Projected Coverage and Subsidy Impacts If the American Rescue Plan’s Marketplace Provisions Sunset in 2023

An estimated 3 million people currently insured in the individual market would lose coverage and become uninsured if the American Rescue Plan’s premium tax credit provisions are not extended beyond 2022.

D. Keith Branham, Christine Eibner, Federico Girosi, Jodi Liu, Kenneth Finegold, Christie Peters, and Benjamin D. Sommers

KEY POINTS

- The American Rescue Plan (ARP) included two key provisions that improve affordability for consumers obtaining coverage through the Marketplace: 1) lowering the percentage of income consumers are expected to contribute toward premiums for those between 100 and 400 percent of the federal poverty level (FPL); and 2) extending premium tax credits to households above 400 percent FPL.

- Currently, the ARP premium tax credit provisions are only available through coverage year 2022 and legislation is required to extend them beyond this time frame.

- Of the 19.6 million people estimated to be insured in the individual market, a projected 3.0 million (15 percent) would become uninsured if the premium tax credit provisions provided by the American Rescue Plan (ARP) were to expire in 2023.

- If these provisions expire, our projections estimate that 8.9 million people remaining in Marketplace would see reductions in their Marketplace premium subsidies for individual market coverage (averaging $406 per person, annually) and approximately 1.5 million would lose subsidies entirely (averaging $3,277 per person, annually) but remain insured.

- The states with the largest projected numbers of people losing coverage or experiencing subsidy reductions include California, Florida, Georgia, North Carolina, Pennsylvania, and Texas; with more than 7.7 million people projected to be affected in these six states alone.
BACKGROUND

The American Rescue Plan (ARP) reduces the amount of income individuals and families are expected to contribute toward premiums for individual market coverage through the Marketplace exchanges and extends premium tax credits to households with income above 400 percent of the federal poverty level (FPL). Previous ASPE analyses have shown the impact of the ARP in lowering Marketplace premiums and improving plan affordability through increased access to zero- and low-premium plans on the HealthCare.gov platform.\(^1\),\(^2\),\(^3\),\(^4\)

The ARP increased access to zero-premium plans on the HealthCare.gov platform from 43 percent to 62 percent of uninsured non-elderly adults, and access to low-cost plans (less than $50 per month in premium) increased from slightly more than half of consumers (57 percent) to nearly three quarters (73 percent). With these changes in effect, Marketplace enrollment hit an all-time high of 14.5 million people by the end of the 2022 Open Enrollment Period (OEP).\(^5\) The ARP tax-credit provisions only apply to Marketplace coverage through 2022; under current law, these provisions will expire for coverage year 2023. * This, in turn, will raise out-of-pocket premiums for millions of Americans.

If the ARP premium tax credit provisions are extended, millions of people will continue to benefit from the enhanced and expanded premium subsidies. If the ARP premium tax credit provisions are allowed to sunset, these consumer benefits will be eliminated, likely leading to increases in the number of uninsured and higher out-of-pocket costs for individuals and families purchasing insurance through the Marketplace.

This report projects the potential impacts if the ARP premium tax credits expire in 2023, with both national and state level estimates developed using the Comprehensive Assessment of Reform Efforts (COMPARE) microsimulation model.

METHODS

The projected estimates in this data point primarily come from an analysis by ASPE and RAND using the COMPARE model.\(^6\) The model uses data from multiple nationally representative, publicly available sources to estimate changes in health insurance enrollment and health care spending in response to policy changes, based on economic theory.\(^7\),\(^8\),\(^9\),\(^10\) Primary data sources include the Current Population Survey (CPS),\(^11\) Medical Expenditure Panel Survey (MEPS),\(^12\) the Centers for Medicare & Medicaid Services (CMS) National Health Expenditure Accounts (NHEA),\(^13\) and the Kaiser Family Foundation (KFF) Employer Health Benefits Survey.\(^14\)

COMPARE creates a representation of the U.S. population by assigning individuals in the CPS a spending amount, using the spending of a similar individual from the MEPS. These spending amounts are adjusted to account for people with extremely high health expenditures, and to align with NHEA estimates, according to a procedure developed by researchers from the Agency for Healthcare Research and Quality.\(^15\),\(^16\) CPS respondents who report that they are employed are matched to firms in the KFF data.

