



Premium Rate Shock and Coverage Loss Inevitable if Enhanced Financial Assistance Is Not Extended This Year to Affordable Care Act Health Plans

The American Rescue Plan Provided Enhanced Premium Assistance to Make Insurance Coverage More Affordable for Millions

The American Rescue Plan Act of 2021 (ARP) made coverage through health insurance marketplaces created under the Patient Protection and Affordable Care Act dramatically more affordable to millions of people, primarily low- and middle-income Americans who do not receive coverage through their employers, Medicare or Medicaid.

ARP secured greater affordability and coverage by:

1. Increasing the amount of premium assistance for all consumers who receive tax credits under the Affordable Care Act, including free Silver plans for consumers below 150 percent of the federal poverty level.
2. Eliminating the “tax credit cliff” for middle-income consumers at 400 percent of the federal poverty level, ensuring that all consumers can have premiums capped as a percentage of income.
3. Providing automatic eligibility for free Silver plans with very low copays and deductibles for any consumer who received unemployment insurance benefits in 2021.

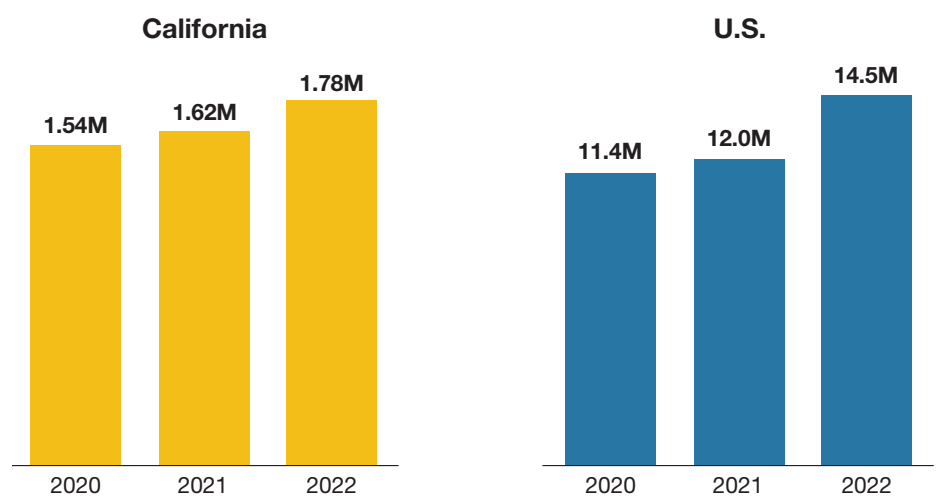
The American Rescue Plan Expanded Access to Comprehensive Coverage and Lowered Health Costs for Millions in California and Across the Country

The ARP had a dramatic impact on making coverage more affordable and helping more Americans who did not previously have insurance get covered through marketplaces across the country.

Record-Breaking Levels of Enrollment

Total enrollment in the recently completed 2022 open-enrollment period was the highest on record. Nationally, 14.5 million Americans signed up for and renewed marketplace coverage for 2022, an increase of 2.5 million over the 12.0 million who enrolled for 2021, and a 21 percent increase in take-up (see Exhibit 1).¹

Exhibit 1. Marketplace Enrollment as of End of Open Enrollment 2022



This analysis was prepared by Covered California for its ongoing planning and to inform policy making in California and nationally.

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Like the rest of the nation, California saw its largest enrollment ever, with 1.8 million total consumers in 2022, an increase of 150,000 (9 percent) compared to the same period in 2021.² The vast majority of these enrollees (1.64 million, or 92 percent) received tax credits to help reduce the cost of premiums each month, while a small group (134,000, or 8 percent) either did not apply for financial help, or already could purchase a Silver benchmark plan that cost less than 8.5 percent of their income.

American Rescue Plan Resulted in Dramatic Reductions in Premiums

Under the ARP, HealthCare.gov consumers saw average monthly premiums (after tax credits) fall by 23 percent compared to the 2021 open-enrollment period (which ended prior to the passage of the American Rescue Plan in March 2021).³ Similarly, in California, average premiums paid (after tax credits) fell 20 percent compared to 2021.

