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]

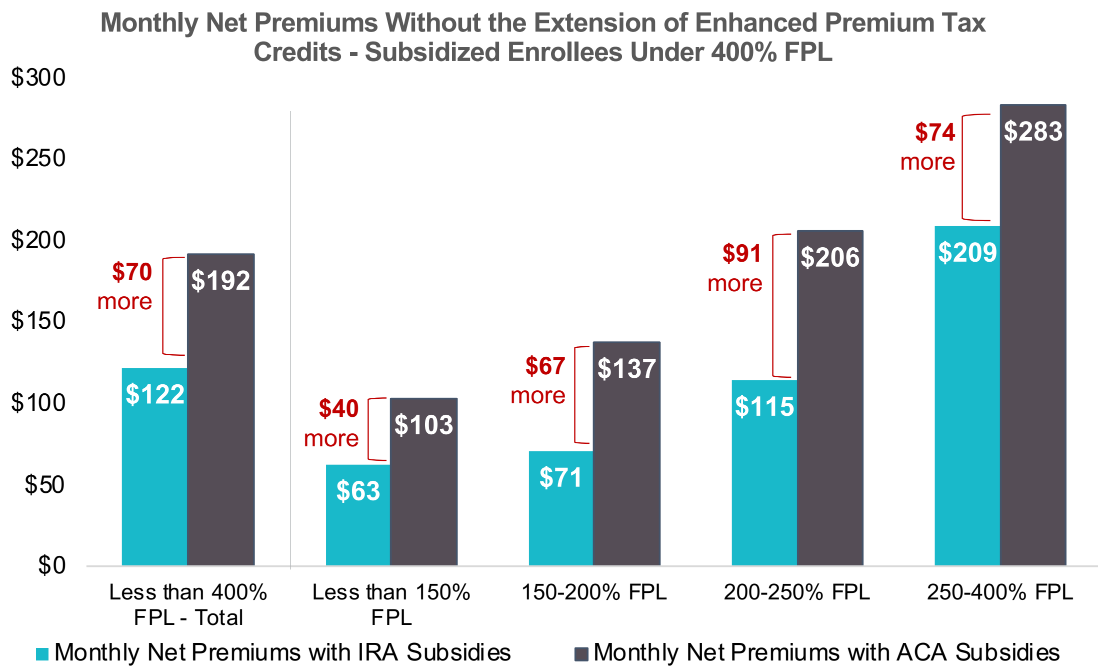
Set to expire at the end of 2025, the loss of enhanced premium tax credits would lead to substantial increases in monthly premium costs for marketplace enrollees. More than 150,000 middle-income consumers in California and 1.5 million nationwide would no longer be eligible for subsidized coverage,[4] while most other consumers would experience large increases in their monthly premium costs. Between 138,000 and 183,000 Covered California enrollees are projected to disenroll if the enhanced premium tax credits expire.[5]

This brief is part of a series outlining the premium changes that would result from the expiration of enhanced premium tax credits for California's marketplace enrollees. All briefs in the series, in addition to a datasheet with a more comprehensive breakdown of premium changes, are available on Covered California's website.

Premiums Will Increase Substantially for Low-Income Consumers

Low-income Covered California enrollees will still be eligible for premium tax credits but will see premiums increase by nearly 60% if the enhanced premium tax credits sunset at the end of 2025. Average premiums are projected to increase to $192 dollars per month for more than 1.3 million enrollees making less than 400% of FPL, or $58,320 per year in 2024 for an individual. More than 1 in 3 of these enrollees will see their premiums double or more. A 25-year-old living in San Bernardino County and earning approximately $30,000 annually would see monthly premiums increase from $56 to $156 for the second-lowest cost Silver plan, an increase of almost 300%.

