



The Expiration of the PTC Enhancements: State-Specific Impacts

Tuesday, October 29, 2024

3:00 – 4:00 p.m. ET

Please stand by, this webinar will begin shortly

STATE
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Urban Institute

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State Health and Value Strategies (SHVS) assists states in their efforts to transform health and healthcare by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's School of Public and International Affairs. The program connects states with experts and peers to undertake healthcare transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies, and brings together states with experts in the field. Learn more at www.shvs.org.

Questions? Email Heather Howard at heatherh@Princeton.edu.

*Support for this webinar was provided by the Robert Wood Johnson Foundation.
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About the Urban Institute

The Urban Institute is a nonprofit research organization that provides data and evidence to help advance upward mobility and equity. For nearly 40 years, Urban's Health Policy Center has analyzed the country's healthcare system and helped lawmakers understand how public policies affect lives.

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Housekeeping Details

- Use the 'Q&A' function in Zoom to submit questions and comments to the meeting facilitators. **Note that you must select to submit a question anonymously.**
- All participant lines are muted.
- After the webinar, the slide deck and a recording will be available at www.shvs.org.



Agenda

- **Introduction and Background**

- **Urban Institute's Estimates of State-Specific Impacts**

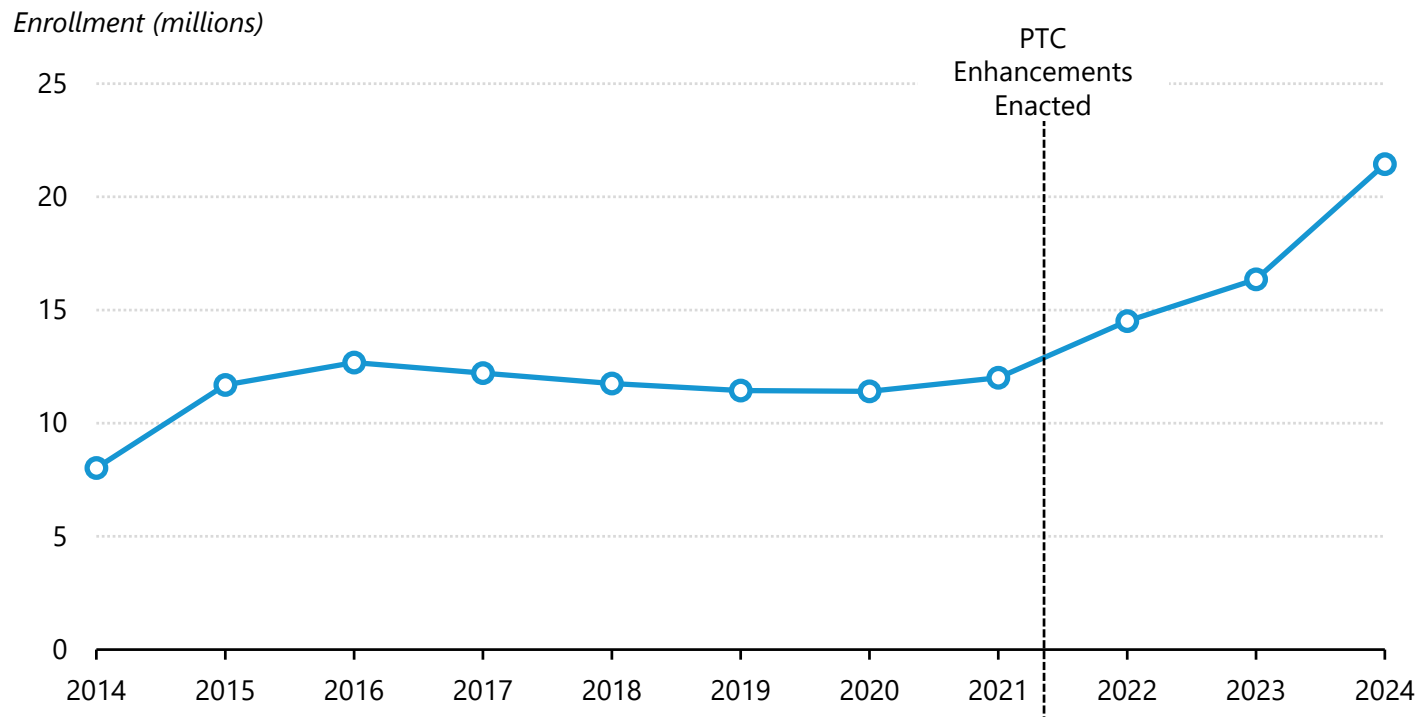
- **Covered California Analyses**

- **Additional Considerations and Resources**

What's at Stake: Marketplace Enrollment Growth and Premium Tax Credit Enhancements

- Congress enacted enhancements to the premium tax credit (PTC) in the American Rescue Plan Act of 2021 and extended them in the Inflation Reduction Act of 2022.

Marketplace Plan Selections at Open Enrollment, Nationally, Coverage Years 2014-2024