These reductions in premiums were primarily driven by offering more-generous subsidies that make premium affordable, but also thanks to the risk-mix improvements that come from increased take-up.⁴

Expanded Availability of Far More Affordable Coverage With Very Low Out-of-Pocket Costs for Care

Because of the financial help from the American Rescue Plan, 32 percent of HealthCare.gov consumers selected a plan for \$10 or less. Similarly, in California, two-thirds of all consumers were eligible for, and 24 percent enrolled in, a plan for \$10 or less. The lower premiums further ensured that more lower-income consumers than ever could access a free high-coverage Silver 94 plan with cost-sharing reduction (CSR) benefits that have member out-of-pocket costs and deductibles better than a Platinum plan, dramatically reducing cost barriers to access care. In California, one-third of all enrollees could access a Silver plan for free in 2022, the vast majority with cost-sharing reductions.

New Enrollment Is Reducing the Uninsured Rate

While further research on coverage churn in 2021 is needed to fully understand the shifts in coverage, all signs point to the national enrollment increase of more than 20 percent being composed primarily of uninsured consumers, or those who would not enroll without the enhanced affordability provided by the American Rescue Plan. This boost took place during a period when fewer consumers likely churned from job-based coverage or Medicaid due to a recovering job market and a hold on Medicaid redeterminations due to the pandemic.⁵

In California, the Biggest Positive Enrollment Impacts Have Been in Communities of Color That COVID Has Hit Particularly Hard

Nationally and in California, many communities of color continue to face higher than average rates of uninsurance, as well as disparate impacts due to the COVID-19 pandemic and health care in general.⁶ Compared with the level of enrollment seen at the end of the 2020 open-enrollment period (pre-pandemic), California is showing a surge of enrollment in all communities, with big gains in communities of color for 2022 (see Exhibit 2).

Exhibit 2. Percentage Increase in Enrollment Compared to 2020, by Race/Ethnicity

African-American	33%
Asian American	14%
Latino	18%
White	14%

By helping to improve affordability for all, the American Rescue Plan advanced health equity by expanding access to coverage in communities of color who were hit hardest by the pandemic and economic recession and who are generally disproportionately affected by a lack of access to routine care.

Allowing Increased Subsidies to Expire Would Dramatically Raise Premiums and Increase the Number of Americans Becoming Uninsured

If the ARP premium subsidies are allowed to expire, millions of Americans would be harmed, dropping coverage in the face of higher premiums or struggling to access care. In the exhibits below and in the summaries of potential impacts on California consumers, estimated impacts are based on the “average monthly per-person” change in premiums based on individuals’ income levels.

- Roughly 12 million Americans, who currently receive premium support in the marketplaces, would experience dramatic premium increases in their renewal notices beginning in October 2022.
- The lowest-income enrollees — those earning less than 250 percent of the federal poverty level or around \$32,000 for a single tax filer and comprising 60 percent of Covered California’s subsidized enrollment — will see their paid premiums more than double, on average, with monthly premiums increasing from \$65 under ARP to \$131 in 2023, an increase of \$66 per member, per month of coverage. (See Exhibit 3.)
- Due to the ARP removing the “cliff” that previously prevented middle-income consumers from receiving financial help regardless of how much health coverage cost them relative to their income — in California, 148,000 middle income consumers (9 percent of subsidized enrollment) benefited from lower premiums due to the ARP increases to federal subsidies. For these consumers, if ARP expires, none would receive federal premium support, causing their premiums to increase by an average of \$272 per member per month in 2023 — with families getting subsidies facing far higher household premium spikes. (See Exhibit 4.)

