Center on Budget and Policy Priorities

1275 First Street NE, Suite 1200
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

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Health Premiums Will Rise Steeply for Millions if Rescue Plan Tax Credits Expire

By Gideon Lukens

Temporary enhancements to premium tax credits, included in the American Rescue Plan, have played a critical role in helping more people afford health coverage in the Affordable Care Act (ACA) marketplaces. But the enhancements are set to expire at the end of the year. If Congress does not act this summer, the large majority of the 14.5 million people who signed up for marketplace coverage this year, including those in low- and moderate-income households, will either lose coverage or pay much more for premiums in 2023.

The Rescue Plan increased the size of health insurance premium tax credits available through the ACA marketplaces for 2021 and 2022, eliminating or reducing out-of-pocket premiums for millions of people. In addition, the Rescue Plan made more people eligible for the tax credits, ensuring that enrollees with moderate incomes pay no more than 8.5 percent of their incomes toward premiums. These affordability improvements also increased health coverage, prompting a record 14.5 million people to select marketplace plans during the 2022 open enrollment period, up from 12 million in 2021 and 11.4 million in 2020. Nearly one-third of enrollees selected a plan for $10 per month or less, and average monthly premiums fell 23 percent compared to the year before the enhancements.[1]

Expiration of the credit improvements would cause a steep rise in the average amount that those who remain covered must pay toward premiums, at a time when many people are already struggling with increased costs for food, housing, and other basics. And it would lead some to forgo coverage given the higher cost. Without congressional action this summer, people shopping for marketplace coverage will be notified of these looming premium hikes this fall and an estimated 3.1 million people will lose coverage and become uninsured in 2023.[2] Moreover, the sudden increase in marketplace premium costs may coincide with the expected end of the federal public health emergency declaration, when many Medicaid enrollees no longer eligible under the "continuous coverage" requirement will be seeking new sources of affordable coverage. Extending the tax credit

[1] Gideon Lukens, Jennifer Sullivan, and Farah Erzouki, "COVID Relief Provisions Stabilized Health Coverage, Improved Access and Affordability," CBPP, March 10, 2022, https://www.cbpp.org/research/health/covid-relief-provisions-stabilized-health-coverage-improved-access-and.

[2] Matthew Buettgens, Jessica Banthin, and Andrew Green, "What If the American Rescue Plan Act Premium Tax Credits Expire?" Urban Institute, April 7, 2022, https://www.urban.org/research/publication/what-if-american-rescue-plan-act-premium-tax-credits-expire.

improvements, while also closing the coverage gap in the 12 states that have not adopted the ACA Medicaid expansion, are critical steps to protect people from becoming uninsured and to ensure affordable health coverage for people of all incomes.[3]

Millions Would Lose Coverage or Face Premium Hikes

If the Rescue Plan premium tax credit enhancements expire, 3.1 million people are projected to lose coverage and become uninsured in 2023, based on research by the Urban Institute.[4] Coverage losses would occur broadly across demographic and income groups. The largest percentage declines in coverage would occur among those with low and moderate incomes: the number of uninsured people between 138 and 400 percent of the federal poverty level would increase by over 17 percent. All age groups would experience significant increases in the number of people uninsured, including older people. For example, the number of 55- to 64-year-olds who are uninsured would increase by over 12 percent. The tremendous, recent gains in marketplace enrollment would be reversed.

Of those who remain in marketplace coverage, an estimated 8.9 million would see their premium subsidies reduced. Another 1.5 million people would keep some source of coverage, most of them individual market coverage on or off the marketplace, but lose their subsidies entirely, research by the Department of Health and Human Services projects.[5] The amounts people would have to pay for coverage would increase sharply. Subsidy losses would average $406 a year for those who see reductions but remain in marketplace coverage and $3,277 a year for those who lose their subsidies entirely but keep some source of coverage.[6] Premium increases would also occur broadly across income groups, age groups, and races and ethnicities. For example, the Urban Institute estimates that those with subsidized marketplace coverage and incomes between 150 and 400 percent of the federal poverty level (about $20,000-$54,000 for an individual in 2022) would pay over $1,000 more per person in annual premiums.[7]

Expiration of the premium tax credit enhancements could come at a particularly difficult time for the potentially 15 million people estimated to lose Medicaid coverage after the federal public health emergency ends and states are no longer required to maintain continuous coverage for Medicaid enrollees.[8] These Medicaid enrollees who lose coverage, due for example to slight income increases, will be seeking other forms of coverage, and the far higher marketplace premiums that would result

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[3] Laura Guerra-Cardus and Laura Harker, "Congress Needs to Act Now to Reduce Coverage Losses When Public Health Emergency Ends," CBPP, April 26, 2022, https://www.cbpp.org/blog/congress-needs-to-act-now-to-reduce-coverage-losses-when-public-health-emergency-ends.