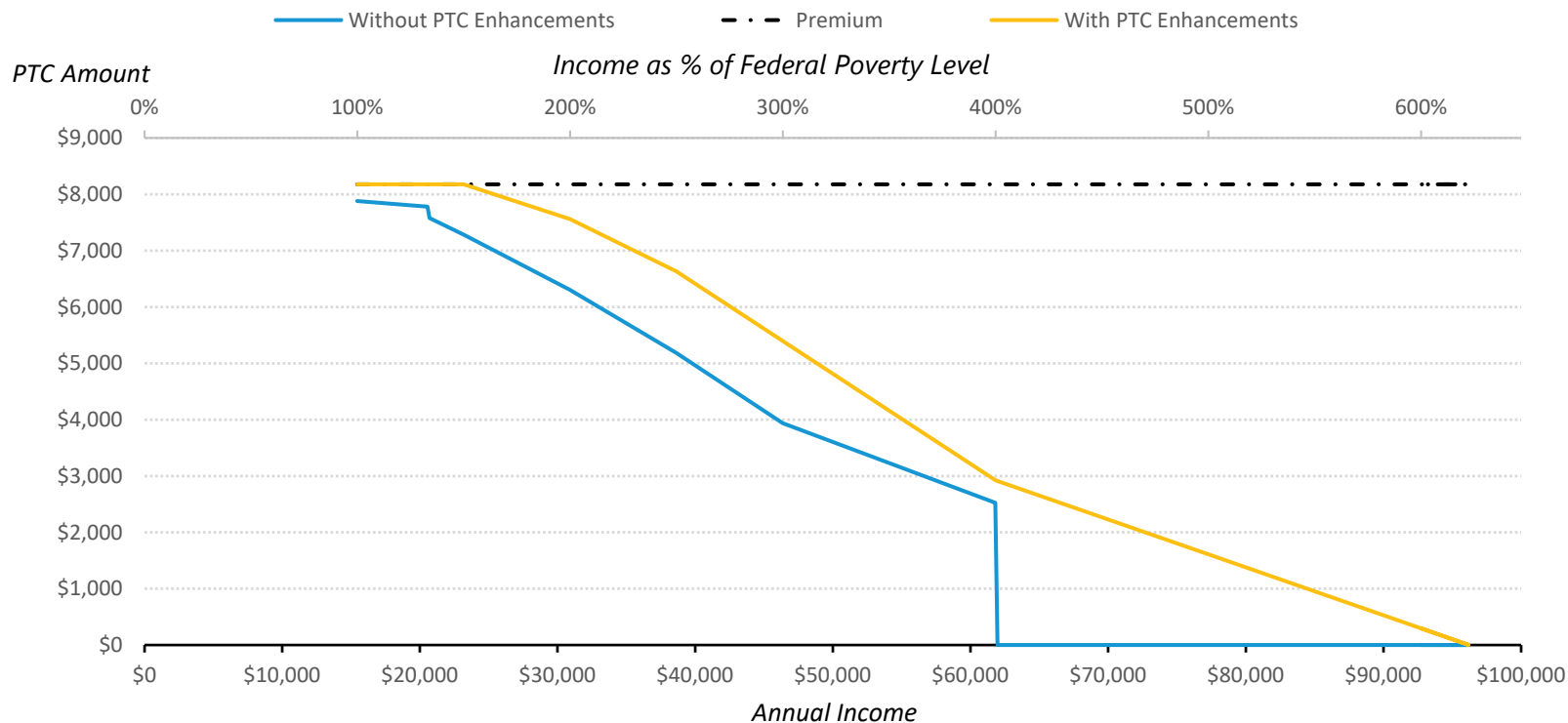


- About seven or eight million of the increase is attributable to the enhancements, according to estimates by the [Congressional Budget Office](#) and the [Urban Institute](#).

The enhancements are scheduled to expire at the end of 2025.

What Are the PTC Enhancements?

Estimated PTC Amount by Income With and Without PTC Enhancements for a 50-Year-Old in an Average-Premium Benchmark Plan, 2026



For simplicity, this chart uses the same premium with and without the enhancements. Expiration of the enhancements would likely cause premiums to increase—by about 5% according to Urban modeling. Thus the chart may understate the enhancements' impact beyond the income cliff.

- Without the enhancements, the PTC:
 - Cuts off in a cliff at moderate income (about \$60,000 for a single person).
 - Leaves some eligible people with unaffordable premiums.
- **The enhancements address both issues.**

More Detail on the PTC Enhancements

- The PTC is calculated to set individuals' premium contribution for a benchmark plan at a certain percent of income.
- The individual contribution percentage varies based on family income relative to the federal poverty level.
- The enhancements reduce the expected premium contributions at every income level and extend them to higher incomes.

Expected Individual Contribution, as a Percent of Income, to Purchase Benchmark Coverage with the PTC, With and Without PTC Enhancements, 2026 (Projected)

Income as a Percent of Federal Poverty Level	Without PTC Enhancements	With PTC Enhancements
<133%	1.92%	0.0%
133%	2.89%	0.0%
150%	3.85%	0.0%
200%	6.06%	2.0%
250%	7.75%	4.0%
300%	9.14%	6.0%
400%	9.14%	8.5%
>400%	N/A	8.5%

For 2025 coverage, the poverty level is about \$15K for a single person, or about \$31K for a family of four.

Urban Institute's Estimates of State-Specific Impacts

Presentation October 29, 2024

Who Benefits from Enhanced Premium Tax Credits in the Marketplace?