The model assesses choices that would be made by individuals and families in the sample by weighing the costs and benefits of available insurance options. In doing so, the model considers premiums, out-of-pocket spending, the value of health care consumption, and financial risk. Premiums are estimated based on the expenditures of individuals in the insurance pool, generosity of the plan, and administrative costs.

The model generates estimates for coverage changes at the national level. To produce state-level results in this report, we then allocated the national estimates for coverage changes based on each state’s share of

* The ARP also included a special provision to further lower premium and out-of-pocket costs for individuals receiving unemployment compensation; however, this provision only applied to 2021 coverage and is not examined in this report. See the ASPE report here for more information: [https://aspe.hhs.gov/reports/arp-unemployed-ib](https://aspe.hhs.gov/reports/arp-unemployed-ib).
subsidized and unsubsidized Marketplace enrollment during the 2022 Open Enrollment Period. Current Marketplace enrollment totals are from the CMS Marketplace 2022 Open Enrollment Period Public Use Files; these figures are not rounded as they represent actual total plan selections made during the 2022 OEP.† In contrast, our projected estimates using the COMPARE model are rounded to the nearest thousand.

We used CMS 2022 OEP data for on-Marketplace subsidized coverage enrollment to calibrate COMPARE’s projected estimates at both the national and state level. We used this approach to ensure that the model reproduced observed subsidized enrollment, and to mitigate potential bias due to inertia in decision-making that may have occurred after ARP implementation and that is not reflected in COMPARE’s methodology. We assumed that the COMPARE estimates of the unsubsidized population were accurate and allocated the national-level total unsubsidized enrollment as estimated by COMPARE to states based on the proportion of unsubsidized Marketplace enrollees in each state. Because there is no off-Marketplace enrollment in DC, unsubsidized Marketplace enrollment in DC reflects total unsubsidized individual market enrollment. For DC, we therefore derived total unsubsidized individual market enrollment directly from CMS data.

**LIMITATIONS**

COMPARE is designed to produce national-level policy estimates. The state-specific results presented in this analysis do not account for state-specific factors that may impact the effects of ending ARP premium tax credit provisions; instead, we developed national estimates and then allocated those changes to states based on enrollment totals. Factors we did not incorporate in our approach include state-specific policy responses, such as state-funded subsidy enhancements, and state-specific economic factors, such as trends in employment and wage growth. For example, our methodology would not capture the possibility that a state experiencing high wage growth might realize a less-than-proportional loss in insurance if the ARP were to be eliminated.

When allocating enrollment among the subsidized population, we assumed the proportion losing coverage and having subsidies reduced is equivalent across states. This approach does not account for differences in the income distribution of subsidy-eligible people within each state, an omission that could be important if the probability of losing coverage varies based on income. For example, lower income people may be particularly sensitive to out-of-pocket (OOP) premium costs and may be more likely to disenroll if subsidies fall (and hence OOP contributions rise). Alternatively, higher income people could be at high risk of losing coverage because the elimination of the ARP would end subsidies entirely for people with incomes over 400 percent of the federal poverty level.

For the unsubsidized population, our allocation methodology is based only on Marketplace unsubsidized enrollment, but we use it to assess changes in total individual market unsubsidized enrollment. This approach requires an assumption that changes in off-Marketplace enrollment among unsubsidized individuals mirror changes in on-Marketplace enrollment within state.

COMPARE’s projections of subsidized individuals may not be directly comparable to actual plan selections from CMS administrative data for several reasons, including but not limited to: 1) COMPARE is a simulation model using survey data, which leads to margins of error in the estimates produced; 2) survey data are from years preceding 2022 and projected forward, resulting in additional potential for lower accuracy in the projected estimates; and 3) COMPARE models the individual market as a whole and may count some people qualifying for subsidies, but actually enrolled off-Marketplace (unsubsidized), as subsidized Marketplace enrollees.