[4] Buettgens, Banthin, and Green, *op cit.*

[5] D. Keith Branham *et al.*, "Projected Coverage and Subsidy Impacts If the American Rescue Plan's Marketplace Provisions Sunset in 2023," Office of the Assistant Secretary for Planning and Evaluation (ASPE), Department of Health and Human Services, March 23, 2022, https://aspe.hhs.gov/reports/impacts-ending-american-rescue-plan-marketplace-provisions.

[6] *Ibid.*

[7] Buettgens, Banthin, and Green, *op. cit.*

[8] Matthew Buettgens and Andrew Green, "What Will Happen to Medicaid Enrollees' Health Coverage after the Public Health Emergency?" Urban Institute, March 9, 2022, https://www.urban.org/research/publication/what-will-happen-medicaid-enrollees-health-coverage-after-public-health-emergency.

if the Rescue Plan enhancements expire could be the deciding factor in whether they obtain marketplace coverage or become uninsured.

Premiums Would Rise in Every State for Individuals and Families Across Ages, Income Levels

Premium costs would increase for marketplace enrollees of all ages and across income levels if the Rescue Plan expansions expire, and would come on top of inflation that is straining family budgets. Among those with lower incomes who would see their subsidies reduced, for example:

- A single individual making $18,000 (139 percent of the poverty level) would no longer be eligible for a zero-premium plan and would see their monthly marketplace premium rise from $0 to $52 — an annual increase of $624.
- A single individual making $30,000 (232 percent of the poverty level) would see their monthly marketplace premium more than double, from $82 to $192 — an annual increase of $1,320.
- A 60-year-old couple making $45,000 (258 percent of the poverty level) would see monthly marketplace premiums increase from $162 to $321 — an annual increase of roughly $1,900.
- A family of four making $60,000 (226 percent of the poverty level) would see their monthly marketplace premium increase from $152 to $373 — an annual increase of about $2,650.[9] (See Appendix Table 1 for the costs facing people of various family sizes, ages, and incomes, and Figure 1 for a family of four at different income levels.)

The Rescue Plan also made those with incomes above 400 percent of the federal poverty level newly eligible for premium tax credits if their premiums are high enough. This has helped many people who do not have low incomes but do face high premium burdens to afford coverage. The Rescue Plan limited marketplace premiums to no more than 8.5 percent of income for this group; if the enhancements expire, this protection would be eliminated, and many would face dramatic premium hikes. For example:

- A typical 60-year-old couple making $75,000 (430 percent of the poverty level) would see monthly marketplace premiums more than triple, from $531 to $1,860 — an annual increase of roughly $16,000.
- A typical family of four making $120,000 (452 percent of the poverty level) would see their monthly marketplace premium increase from $850 to $1,400 — an annual increase of about $6,600.

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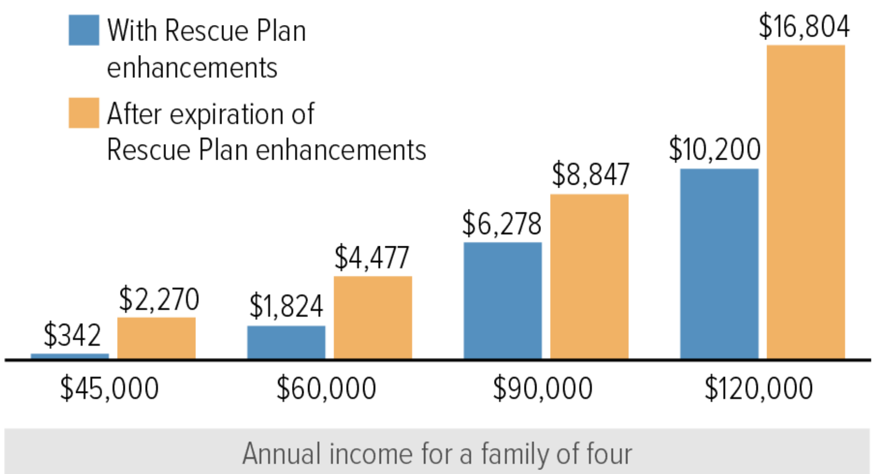
[9] CBPP calculations using 2022 benchmark (second-lowest cost silver tier plan) premiums with age adjustments and pre-Rescue Plan contribution percentages. Examples are not projections but rather illustrate the magnitude of the shift in costs that typical individuals and families under these scenarios would experience if the premium tax credit enhancements expire. Actual costs will be determined by future premiums, contribution percentages, and other unknown factors. These national estimates are applicable in all states except for a small number that have state-specific poverty levels and/or provide additional premium subsidies. The family of four includes two 40-year-old parents, a 10-year-old, and a 5-year-old. See Appendix Table 2 for state-specific estimates.