Jessica Banthin

Background

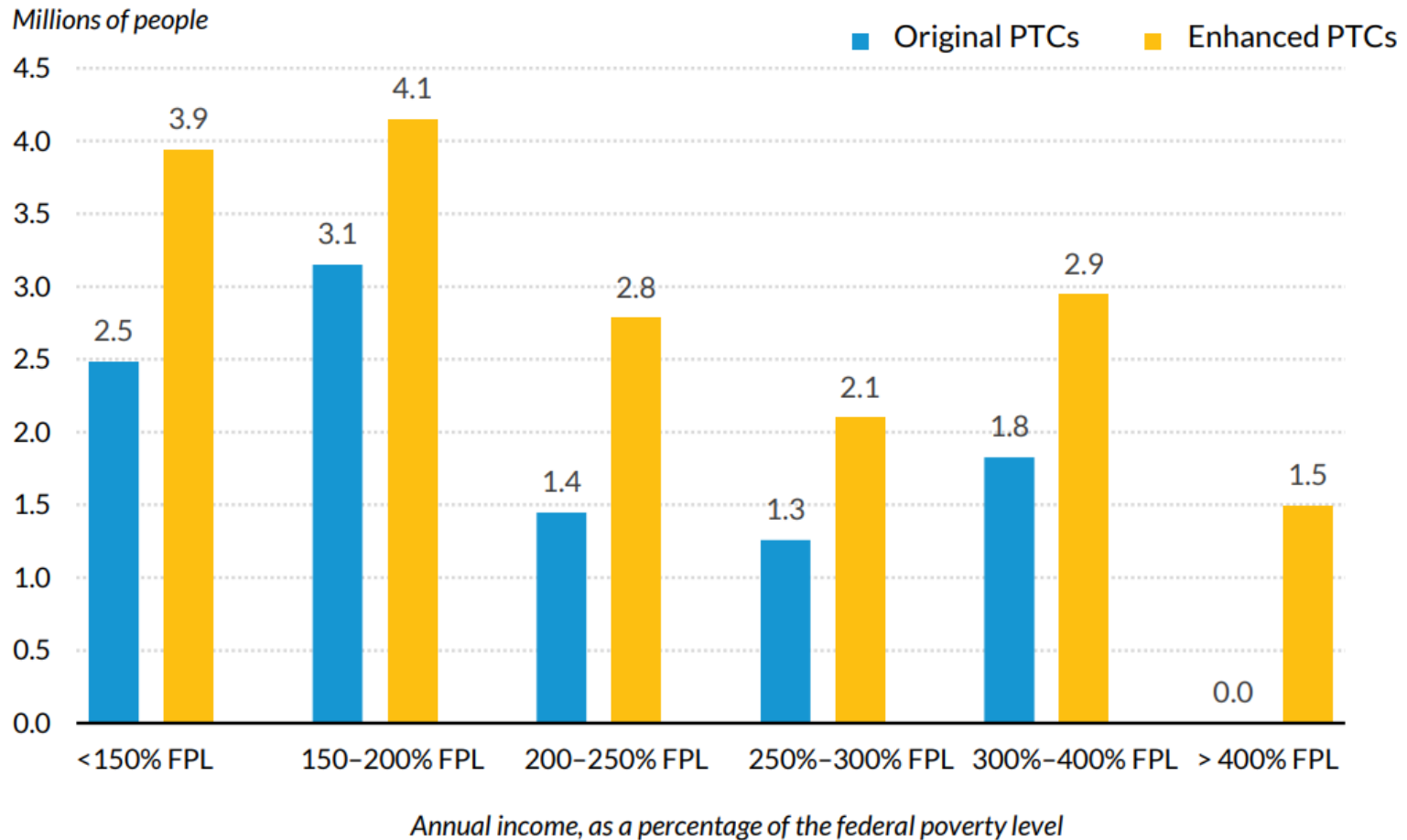
- Enhanced premium tax credits were first authorized under the American Rescue Plan Act in 2021 and then extended through 2025 under the Inflation Reduction Act
- They increased subsidies for everyone in the Marketplace, reduced net premiums to zero for many people with income between 100 and 150 percent of poverty, and made subsidies available to people above 400 percent of poverty for the first time
- Marketplace enrollment has steadily increased since they were available and during the 2024 open enrollment period plan selections jumped by 5 million people or 31 percent
- During the 2023 Open Enrollment Period, 1.7 million Black people and 3.4 million Latino people [enrolled](#) in Marketplace HealthCare.gov states, representing enrollment increases of 95 percent and 103 percent respectively since 2020
- Our analysis uses the Health Insurance Policy MicroSimulation Model (HIPSM) to estimate what would happen in 2025 in the absence of enhanced PTCs

Key Findings (projected impacts in 2025)

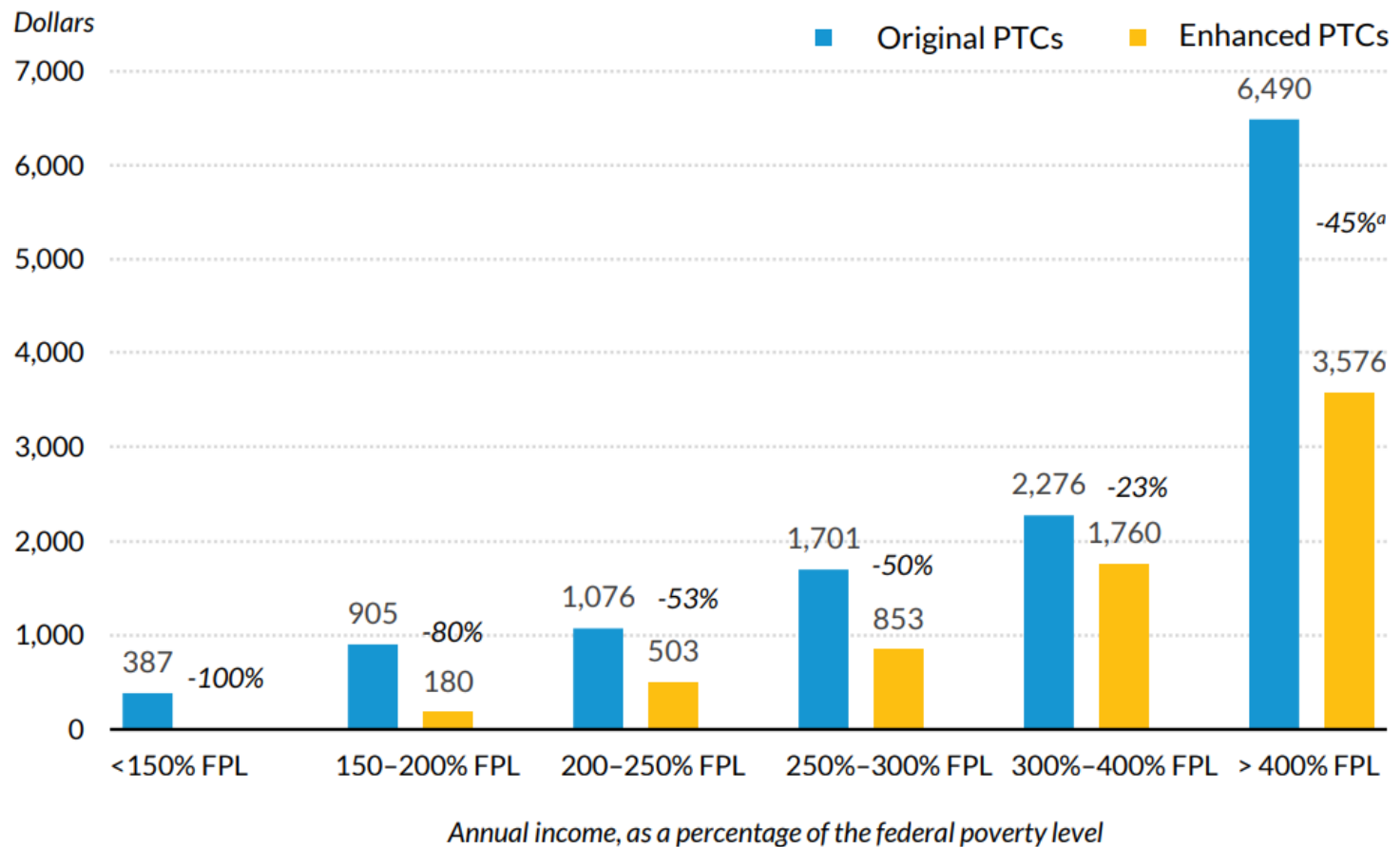
- We project **7.2** million more people will enroll in subsidized Marketplace coverage in 2025 under enhanced PTCs than in their absence
- We project there will be **4.0** million fewer uninsured people in 2025 because of enhanced PTCs compared to a scenario without enhanced PTCs
- In 2025 we project that household net premiums will be lower by 50 to 100 percent for the lowest income groups (<300 percent of FPL) and lower by about one-quarter for people with higher incomes (> 300 percent FPL) under a policy of enhanced PTCs than in their absence
- In some states the nongroup market (including the Marketplace) will double in size and the number of uninsured will fall by more than 20 percent in 2025 under enhanced PTCs than in their absence
- Black and Hispanic people will be enrolled in the Marketplace at higher rates than White people in 2025.