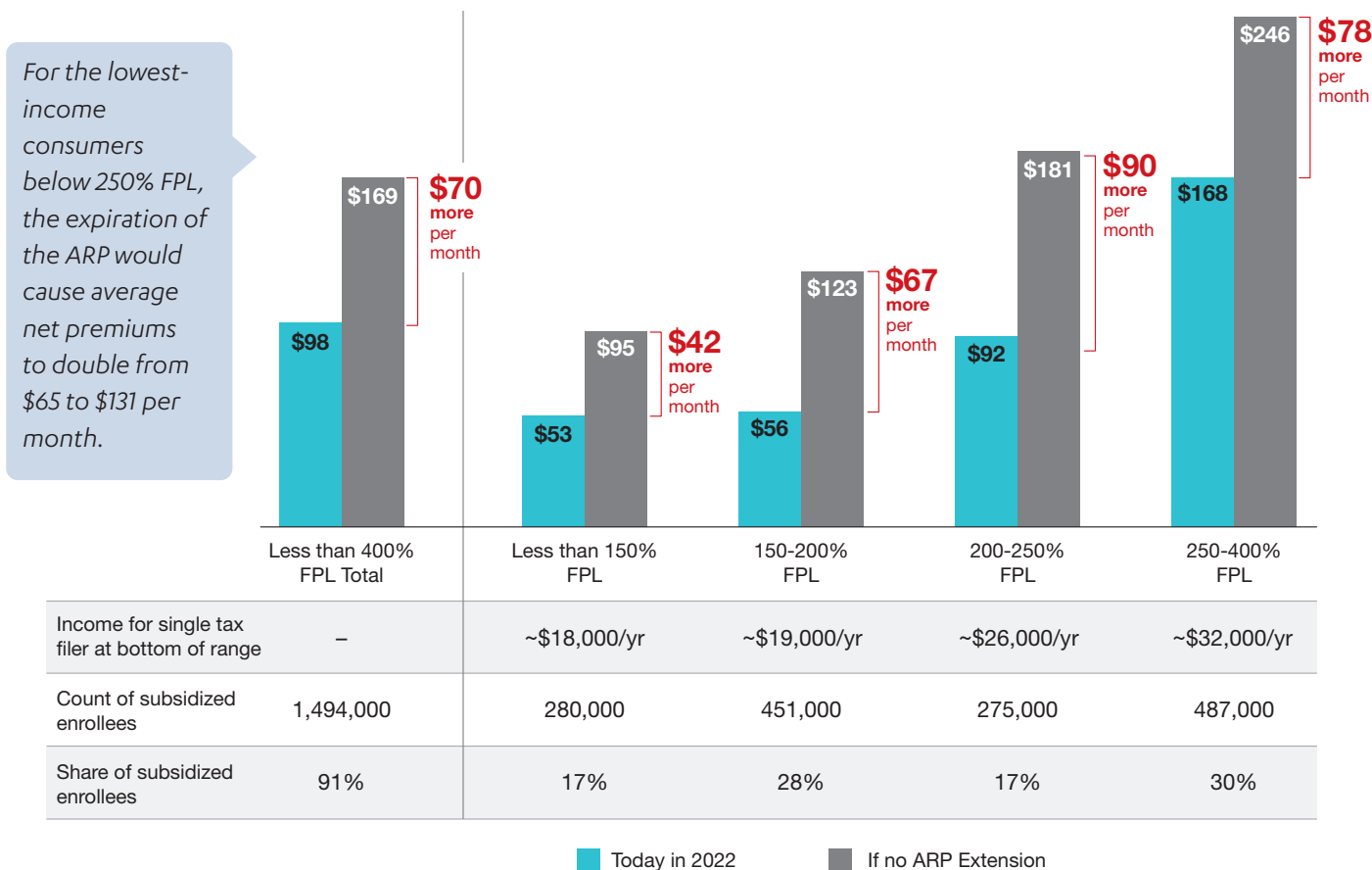
Premium Impacts on Real Consumers from Removing ARP Subsidies in California

The impacts shown in Exhibits 3 and 4 show large potential consequences, but in many cases they dramatically understate the effect on consumers. The cost of premiums are driven by four independent factors:

- Household size: While the averages are “per person,” premiums are based on the number of people covered. Households with more people pay more in premium.
- Consumers’ income: Tax credits are adjusted based on consumers’ income.
- Consumers’ age: Older consumers face far higher health care premiums than do younger people.
- Location: The level of subsidies and health care costs are tied directly to how much health care costs as percentage of income. The lowering of subsidies provided by the American Rescue Plan will have a bigger impact on those living in higher-cost areas.