† These estimates include all states and DC as of the end of their open enrollment periods, including any run-out periods. This includes State-based Marketplaces with open enrollment periods extending beyond January 15, 2022, in addition to states using the HealthCare.gov platform whose 2022 open enrollment period ended January 15, 2022.
FINDINGS

Table 1 summarizes our key projections for coverage changes in the individual insurance market if ARP subsidies expire. We also calculated national totals for premium changes, which are not included in Table 1, and we do not have state-level estimates for premium outcomes.

Of the 19.6 million people insured in the individual market, 3.0 million (15.0 percent) are projected to become uninsured if the ARP’s premium tax credit provisions expire in 2023. A projected 8.9 million people remain enrolled in Marketplace coverage but would experience reductions in their Marketplace premium subsidies (with an average reduction of $406 per person per year). An additional 1.5 million are projected to lose subsidies entirely (averaging $3,277 per person per year) but remain insured through some source of coverage. In total, this would amount to 13.3 million individual market enrollees projected to be impacted.

The states with the largest projected numbers of people losing coverage or experiencing subsidy reductions include California, Florida, Georgia, North Carolina, Pennsylvania, and Texas, with more than 7.7 million people projected to be affected in these six states alone. An additional 22 states are projected to have more than 100,000 people impacted each. Half of these states are projected to have impacted numbers of 200,000 or more.

CONCLUSION

The ARP premium tax credit provisions build on the Affordable Care Act (ACA) and provide substantial financial support to Marketplace consumers to ensure that they have access to affordable, comprehensive health insurance coverage. Recent national survey data indicates that the uninsured rate among those under age 65 fell from 12.3 to 10.7 percent from the end of 2020 to the fall of 2021, concurrent with the implementation of the ARP. If the ARP premium subsidy provisions are allowed to sunset in 2023, many Marketplace consumers will likely see substantial increases in out-of-pocket premium costs, and the number of uninsured Americans will likely increase significantly. Extension of the ARP’s premium tax credit provisions would maintain important gains in health care coverage over the past year and prevent increased financial burdens on Americans who obtain health insurance through the Marketplace.

---

1 Of the projected 3 million losing individual coverage and becoming uninsured if the ARP were to be eliminated, 400,000 are estimated to be unsubsidized with ARP in place (who lose coverage due to rising premiums from changes in the risk pool without ARP in place).

5 The majority (849,000) of the 1.5 million who lose subsidies entirely but remain insured are projected to remain in unsubsidized individual market coverage (approximately 56 percent); however, approximately 44 percent (680,000) are projected to move to employer-sponsored coverage.

** Of the projected 13.3 million experiencing subsidy losses or becoming uninsured if the ARP were to be eliminated, 400,000 are estimated to be unsubsidized (who lose coverage due to rising premiums from changes in the risk pool), and 12.9 million estimated to be subsidized in the COMPARE model.

11 Out of an estimated 19.6 million people enrolled on the individual market in 2022, we project 13.3 million would experience subsidy losses and/or become uninsured if the ARP were to be eliminated, with the remaining 6.3 million being unsubsidized and remaining insured with and without ARP. Of the remaining 6.3 million people that are unsubsidized individual market enrollees under the ARP who are projected to remain insured if the ARP subsidies are eliminated, most remain unsubsidized insured on the individual market (6.1 million), but a small share (200,000) transition to ESI, under the model parameters.
Table 1. Projected National and State-Level Changes in Coverage and Subsidy Receipt if the American Rescue Plan Premium Tax Credit Provisions Sunset in 2023*