Coverage and Household Spending

Projected Subsidized Marketplace Enrollment with and without Enhanced PTCs, by Federal Poverty Category, 2025



Projected Average Annual Premiums Paid by People with Subsidized Marketplace Coverage with and without Enhanced PTCs, by Federal Poverty Category, 2025



Who Benefits from Enhanced Premium Tax Credits in the Marketplace?

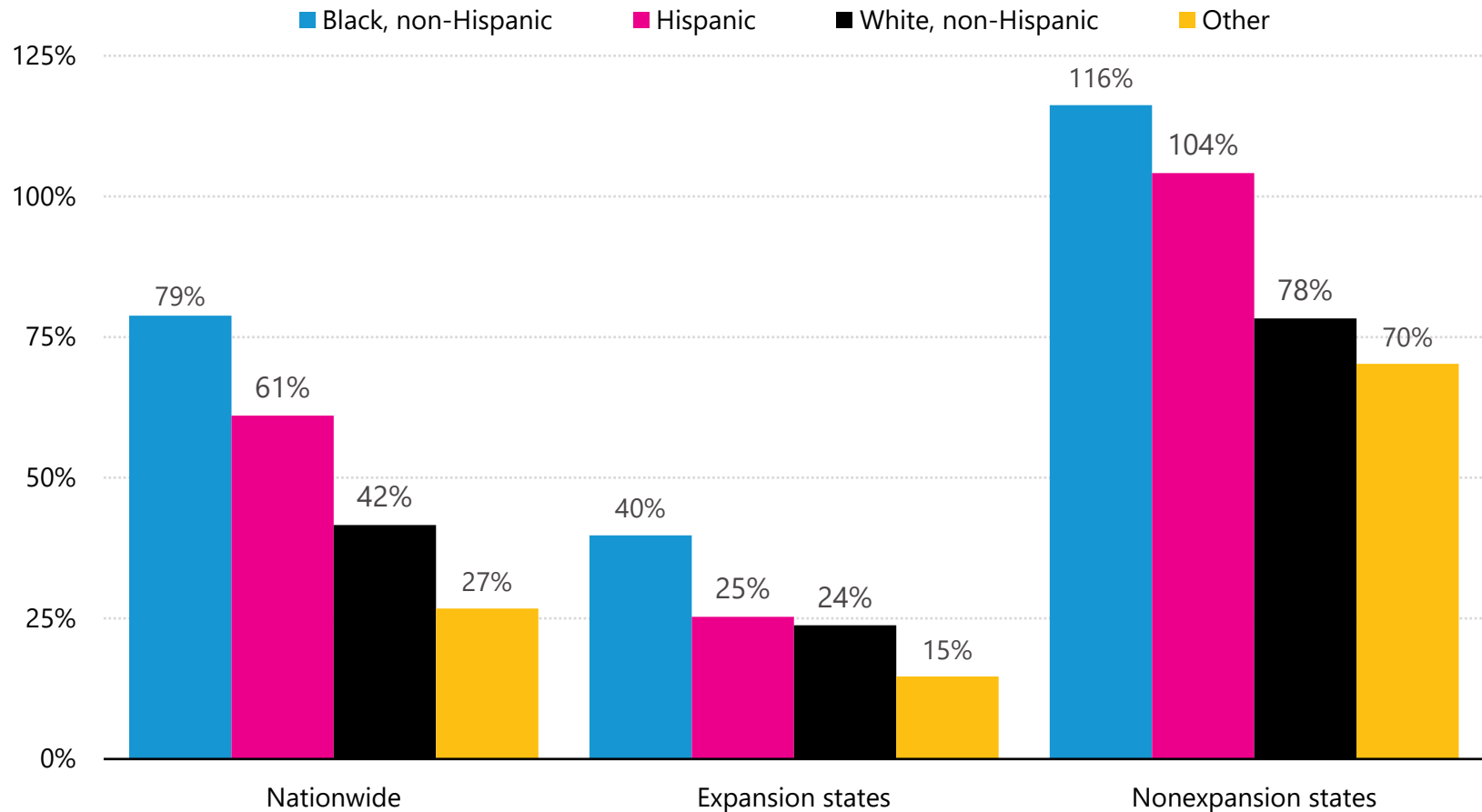
TABLE A4

Projected Difference and Percentage Difference in Private Nongroup Insurance Coverage and Uninsurance under Enhanced Premium Tax Credits Compared with Original Tax Credits, by State, 2025