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Exhibit 3. Potential Monthly Net Premium Increases After Any Federal Tax Credits for Subsidized Covered California Enrollees Less Than 400 Percent of the Federal Poverty Level — Taking Effect in 2023⁷



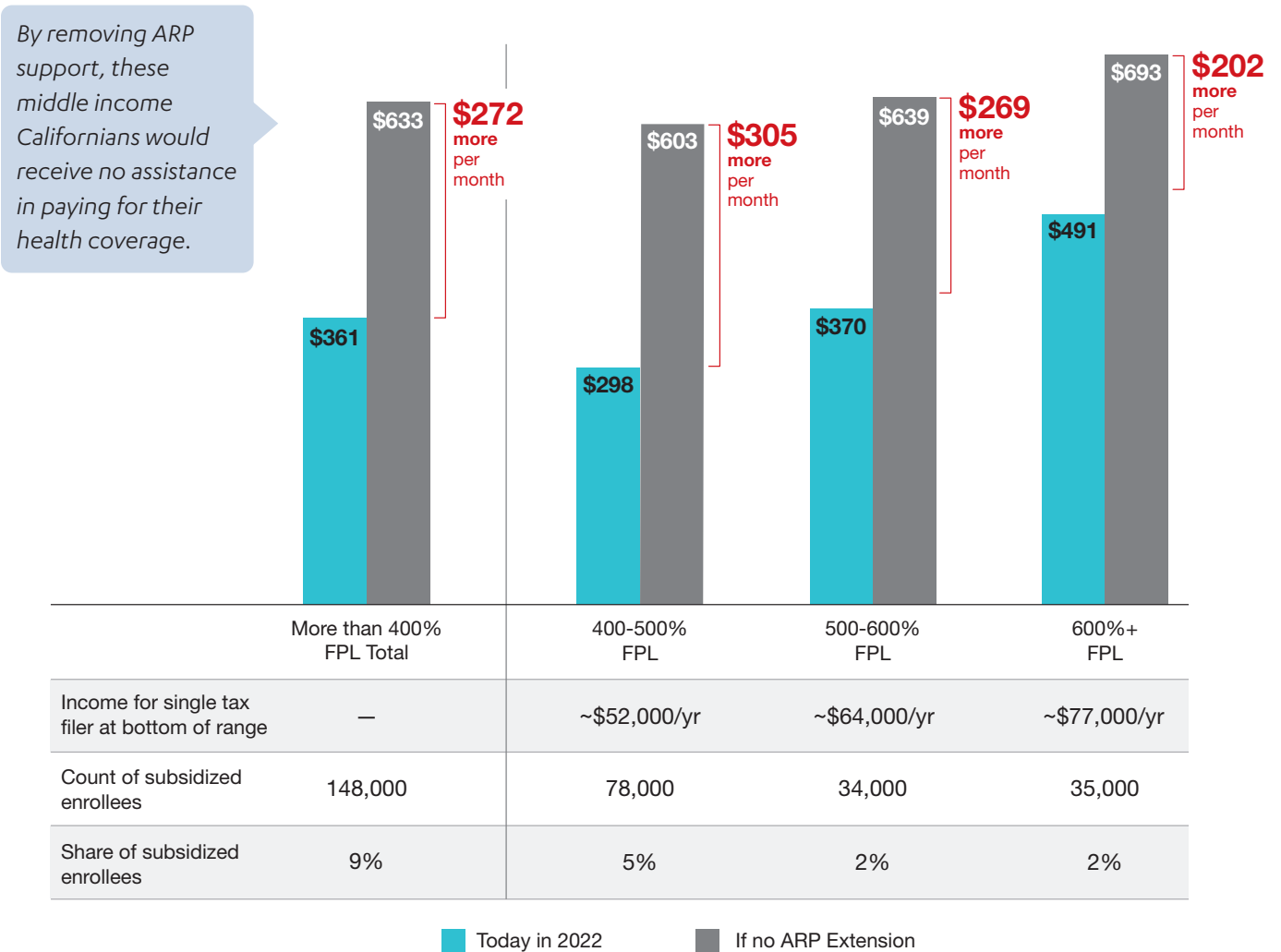
The following examples of potential premium impacts are modeled after consumers who benefited from the ARP subsidies in 2021. The examples show what would happen to them and their families if the ARP subsidies are allowed to end.