Premium increases resulting from the loss of enhanced premium tax credits will exacerbate the significant financial insecurity already faced by these members. In 2023, nearly half of Covered California enrollees with incomes under 400% FPL felt that they couldn't make ends meet, with 1 in 5 facing food insecurity and 13% concerned about having stable housing.[6] Two in five Americans with incomes under $40,000 per year say they would not be able to pay for an unexpected $500 medical bill, even with insurance, while an additional 39% would need to go into debt to pay it.[7] As many of these consumers already face concerns about their financial security, average annual premium increases of $840 will impose a substantial hardship for those who may already struggle to afford care.



Premiums shown are net of tax credits, estimated based on Covered California 2024 rates and plan choice data.

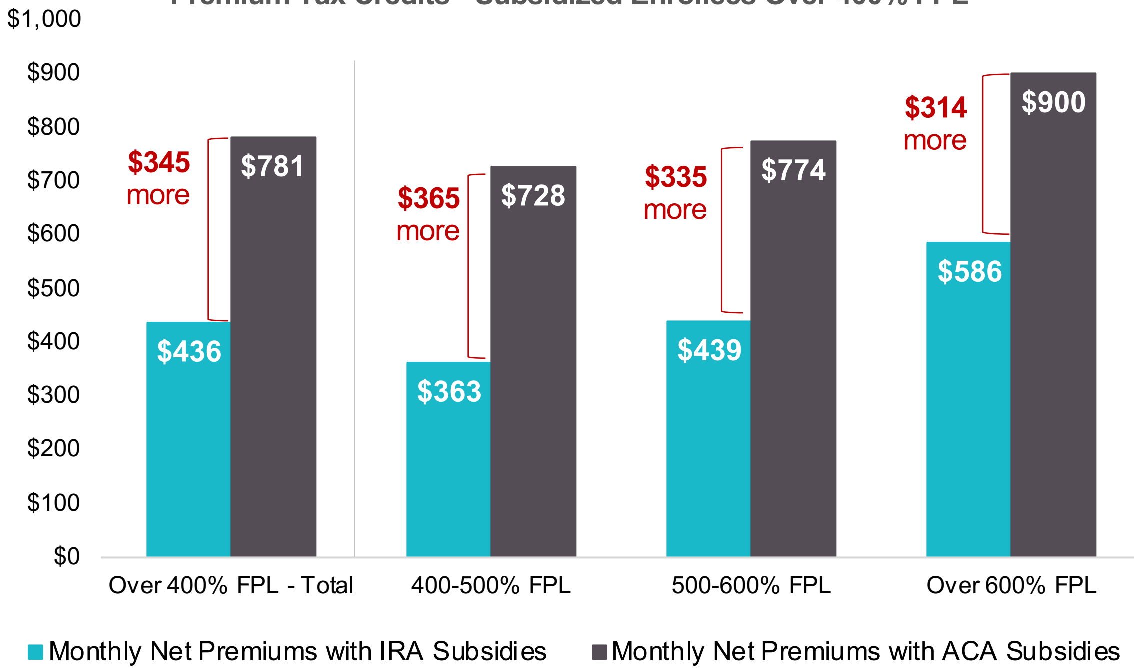
Federal Poverty Level (FPL)	Less Than 400% FPL	Less than 150% FPL	150-200% FPL	200-250% FPL	250-400% FPL
Annual Income for a Single Tax Filer at Bottom of Range	-	$20,783	$21,870	$29,160	$36,450
Number of Enrollees	1,344,100	225,270	424,070	266,450	428,310
Share of Covered California Enrollees	90%	15%	28%	18%	29%

Middle-Income Enrollees Will Lose Eligibility for Subsidized Coverage Entirely

The 157,000 middle-income consumers with incomes at or above 400% of FPL (starting at $58,320 for an individual) will lose eligibility for subsidies entirely and will have to pay the full cost of their monthly premium. These consumers are projected to face an average monthly premium of $781, a 79% increase over the average subsidized premium members pay today. The increase in monthly costs means that these middle-income consumers will spend an average of 15% of their income on premiums, with more than 1 in 3 facing premiums costing more than 20% of their incomes—figures that do not include deductibles, copays and other costs that enrollees face when they use care.