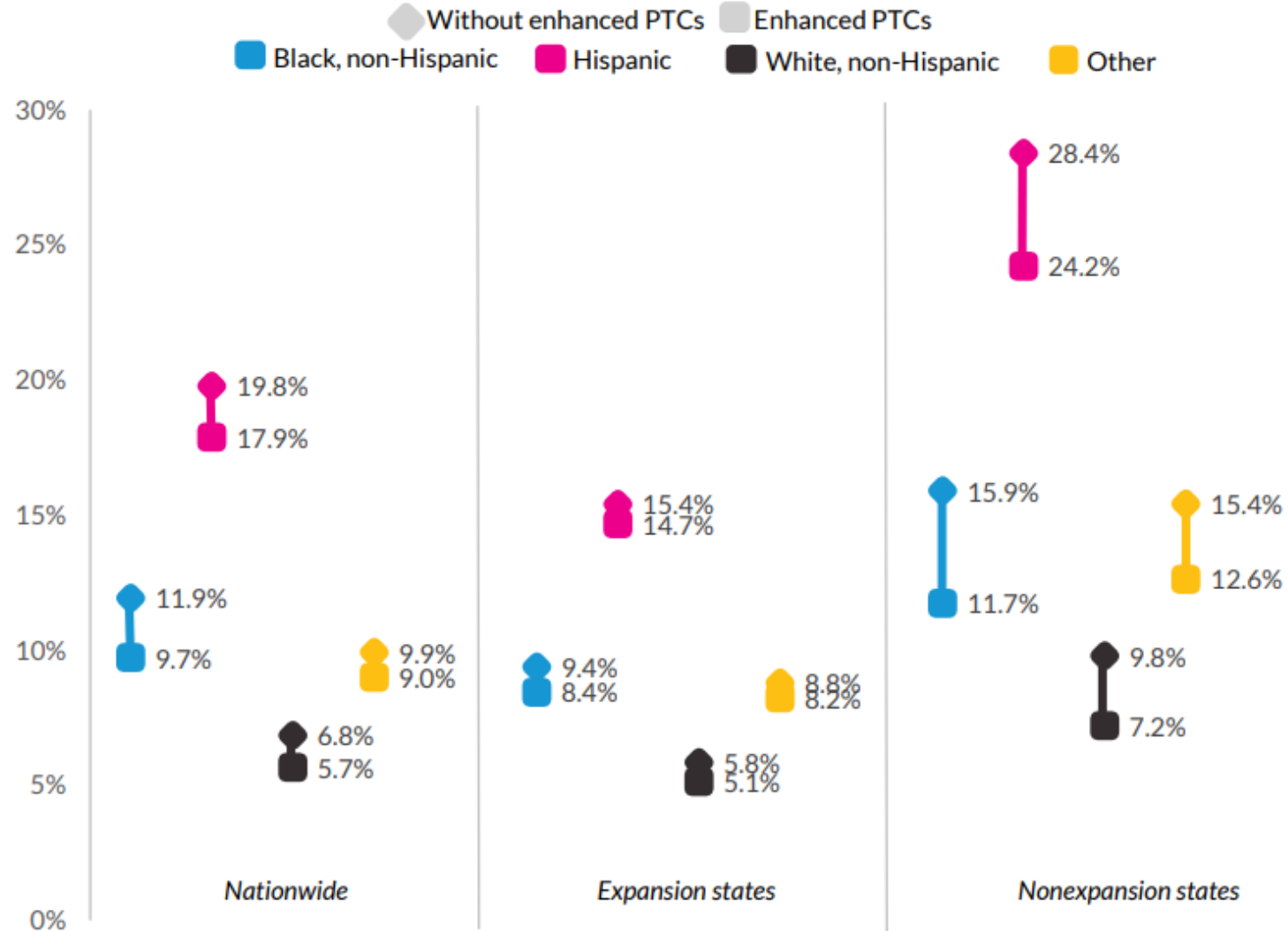
State	Private Nongroup Insurance		Uninsurance	
	Difference (thousands of people)	% change from original PTCs	Difference (thousands of people)	% change from original PTCs
Total	7,875	46%	-3,968	-14%
Alabama	171	72%	-131	-25%
Alaska	8	35%	-3	-3%
Arizona	120	37%	-103	-14%
Arkansas	64	52%	-49	-23%
California	263	12%	-174	-6%
Virginia	122	34%	-47	-7%
Washington	49	17%	-35	-6%
West Virginia	24	51%	-16	-15%
Wisconsin	65	26%	-30	-7%
Wyoming	12	29%	-11	-13%

Changes in Coverage by Race and Ethnicity

Increase in Nonelderly Nongroup Enrollment under Enhanced PTCs by Race and Ethnicity, 2025



Uninsurance of the Nonelderly with and without Enhanced Premium Tax Credits by Race and Ethnicity, Nationwide and by Medicaid Expansion Status, 2025



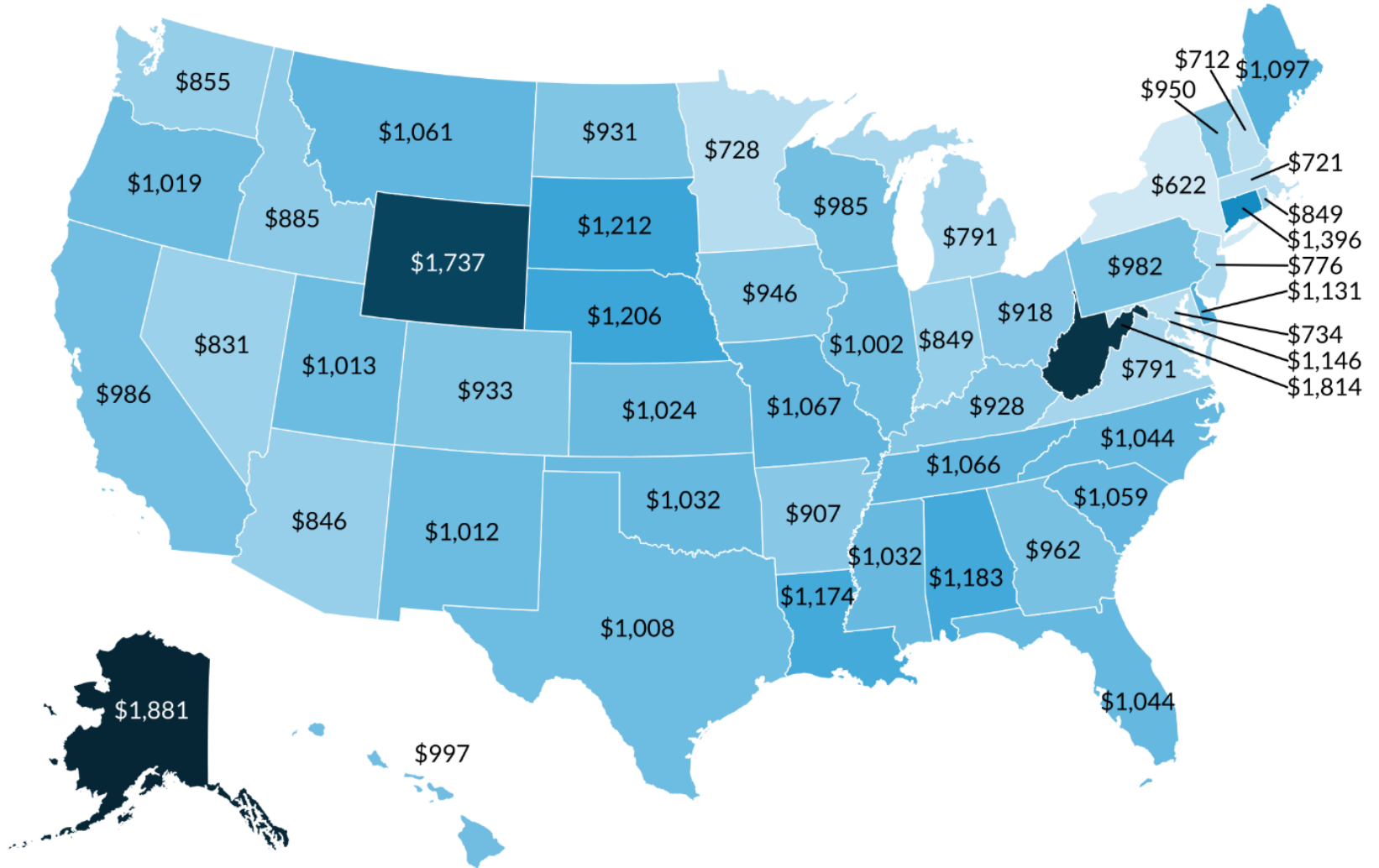
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Source: The Urban Institute Health Insurance Policy Simulation Model, 2024.