- Lower-income consumer would see premium go from \$0 to \$74 per month:** James is 39 years old and lives in Los Angeles. He earns about \$19,000 a year, which is less than 150 percent of the federal poverty level. The increased financial help from the American Rescue Plan allows James to currently get comprehensive coverage at no cost, but without the expanded financial help, his cost would jump to \$74 per month in 2023.
- Father of three would see premiums increase by \$199 per month — a five-fold spike:** Paul is 40 years old father, and lives in San Diego with his wife and three children. They have a household income of less than \$25,000, which is under 200 percent of the federal poverty level. While his wife has insurance coverage through her employer, and the children are enrolled in Medi-Cal, Paul’s premiums would go from \$50 per month to \$249 per month.
- Family of four would see their premium jump \$240 per month — taking a big bite out of their budget:** Mario is 45 years old and lives in Los Angeles with his wife and two children. They earn about \$35,000 a year, which is less than 300 percent of the federal poverty level. The expiration of the ARP subsidies would cause the premium to insure their family of four to rise \$240, from \$717 per month to \$958 per month.

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- Middle-income couple in early retirement would lose all help and pay \$1,720 more each month:**
 Isabella is 63 years old and lives in Sacramento with her spouse. They earn about \$86,000 per year, which is just less than 500 percent of the federal poverty level for a two-person household. Rolling back the ARP subsidies would mean they are no longer eligible for financial help, and their premium would increase by \$1,720 per month, from \$609 to \$2,329. For this couple, to keep their insurance they would need to spend almost a third of their income (32.5 percent) just to cover the cost of their insurance premium.

Exhibit 4. Potential Monthly Net Premium Increases After Any Federal Tax Credits for Subsidized Covered California Enrollees Earning More Than 400 Percent of the Federal Poverty Level – Taking Effect in 2023⁸



Many Californians and Americans Across the Nation Would Be Priced Out of Coverage

The Congressional Budget Office (CBO) has estimated that if the American Rescue Plan expires, enrollment would drop back to pre-ARP levels by 2024 because of the higher cost of coverage. This would mean that nationally, an estimated 1.7 million Americans enrolled in the marketplace would drop coverage because of the increased premium.⁹

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In California, more than 220,000 enrollees could drop coverage due to higher premium costs they would need to shoulder.¹⁰

New Burdens of Out-of-Pocket Costs

For the majority of consumers currently enrolled in a Silver plan (or higher) level of coverage, one consumer strategy to respond to rate hikes and avoid becoming uninsured entirely may be to switch to lower-cost Bronze coverage with lower premiums. This choice comes with major tradeoffs and exposure to substantial out-of-pocket costs that could delay or prevent consumers from accessing care. People choosing to enroll in Bronze plans would be forced to shoulder a higher out-of-pocket cost burden when they seek care, with a median deductible of \$6,935 for Bronze plans nationally.¹¹ By contrast, all California enrollees and many in HealthCare.gov who choose Silver plans can access virtually all outpatient care without being subject to any deductible.¹²

Extending Premium Subsidies This Year Would Avoid Rate Hikes and Coverage Drops

If the premium subsidies enacted by the American Rescue Plan are left to expire, we could observe the following effects.

- Millions of consumers would begin to face higher premiums in October 2022. In addition to the premium increases from expiring premium subsidies, many consumers would face a second blow of higher premiums due to the eroded risk mix within the marketplace likely leading to premium increases not reflected in the figures detailed in this analysis. These premium increases would have the biggest impact on those earning over 400 percent of the federal poverty level (\$52,000 for an individual) who would have no premium support to shield them from rising costs.¹³
- Almost 2 million consumers nationally could drop coverage in the face of these price increases.
- People who decide to stay covered would pay dramatically more money and may opt for less comprehensive, high-deductible coverage, potentially making cost a barrier when they need to get care.

The American Rescue Plan has had a dramatic impact on coverage affordability across the country and in California, providing unprecedented affordability and helping millions of uninsured get covered. In the absence of federal action to extend these policies this year, Americans' access to health coverage and care will be dramatically reduced.