For many middle-income enrollees, a return of the subsidy cliff will put coverage out of reach once again. For instance, a two-person couple earning just over 400% FPL (roughly $79,000) would pay about $1,650 in average monthly premiums without enhanced premium tax credits. This is nearly as much as the median monthly rent in California ($1,870). A couple in this scenario would spend over half of their income on housing and health insurance premiums.[8] This financial burden of increased premiums will disproportionately impact older, middle-income enrollees who do not yet qualify for Medicare and enrollees with high health care needs who cannot forgo coverage. For instance, an older couple, both aged 55, living in Sacramento County and jointly earning $80,000 annually would see monthly premiums increase from $570 to $1,830 for the benchmark Silver plan. This represents monthly increases of $1,260 to pay for coverage, or $15,120 more per year.

Figure 2. Monthly Net Premiums Without the Extension of Enhanced Premium Tax Credits - Subsidized Enrollees Over 400% FPL



Premiums shown are net of tax credits, estimated based on Covered California 2024 rates and plan choice data.

Federal Poverty Level (FPL)	Over 400% FPL	400-500% FPL	500-600% FPL	Over 600% FPL
Annual Income for a Single Tax Filer at Bottom of Range	-	$58,320	$72,900	$87,480
Number of Enrollees	157,030	81,560	36,930	38,540
Share of Covered California Enrollees	10%	5%	2%	3%

Renewing Federal Subsidies Will Provide Substantial Relief for Consumers

Enhanced premium tax credits have had a dramatic impact across the nation and in California, ensuring access to affordable coverage and helping reduce the uninsured rate to historic lows.[9] These federal tax credits help ensure that over 1.5 million Californians can afford health coverage, including more than 1 in 4 enrollees who currently pay $10 a month or less in monthly premiums. Keeping enhanced premium tax credits in place will provide critical finanical support to preserve coverage gains and prevent premium increases that would push monthly premiums above $100 per month for more than 2 in 3 enrollees.

Endnotes

1 Centers for Medicare & Medicaid Services, Assistant Secretary for Planning and Evaluation, Office of Health Policy. (2024). Health Insurance Marketplace: 10 Years of Affordable Private Plan Options. https://aspe.hhs.gov/sites/default/files/documents/00d1eccb776a-c4abde9979aa793e2c7a/aspe-10-years-of-marketplace.pdf.

2 Estimated savings are projected based on annual 2024 Covered California receiving APTC, assuming 12 months enrollment.

3 Hartman, L. California Achieves Lowest Uninsured Rate Ever in 2022. California Health Care Foundation. https://www.chcf.org/publication/california-achieves-lowest-uninsured-rate-ever-2022/.

4 Centers for Medicare & Medicaid Services. (2024). 2024 Marketplace Open Enrollment Period Public Use Files. https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files.

5 Covered California. (2024). Fiscal Year 2024-25 Approved Budget. https://board.coveredca.com/meetings/2024/June%2020,%202024%20/2024.06.20_Budget_Book_FY_2024.25_Final.pdf.

6 The California Health Coverage Survey ("Member Survey") is an annual probability-based representative survey conducted by NORC at the University of Chicago for Covered California immediately following Open Enrollment. Results from the 2023 survey were used in this paper.

7 Lopes, L., Montero, A., Presiado, M., Hamel, L. (2024, March 1). Americans' Challenges with Health Care Costs. Kaiser Family Foundation. https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/.

8 Median rent is estimated as of 2022,and has likely risen since. See McGhee, E., Mejia, M. C., & Johnson, H. (2024, February 27). California's Renters. Public Policy Institute of California. https://www.ppic.org/blog/californias-renters/.

9 Centers for Medicare & Medicaid Services, Assistant Secretary for Planning and Evaluation, Office of Health Policy. (2024). Improving Access to Affordable and Equitable Health Coverage: A Review from 2010 to 2024. https://aspe.hhs.gov/sites/default/files/documents/9376755db2480ad7288aaa5ec38f3d8c/improving-access-to-coverage.pdf