FIGURE 1

Families Would Face High Premium Increases if Rescue Plan Tax Credit Enhancements Expire

Annual premium for benchmark marketplace coverage for a family of four, based on national average premium



Note: The example family includes two 40-year-old adults, a 10-year-old child, and a 5-year-old child. These premiums are applicable in all states except for those with different poverty level standards than the national standard (Alaska and Hawai'i) and those with states that subsidize marketplace premiums beyond the federal subsidy (California, Massachusetts, New York, and Vermont).

Source: CBPP calculations

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Residents in Some States Face Particularly High Premium Increases

Residents in all states would see higher premiums, but in some states more than others. (See Appendix Table 2.) For example, due to the Rescue Plan enhancements, West Virginia's 2022 enrollees saved an average of $1,536 in annual premiums, more than any other state using the HealthCare.gov platform.[10] If the enhancements are not extended, many in West Virginia would no longer be protected from the state's high average marketplace premiums; at $752 per month for benchmark premiums (the second-lowest-cost silver plan), they are the second highest among all states and far higher than the national average of $438.[11]

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[10] Centers for Medicare and Medicaid Services (CMS), "2022 Open Enrollment Report," https://www.cms.gov/files/document/health-insurance-exchanges-2022-open-enrollment-report-final.pdf.

[11] Kaiser Family Foundation, Marketplace Average Benchmark Premiums, https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D. The ACA establishes metal tiers — bronze, silver, gold, and platinum — to organize plans for consumers and set standards for what deductibles and other charges insurers can include. See CBPP, "Cost-Sharing Charges in Marketplace Plans, Answers to Frequently Asked Questions," updated August 2020, http://www.healthreformbeyondthebasics.org/cost-sharing-charges-in-marketplace-health-insurance-plans-answers-to-frequently-asked-questions/.

As a result, residents in many states will face skyrocketing out-of-pocket cost increases. Part of the reason for West Virginia's high average marketplace premiums could be that their marketplace enrollees tend to be older than those in other states. Older enrollees, particularly those with incomes above 400 percent of the poverty level who would lose subsidies entirely, would likely face the largest premium hikes if the Rescue Plan enhancements expire. For example, a 60-year-old West Virginia couple making $75,000 would see annual marketplace premiums increase from $6,375 to over $38,000. Families with moderate incomes would also face steep increases in West Virginia. For example, a family of four making $120,000 would see their annual marketplace premium increase from $10,200 to almost $29,000. Cost spikes like this are likely to drive up the number of people forgoing coverage entirely.

Similarly, Wyoming marketplace enrollees saved $1,392 in annual premiums thanks to the Rescue Plan, second only to West Virginia. Wyoming enrollees who lose their subsidies will be exposed to the state's high premiums, which at an average of $762 per month for benchmark coverage are higher than any other state. In Wyoming, a 60-year-old couple making $75,000 would see annual marketplace premiums increase from $6,375 to nearly $39,000, and a family of four making $120,000 would see their annual marketplace premium increase from $10,200 to over $29,000.[12]

[12] CBPP calculations using 2022 West Virginia and Wyoming average benchmark premiums with age adjustments and pre-Rescue Plan contribution percentages. These estimates illustrate the cost increases that typical individuals and families under these scenarios would face if the premium tax credit enhancements expire. Actual costs will be determined by future premiums, contribution percentages, and other unknown factors. The family of four includes two 40-year-old parents, a 10-year-old, and a 5-year-old. See Appendix Table 2 for estimates including all states.