About Covered California

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California's consumers. It is overseen by a five-member board appointed by the governor and the Legislature. For more information about Covered California, please visit CoveredCA.com.

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Endnotes

- ¹ Centers for Medicare & Medicaid Services (2022). 2022 Open Enrollment Period Report: Final National Snapshot (Jan. 27, 2022). Available at: <https://www.cms.gov/newsroom/fact-sheets/marketplace-2022-open-enrollment-period-report-final-national-snapshot>.
- ² The somewhat lower rate of growth in California is due to the fact that Covered California had large enrollment growth in 2020 in response to the creation of new, state-funded financial help similar to the subsequent federal ARP subsidy increase, as well as implementing a state penalty for non-coverage and conducting major outreach to promote enrollment. These policies and that state's implementing a major special enrollment outreach effort during the first year of the COVID pandemic resulted in Covered California's having almost 1.6 million enrollees as of 2021 — the largest enrollment before the increases associated with the ARP policies.
- ³ Centers for Medicare & Medicaid Services (2022). Biden-Harris Administration Announces 14.5 Million Americans Signed Up for Affordable Health Care During Historic Open Enrollment Period (Jan. 27, 2022). Available at: <https://www.cms.gov/newsroom/press-releases/biden-harris-administration-announces-145-million-americans-signed-affordable-health-care-during>.
- ⁴ Because the ARP was signed in March 2021, qualified health plan issuers could rely on ARP subsidies when setting rates for 2022 (which occurs in the late spring and early summer). In California, premiums (before tax credits) increased by less than 2 percent for 2022: These rates were lower than widely reported rates for employer-sponsored coverage nationally, and these increases could also be averted in part by members switching to lower-priced plans in their same tier. Covered California (2021). Covered California Announces 2022 Plans: Full Year of American Rescue Plan Benefits, More Consumer Choice and Low Rate Change (July 28, 2021). Available at: <https://www.coveredca.com/newsroom/news-releases/2021/07/28/covered-california-announces-2022-plans-full-year-of-american-rescue-plan-benefits-more-consumer-choice-and-low-rate-change/>; Mercer (2021). Employers expect a 4.7% increase in health benefit costs for 2022 as they focus on improving employee benefits rather than cost-cutting, Mercer survey finds (October 6, 2021). Available at: <https://www.mercer.com/newsroom/employers-expect-an-increase-in-health-benefit-costs-for-2022-as-they-focus-on-improving-employee-benefits-rather-than-cost-cutting.html>; PwC Health Research Institute (2021). Medicalcost trend: Behind the numbers 2022. Available at: <https://www.pwc.com/us/en/industries/health-industries/library/assets/pwc-hri-behind-the-numbers-2022.pdf>.
- ⁵ In the year between the 2021's and 2022's open-enrollment periods, key indicators of changes to coverage that result in churn into marketplace eligibility would have predicted a reduction in sign-ups: rising employment (the unemployment rate dropped from 6.9 percent in October 2020 to 4.6 percent in October 2021) and reduced inflows from Medicaid thanks to the Maintenance of Effort (MOE) for coverage required under the Public Health Emergency. Given the observed enrollment increase relative to 2021, the increased affordability of the ARP stands out clearly as the most likely driver.
- ⁶ Tan, Sean (2021). California Reached Health Coverage Milestone With 94 Percent of People Insured in 2020, but Access to Care Remains a Challenge During the COVID-19 Pandemic. UCLA Center for Health Policy Research (Sept. 2021). Available at: <https://healthpolicy.ucla.edu/publications/Documents/PDF/2021/access-to-care-policybrief-sep2021.pdf>; Chamie, Gabriel et al. SARS-CoV-2 Community Transmission During Shelter-in-Place in San Francisco. MedRxiv (pre-print) (June 2020). Available at: <https://www.medrxiv.org/content/10.1101/2020.06.15.20132233v1>. See also American Community Survey. Table S2701 – Selected Characteristics of Health Insurance Coverage In the United States: 2019. Available at: <https://data.census.gov/cedsci/table?q=Health%20Insurance&g=0100000US&tid=ACST1Y2019.S2701&tp=false>.
- ⁷ Net premium amounts shown are per member per month, after any federal tax credits, among Covered California enrollees who were receiving subsidies under ARP at the end of the 2022 open enrollment period with incomes below 400% of FPL (1.494 million). Share of total enrollees is out of all enrollees receiving subsidies across all income ranges (1.64 million). Excluded are approximately 7,000 enrollees who did not receive subsidies because the benchmark plan available to them was considered affordable relative to their income, despite it being below 400% of FPL. Numbers shown may not sum due to rounding.
- ⁸ Net premium amounts shown are per member per month, after any federal tax credits, among Covered California enrollees who were receiving subsidies under ARP at the end of the 2022 open enrollment period, approximately 150,000 individuals. Share of total enrollees is out of all enrollees receiving subsidies across all income ranges (1.64 million). Excluded are approximately 127,000 enrollees who did not receive subsidies either because the benchmark plan available to them was considered affordable relative to their income which was over 400% of FPL, or because they asked not to receive financial assistance (and hence no income known). Numbers shown may not sum due to rounding.

