsidies were extended. This includes $3.8 billion less spending on hospital services.

Without credits, families could face hard choices

During a pandemic and a time of great economic uncertainty, ARPA's premium tax credits helped more Americans preserve and gain health coverage when they could've needed it most. Our estimates show that if the credits expire, many families would find themselves unable to afford their Marketplace coverage and the country would lose these coverage gains.

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