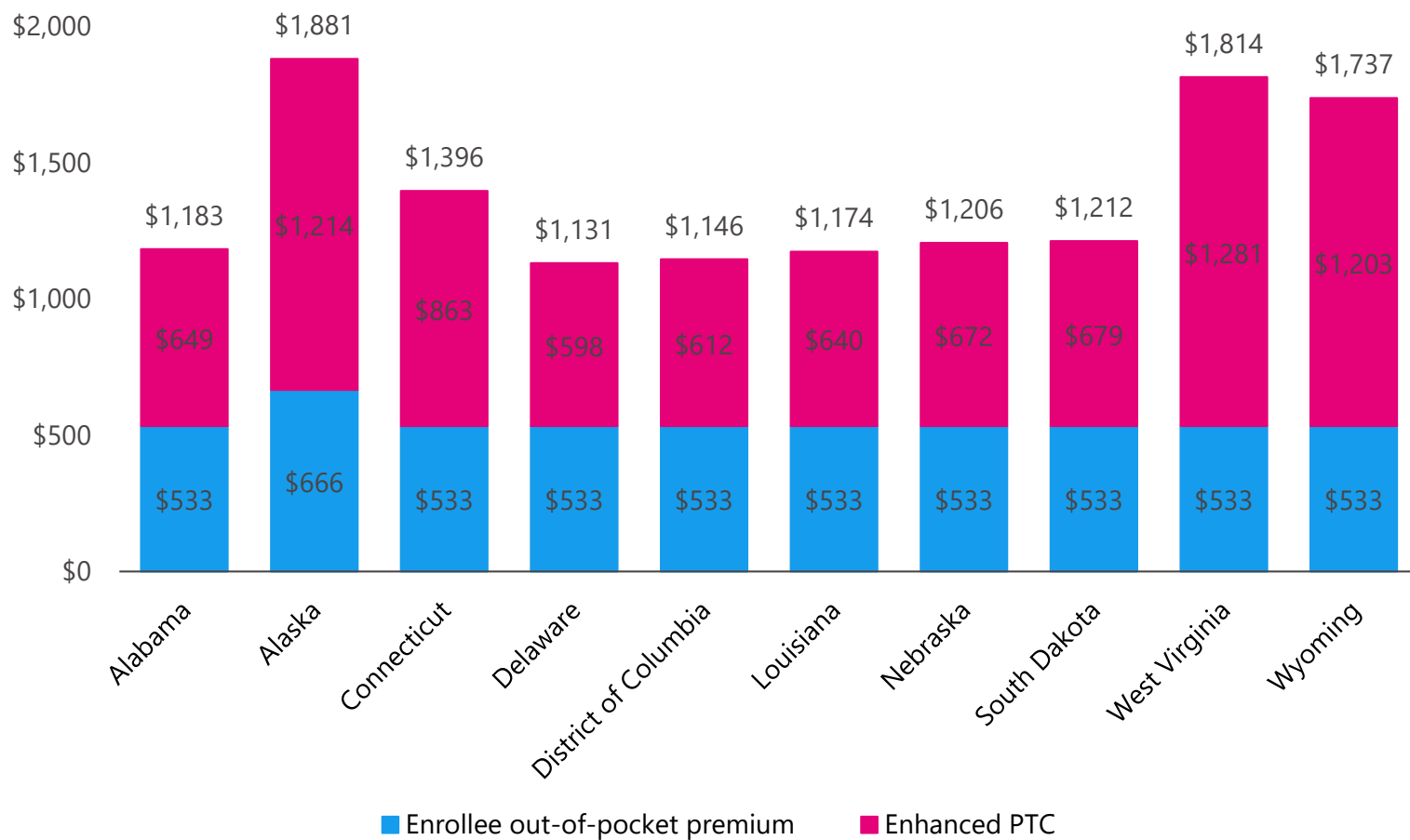
Notes: PTC = premium tax credit. Other includes American Indian, Alaska Native, Asian, Pacific Islander, and those reporting more than one race.

Changes for People with Incomes over 400 percent of Poverty

Benchmark monthly premium, age 60



Monthly Out-of-Pocket Premiums and Enhanced PTCs for a 60-Year-Old with Income at 500 Percent of FPL (\$75,300 per year) in the 10 Highest Benchmark Premium States, 2024



Enhanced PTCs Help Older Adults and Those in High-Premium States Afford Coverage

APPENDIX TABLE 1

Total Premiums and Enhanced PTCs for a 60-Year-Old in 2024, by State and Income

State	Average Total Monthly Premium, Age 60	Average Enhanced PTC for a 60-Year-Old Just above 400% of FPL (\$60,241)	% of total premium	Average Enhanced PTC for a 60-Year-Old at 500% of FPL (\$75,300)	% of total premium	Average Enhanced PTC for a 60-Year-Old at 600% of FPL (\$90,360)	% of total premium
	dollars	dollars		dollars		dollars	
US average	\$986	\$559	57%	\$453	46%	\$346	35%
Alabama	\$1,183	\$756	64%	\$649	55%	\$543	46%
Alaska	\$1,881	\$1,348	72%	\$1,214	65%	\$1,081	57%
Arizona	\$846	\$419	50%	\$313	37%	\$206	24%
Arkansas	\$907	\$480	53%	\$374	41%	\$267	29%
California	\$986	\$560	57%	\$453	46%	\$346	35%
Virginia	\$791	\$364	46%	\$257	33%	\$151	19%
Washington	\$855	\$428	50%	\$321	38%	\$215	25%
West Virginia	\$1,814	\$1,387	76%	\$1,281	71%	\$1,174	65%
Wisconsin	\$985	\$558	57%	\$451	46%	\$345	35%
Wyoming	\$1,737	\$1,310	75%	\$1,203	69%	\$1,097	63%

If Enhanced PTCs are Repealed: Changes in Coverage and Costs

What would happen in 2025 if enhanced PTCs expire?