Appendix

APPENDIX TABLE 1

Premiums Will Increase for Individuals, Couples, and Families at Various Income Levels if Premium Tax Credit Enhancements Expire

	Annual marketplace premiums			
	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire	Percentage premium increase
45-year-old individual				
$18,000 (139% FPL)	$0	$624	$624	N/A
$30,000 (232% FPL)	$984	$2,304	$1,320	134%
$45,000 (349% FPL)	$3,251	$4,424	$1,173	36%
$60,000 (465% FPL)	$5,100	$5,939	$839	16%
60-year-old couple				
$30,000 (172% FPL)	$264	$1,556	$1,292	489%
$45,000 (258% FPL)	$1,944	$3,857	$1,913	98%
$60,000 (344% FPL)	$4,260	$5,898	$1,638	38%
$75,000 (430% FPL)	$6,375	$22,324	$15,949	250%
Family of four				
$45,000 (169% FPL)	$342	$2,270	$1,928	564%
$60,000 (226% FPL)	$1,824	$4,477	$2,653	145%
$90,000 (339% FPL)	$6,278	$8,847	$2,569	41%
$120,000 (452% FPL)	$10,200	$16,804	$6,604	65%

Note: FPL = federal poverty level. Examples are illustrative and based on 2022 benchmark (second-lowest cost silver plan) premiums with age adjustments and pre-ARPA contribution percentages. The example family includes two 40-year-old parents, a 10-year-old, and a 5-year-old. Estimates are applicable in all states except for those with different poverty level standards than the national standard and/or subsidize marketplace premiums beyond the federal subsidy. See Appendix Table 2 for state-specific estimates.

Source: CBPP calculations

APPENDIX TABLE 2

Annual Premiums Will Increase for Individuals, Couples, and Families at Various Income Levels if Premium Tax Credit Enhancements Expire

State	45-year-old individual; $60,000 (465% FPL)			60-year-old couple; $75,000 (430% FPL)			Family of four; $120,000 (452% FPL)		
	With Rescue Plan enhance-ments (current law)	Rescue Plan enhance-ments expire	Premium increase if enhance-ments expire	With Rescue Plan enhance-ments (current law)	Rescue Plan enhance-ments expire	Premium increase if enhance-ments expire	With Rescue Plan enhance-ments (current law)	Rescue Plan enhance-ments expire	Premium increase if enhance-ments expire
U.S. average	**$5,100**	**$5,939**	**$839**	**$6,375**	**$22,324**	**$15,949**	**$10,200**	**$16,804**	**$6,604**
Alabama	5,100	8,095	2,995	6,375	30,427	24,052	10,200	21,447	11,247
Alaska	6,371	9,654	3,283	7,967	36,289	28,322	12,752	27,317	14,565
Arizona	5,100	5,288	188	6,375	19,877	13,502	10,200	14,963	4,763
Arkansas	5,100	5,247	147	6,375	19,724	13,349	10,200	14,848	4,648
California	5,100	5,654	554	6,375	21,253	14,878	10,200	15,999	5,799
Colorado	4,854	4,854	0	6,375	18,246	11,871	10,200	13,735	3,535
Connecticut	5,100	7,878	2,778	6,375	29,612	23,237	10,200	22,291	12,091
Delaware	5,100	7,430	2,330	6,375	27,930	21,555	10,200	21,025	10,825
District of Columbia	5,100	5,625	525	6,375	19,995	13,620	10,200	15,518	5,318
Florida	5,100	6,183	1,083	6,375	23,241	16,866	10,200	17,495	7,295
Georgia	5,100	5,342	242	6,375	20,081	13,706	10,200	15,116	4,916
Hawai'i	5,868	6,562	694	7,334	24,668	17,334	11,732	18,569	6,837
Idaho	5,100	6,251	1,151	6,375	23,496	17,121	10,200	17,687	7,487
Illinois	5,100	5,668	568	6,375	21,304	14,929	10,200	16,037	5,837
Indiana	5,100	5,396	296	6,375	20,285	13,910	10,200	15,270	5,070
Iowa	5,100	6,806	1,706	6,375	25,586	19,211	10,200	19,260	9,060
Kansas	5,100	6,101	1,001	6,375	22,935	16,560	10,200	17,265	7,065
Kentucky	5,100	5,247	147	6,375	19,724	13,349	10,200	14,848	4,648

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Annual Premiums Will Increase for Individuals, Couples, and Families at Various Income Levels if Premium Tax Credit Enhancements Expire