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Endnotes

⁹ Congressional Budget Office (2021). Reconciliation Recommendations of the House Committee on Ways & Means (revised Feb. 17, 2021). Available at: <https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf>.

¹⁰ Dietz, Miranda, Kadiyala, Srikanth, Challenor, Tynan, Rak, Annie, Lucia, Laurel, Roby, Dylan H., Kominski, Gerald F. The Threat to Coverage and Affordability Gains in Covered California if Congress Fails to Renew Subsidy Enhancements. UC Berkeley Labor Center (April 14, 2022). Available at <https://laborcenter.berkeley.edu/the-threat-to-coverage-and-affordability-gains-in-covered-california/>. *Note: An earlier version of this brief included a preliminary estimate of the number projected to go uninsured if ARP subsidies expire. Updated on July 5, 2022.*

¹¹ Keith, Katie. Premiums Will Drop, ARPA Savings Continue As 2022 Open Enrollment Period Draws Near. Health Affairs (blog) (Oct. 28, 2021). Available at: <https://www.healthaffairs.org/doi/10.1377/forefront.20211028.68637>.

¹² Gunja, Munira Z., Collins, Sara R., Beutal, Sophie. How Deductible Exclusions in Marketplace Plans Improve Access to Many Health Care Services. The Commonwealth Fund (March 17, 2016). Available at: <https://www.commonwealthfund.org/publications/issue-briefs/2016/mar/how-deductible-exclusions-marketplace-plans-improve-access-many>. In the proposed 2023 Notice of Benefit and Payment Parameters, CMS proposed to introduce standardized benefit designs to the HealthCare.gov states, which would cover many services and prescription drug benefits before the deductible. See Chu, RC et al. Facilitating Consumer Choice: Standardized Plans in Health Insurance Marketplaces. Assistant Secretary for Planning and Evaluation (December 28, 2021). Available at: <https://aspe.hhs.gov/sites/default/files/documents/222751d8ae7f56738f2f4128d819846b/Standardized-Plans-in-Health-Insurance-Marketplaces.pdf>.

¹³ An estimate by the Urban Institute projected that premiums could be as much as 15 percent lower with ARP subsidies due to the increased enrollment from otherwise uninsured individuals who have a lower risk mix. This is based on the assumption of ARP subsidies being made permanent, and a total of 5 million new enrollments nationally. The loss of almost two million enrollees who did enroll under ARP will still have impacts on the risk mix, raising costs on both unsubsidized enrollees who buy off-exchange, and raising costs to the U.S. Treasury on a per member basis for existing coverage subsidies. See Banthin J, Buettgens M, Simpson M, Wang R. What if the American Rescue Plan's Enhanced Marketplace Subsidies Were Made Permanent? Estimates for 2022. The Urban Institute (April 2021). Available at: https://www.urban.org/sites/default/files/publication/104072/what-if-the-american-rescue-plans-enhanced-marketplace-subsidies-were-made-permanent-estimates-for-2022_0.pdf.