- We project **7.2** million people would leave the Marketplace – in some states subsidized Marketplace enrollment would fall by more than half
 - Texas, Georgia, Mississippi, Louisiana, South Carolina, Tennessee, West Virginia, Kentucky, Idaho would see declines of 50 percent or more
- **4.0** million people would become uninsured nationwide, an increase of 16 percent
 - Mississippi, Alabama, Georgia, South Carolina, Tennessee, Louisiana and Arkansas, would see increases in uninsured people of 30 percent or more
- Biggest changes would tend to concentrate in nonexpansion states and others that saw large increases in Marketplace enrollment in recent years such as Louisiana
- Black and Hispanic people would see relatively larger percentage point increases in the rate of uninsured people than Whites, especially in nonexpansion states

What would happen to household spending if enhanced PTCs expire?

- People who remain enrolled in the Marketplace would see their out-of-pocket premiums soar, with substantial variation by income
- Low-income people would see increases of **more than 400 percent**.
 - People with incomes below 250 percent of poverty would see premiums increase by from \$146 per year to \$733 per year on average
- Higher income people would see **increases of about 60 percent**
 - People with incomes above 350 percent of poverty would see premiums increase from \$1,251 per year to \$1,977 per year, an increase of about 60 percent

Recent and Forthcoming Urban Institute Modeling Work on PTC Enhancements

- [Who Benefits from Enhanced Premium Tax Credits in the Marketplace?](#) Jessica Banthin, Matthew Buettgens, Michael Simpson, and Jason Levitis. June 17, 2024.
- [The Impact of Enhanced Premium Tax Credits on Coverage by Race and Ethnicity.](#) Jessica Banthin, Michael Simpson, and Mohammed Akel. Aug 12, 2024.
- [Enhanced PTCs Help Older Adults and Those in High-Premium States Afford Coverage: How PTCs Impact Those with Incomes over 400 Percent of FPL.](#) Jessica Banthin, Laura Skopec, and Michael Simpson. Sept 9, 2024.

Forthcoming:

- If Premium Tax Credit Enhancements Expire in 2025, Millions Will Lose Coverage, (blogpost and interactive graphic with detailed state specific data on coverage changes by income, race/ethnicity, and age), Jameson Carter, Michael Simpson, Matthew Buettgens, and Jessica Banthin
- Household Spending on Premiums Will Increase if Enhanced Premium Tax Credits Expire: Results by State. Jessica Banthin and Michael Simpson

Covered California Analyses



The Expiration of the PTC Enhancements: California Impacts

Katie Ravel | Director of Policy, Eligibility & Research

OVERVIEW OF COVERED CALIFORNIA PRODUCTS TO EXPLAIN THE IMPACT OF ENHANCED PTC EXPIRATION

- Covered California products include:
 - A five-part issue brief series to explain impacts of expiration of the enhanced PTC
 - A downloadable databook that allows users to explore PTC expiration impacts by income and other key variables of interest

5-PART ISSUE BRIEF SERIES: THE IMPACT OF EXPIRING TAX CREDITS ON CALIFORNIANS AND COMMUNITIES IN NEED

- Issue briefs highlight consumer cost impacts if enhanced premium subsidies expire
- Briefs highlight financial impacts for consumers by [income](#), for [self-employed enrollees](#), [older enrollees](#), [communities of color](#) and enrollees in [rural communities](#)

AT RISK: THE IMPACT OF EXPIRING ENHANCED TAX CREDITS ON CALIFORNIANS AND COMMUNITIES IN NEED - BRIEF 1 OF 5 IN A SERIES



Consumer Premiums Will Spike And Insurance Enrollment Gains Will Be Reversed If Premium Tax Credits Are Allowed to Expire

- More than 1.5 million Californians are enrolled in subsidized coverage receiving enhanced premium tax credits.
- With the enhanced premium tax credits, Covered California consumers save an average of \$512 on their monthly premiums.
- If enhanced premium tax credits expire at the end of 2025, premiums could increase by \$98 per month (a 63% increase)
- More than 150,000 consumers could lose eligibility for premium tax credits entirely.

The Inflation Reduction Act of 2022 (IRA) substantially increased affordability of coverage available through the health insurance marketplaces created under the Patient Protection and Affordable Care Act (ACA). Enactment of the Inflation Reduction Act resulted in record enrollment by:

- Increasing the amount of premium assistance for all consumers eligible to receive advanced premium tax credits (APTC),
- Offering high-value plans with \$0 net premiums for the marketplace's lowest income consumers, and
- Eliminating the "subsidy cliff" for middle-income consumers above 400 percent of the federal poverty level (FPL), who were previously ineligible for premium assistance.

Since the introduction of enhanced premium tax credits through the American Rescue Plan Act of 2021 and their extension through the Inflation Reduction Act, enrollment in the marketplaces nationwide has grown significantly, from 12 million enrollees in 2021 to 21.4 million enrollees in 2024.¹ In California, marketplace enrollment has steadily grown, with a record 1.78 million plan selections for the 2024 Open Enrollment cycle. In total, Californians are estimated to receive as much as \$9 billion in savings for their monthly premiums.² These increases in take-up and enhanced premium tax credits have contributed to California achieving the lowest uninsured rate on record.³