State	45-year-old individual; $60,000 (465% FPL)			60-year-old couple; $75,000 (430% FPL)			Family of four; $120,000 (452% FPL)		
	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire
Louisiana	5,100	7,335	2,235	6,375	27,573	21,198	10,200	20,756	10,556
Maine	5,100	5,790	690	6,375	21,763	15,388	10,200	16,382	6,182
Maryland	4,447	4,447	0	6,375	16,717	10,342	10,200	12,584	2,384
Massachusetts	5,063	5,063	0	6,375	15,850	9,475	10,200	14,369	4,169
Michigan	4,610	4,610	0	6,375	17,329	10,954	10,200	13,045	2,845
Minnesota	4,434	4,434	0	6,375	16,666	10,291	10,200	13,313	3,113
Mississippi	5,100	6,074	974	6,375	22,833	16,458	10,200	16,094	5,894
Missouri	5,100	5,993	893	6,375	22,527	16,152	10,200	16,958	6,758
Montana	5,100	6,549	1,449	6,375	24,617	18,242	10,200	18,531	8,331
Nebraska	5,100	8,067	2,967	6,375	30,325	23,950	10,200	22,828	12,628
Nevada	5,100	5,193	93	6,375	19,520	13,145	10,200	14,694	4,494
New Hampshire	4,190	4,190	0	6,375	15,749	9,374	10,200	11,855	1,655
New Jersey	5,100	5,749	649	6,375	21,610	15,235	10,200	16,267	6,067
New Mexico	5,100	5,274	174	6,375	19,826	13,451	10,200	14,924	4,724
New York	5,100	7,104	2,004	6,375	14,208	7,833	10,200	20,246	10,046
North Carolina	5,100	6,834	1,734	6,375	25,687	19,312	10,200	19,337	9,137
North Dakota	5,100	6,739	1,639	6,375	25,331	18,956	10,200	19,068	8,868
Ohio	5,085	5,085	0	6,375	19,113	12,738	10,200	14,387	4,187
Oklahoma	5,100	6,752	1,652	6,375	25,382	19,007	10,200	19,106	8,906

APPENDIX TABLE 2

Annual Premiums Will Increase for Individuals, Couples, and Families at Various Income Levels if Premium Tax Credit Enhancements Expire

State	45-year-old individual; $60,000 (465% FPL)			60-year-old couple; $75,000 (430% FPL)			Family of four; $120,000 (452% FPL)		
	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire	With Rescue Plan enhancements (current law)	Rescue Plan enhancements expire	Premium increase if enhancements expire
Oregon	5,100	6,020	920	6,375	22,629	16,254	10,200	15,951	5,751
Pennsylvania	5,100	5,288	188	6,375	19,877	13,502	10,200	14,963	4,763
Rhode Island	4,895	4,895	0	6,375	18,399	12,024	10,200	13,850	3,650
South Carolina	5,100	6,020	920	6,375	22,629	16,254	10,200	17,035	6,835
South Dakota	5,100	8,149	3,049	6,375	30,631	24,256	10,200	23,058	12,858
Tennessee	5,100	6,034	934	6,375	22,680	16,305	10,200	17,073	6,873
Texas	5,100	5,749	649	6,375	21,610	15,235	10,200	16,267	6,067
Utah	5,100	6,467	1,367	6,375	22,199	15,824	10,200	16,812	6,612
Vermont	5,100	8,988	3,888	6,375	17,976	11,601	10,200	25,256	15,056
Virginia	5,100	6,101	1,001	6,375	22,935	16,560	10,200	17,265	7,065
Washington	5,100	5,369	269	6,375	20,183	13,808	10,200	15,193	4,993
West Virginia	5,100	10,196	5,096	6,375	38,327	31,952	10,200	28,851	18,651
Wisconsin	5,100	5,817	717	6,375	21,865	15,490	10,200	16,459	6,259
Wyoming	5,100	10,332	5,232	6,375	38,837	32,462	10,200	29,235	19,035

Note: FPL = federal poverty level. Examples are illustrative and based on 2022 benchmark (second-lowest cost silver plan) premiums with age adjustments and pre-ARPA contribution percentages. The example family includes two 40-year-old parents, a 10-year-old, and a 5-year-old. Poverty levels for Alaska and Hawai'i are higher than the federal levels. Depending on the scenario, for a few states premium payments under the Rescue Plan enhancements do not exceed the income cap of 8.5 percent under the Rescue Plan. In those cases, premium payments are equal with or without Rescue Plan enhancements.

Source: CBPP calculations