KEY FINDINGS

- With the enhanced premium tax credits, Covered California consumers save an average of \$512 on their monthly premiums. If enhanced premium tax credits expire at the end of 2025, premiums will increase by \$98 per month – a 63% increase. About 10% of subsidized consumers will lose eligibility for premium tax credits entirely.
- More than 1 in 4 Covered California enrollees are **self-employed**, and 9 in 10 self-employed members make less than 400% FPL. Approximately 90% of self-employed members will see an increase in premiums if enhanced premium tax credits expire. Middle-income members will see their premiums increase by 77%, and pay up to 17% of their annual incomes on health insurance.
- **Enrollees between ages of 55 and 64** represent the largest share of Covered California’s subsidized enrollment. Older middle-income enrollees will lose eligibility for premium tax credits entirely and face premiums over \$1,100 per month. Individuals just over the “subsidy cliff” could pay as much as 29% of their monthly income in premiums.
- **Communities of color** have seen some of the largest increases in enrollment. If enhanced tax credits are not extended beyond 2025, communities of color will be disproportionately impacted with premium increasing by 76% for Latinos, 71% for Asians and 67% for Black/African Americans.
- More than 85,000 **Californians residing in rural areas** receive premium tax credits to pay for their marketplace coverage. Predominantly rural counties have seen a large increase in enrollment in California’s marketplace and receive higher premium tax credits than non-rural counties. These enrollees will see monthly premiums increase by an average of \$126 if the enhanced tax credits are not extended.

DATABOOK: IMPACT OF ENHANCED INFLATION REDUCTION ACT SUBSIDIES FOR COVERED CALIFORNIA ENROLLEES

- Covered California posted a publicly-available Excel [databook](#) comparing consumer net premiums under ACA and IRA
- Users can download the databook and explore PTC expiration impacts by income, self-employment status, consumer demographics, health plan and metal tier, geography and Congressional and state legislative districts

Impact of Enhanced Inflation Reduction Act Subsidies for Covered California Enrollees

Enrollees					
Subsidy Status	All Enrollees (M1)	Gross Premium Amount (avg \$ - PMPM) (M3)	IRA Net Premium Amount (avg \$ - PMPM) (M4)	ACA Net Premium Amount (avg \$ - PMPM) (M5)	Average Increase in Net Premium Amount if IRA Expires (PMPM) (M6)
Subsidy Received	1,501,120	\$674	\$155	\$253	\$98
Unsubsidized	201,290	\$540			
Grand Total	1,702,410	\$656	\$155	\$253	\$98

Subsidy received enrollees are those receiving APTC subsidies.

FPL					
FPL Bracket	Subsidized Enrollees (M2)	Gross Premium Amount (avg \$ - PMPM) (M3)	IRA Net Premium Amount (avg \$ - PMPM) (M4)	ACA Net Premium Amount (avg \$ - PMPM) (M5)	Average Increase in Net Premium Amount if IRA Expires (PMPM) (M6)
0-150% FPL	225,270	\$659	\$63	\$103	\$40
150-200% FPL	424,070	\$661	\$71	\$137	\$67
200-250% FPL	266,450	\$677	\$115	\$206	\$91
250-400% FPL	428,310	\$654	\$209	\$283	\$74
400-500% FPL	81,560	\$729	\$363	\$728	\$365
500-600% FPL	36,930	\$775	\$439	\$774	\$335
>600% FPL	38,540	\$901	\$586	\$900	\$314
Total	1,501,120	\$674	\$155	\$253	\$98

Self-Employed					
Individuals are considered self-employed if they report any self-employment income on their CalHEERs application.					
Self-Employed	Subsidized Enrollees (M2)	Gross Premium Amount (avg \$ - PMPM) (M3)	IRA Net Premium Amount (avg \$ - PMPM) (M4)	ACA Net Premium Amount (avg \$ - PMPM) (M5)	Average Increase in Net Premium Amount if IRA Expires (PMPM) (M6)
Not Self-Employed	1,075,390	\$647	\$146	\$243	\$96
Self-Employed	425,730	\$743	\$177	\$280	\$103
Total	1,501,120	\$674	\$155	\$253	\$98

QUESTIONS?

Our project team is happy to answer data questions.
Contact Emily.Kohn@covered.ca.gov and
Isaac.Katten@covered.ca.gov

Additional Considerations and Resources

Additional State-Focused Resources

- The Treasury Department has released state-specific data showing that [nearly 50 million people](#) have enrolled in Marketplace coverage since 2014.
- The Treasury Department has released state-specific data showing that [small business owners and self-employed people](#) in each state rely heavily on Marketplace coverage and the PTC.
- The Rural Policy Research Institute has released a study finding [higher Marketplace premiums in rural areas](#), which means higher consumer premiums if the enhancements expire.
- Oliver Wyman has released a study on the impact of the enhancements on [people with chronic diseases](#).
- The Robert Wood Johnson Foundation has released [ZIP code-level data](#) on the impact of the enhancements on people with incomes over 400% of the federal poverty level.
- KFF has released a range of [state-specific data](#) on the effects of the enhancements.
- The Department of Health and Human Services (HHS) has released [detailed historical data on plan selections and metal level by race and ethnicity](#). Among other things, these data show that the enhancements have been associated with more consumers choosing silver plans instead of bronze plans.
- The State Marketplace Network has compiled [materials released by state-based Marketplaces](#).

Additional Considerations for States

- For states with section 1332 state innovation waivers, the enhancements increase the amount of federal “pass-through funding” and the share of the cost of state programs covered by these federal funds.
 - When the enhancements were enacted in 2021, HHS released revised pass-through figures for 2021, [increasing funding for every state](#).
- By eliminating the eligibility cliff at 400% of the federal poverty level, the enhancements address the issue of consumers owing a large federal tax bill after experiencing a small change in income relative to what they projected.

Timing Considerations

- **Averting premium increases and coverage losses in 2026 requires Congress to extend the enhancements by the spring of 2025.**
 - Issuers make participation decisions in the spring.
 - Higher premiums will be locked in by summer 2025.
 - Marketplaces run “batch” re-enrollment and then send re-enrollment notices starting in August of 2025.
- Higher premiums—even temporarily—will result in consumers opting out of coverage.
 - Losses are unlikely to be reversed if the enhancements are later restored, given widespread reliance on automatic re-enrollment.
- The [National Association of Insurance Commissioners](#) and [State-Based Marketplaces](#) have urged Congress to act quickly to extend the enhancements.
- See also: [Delays In Extending Enhanced Marketplace Subsidies Would Raise Premiums And Reduce Coverage](#) by Jason Levitis, Sabrina Corlette, and Claire O'Brien. Health Affairs Forefront, September 6, 2024.

Discussion

The slides and a recording of the webinar will be available at www.shvs.org after the webinar



Thank You

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