<table>
<thead>
<tr>
<th>State</th>
<th>With ARP, 2022</th>
<th>Without ARP, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Marketplace Enrollment, 2022 OEP (A)*</td>
<td>Marketplace Enrollment - State Share of National, 2022 OEP (B)*</td>
</tr>
<tr>
<td>Total</td>
<td>14,511,077</td>
<td>N/A</td>
</tr>
<tr>
<td>Alabama</td>
<td>219,314</td>
<td>1.5%</td>
</tr>
<tr>
<td>Alaska</td>
<td>22,786</td>
<td>0.2%</td>
</tr>
<tr>
<td>Arizona</td>
<td>199,706</td>
<td>1.4%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>88,226</td>
<td>0.6%</td>
</tr>
<tr>
<td>California</td>
<td>1,777,442</td>
<td>12.2%</td>
</tr>
<tr>
<td>Colorado</td>
<td>198,412</td>
<td>1.4%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>112,633</td>
<td>0.8%</td>
</tr>
<tr>
<td>Delaware</td>
<td>32,113</td>
<td>0.2%</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>15,989</td>
<td>0.1%</td>
</tr>
<tr>
<td>Florida</td>
<td>2,723,094</td>
<td>18.8%</td>
</tr>
<tr>
<td>Georgia</td>
<td>701,135</td>
<td>4.8%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>22,327</td>
<td>0.2%</td>
</tr>
<tr>
<td>Idaho</td>
<td>73,359</td>
<td>0.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>323,427</td>
<td>2.2%</td>
</tr>
<tr>
<td>Indiana</td>
<td>156,926</td>
<td>1.1%</td>
</tr>
<tr>
<td>Iowa</td>
<td>72,240</td>
<td>0.5%</td>
</tr>
<tr>
<td>Kansas</td>
<td>107,784</td>
<td>0.7%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>73,935</td>
<td>0.5%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>99,626</td>
<td>0.7%</td>
</tr>
<tr>
<td>Maine</td>
<td>66,095</td>
<td>0.5%</td>
</tr>
<tr>
<td>Maryland</td>
<td>181,603</td>
<td>1.3%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>268,023</td>
<td>1.8%</td>
</tr>
<tr>
<td>Michigan</td>
<td>303,550</td>
<td>2.1%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>121,322</td>
<td>0.8%</td>
</tr>
</tbody>
</table>
Mississippi | 143,014 | 1.0% | 160,000 | 29,000 | 16,000 | 94,000 |
Missouri | 250,341 | 1.7% | 332,000 | 51,000 | 27,000 | 155,000 |
Montana | 51,134 | 0.4% | 74,000 | 10,000 | 5,000 | 30,000 |
Nebraska | 99,011 | 0.7% | 114,000 | 20,000 | 11,000 | 65,000 |
Nevada | 101,441 | 0.7% | 135,000 | 21,000 | 11,000 | 63,000 |
New Hampshire | 52,497 | 0.4% | 105,000 | 11,000 | 4,000 | 25,000 |
New Jersey | 324,266 | 2.2% | 472,000 | 67,000 | 33,000 | 192,000 |
New Mexico | 45,664 | 0.3% | 73,000 | 10,000 | 4,000 | 26,000 |
New York | 221,895 | 1.5% | 503,000 | 49,000 | 16,000 | 94,000 |
North Carolina | 670,223 | 4.6% | 818,000 | 135,000 | 74,000 | 428,000 |
North Dakota | 29,873 | 0.2% | 40,000 | 6,000 | 3,000 | 18,000 |
Ohio | 259,999 | 1.8% | 444,000 | 55,000 | 24,000 | 140,000 |
Oklahoma | 189,444 | 1.3% | 221,000 | 38,000 | 21,000 | 123,000 |
Oregon | 146,602 | 1.0% | 251,000 | 31,000 | 14,000 | 79,000 |
Pennsylvania | 374,776 | 2.6% | 506,000 | 76,000 | 40,000 | 230,000 |
Rhode Island | 32,345 | 0.2% | 49,000 | 7,000 | 3,000 | 19,000 |
South Carolina | 300,392 | 2.1% | 365,000 | 60,000 | 33,000 | 192,000 |
South Dakota | 41,339 | 0.3% | 49,000 | 8,000 | 5,000 | 27,000 |
Tennessee | 273,680 | 1.9% | 363,000 | 56,000 | 29,000 | 169,000 |
Texas | 1,840,947 | 12.7% | 2,219,000 | 370,000 | 204,000 | 1,182,000 |
Utah | 256,932 | 1.8% | 311,000 | 52,000 | 28,000 | 165,000 |
Vermont | 26,705 | 0.2% | 39,000 | 6,000 | 3,000 | 16,000 |
Virginia | 307,946 | 2.1% | 421,000 | 63,000 | 32,000 | 188,000 |
Washington | 239,566 | 1.7% | 480,000 | 52,000 | 20,000 | 115,000 |
West Virginia | 23,037 | 0.2% | 28,000 | 5,000 | 3,000 | 15,000 |
Wisconsin | 212,097 | 1.5% | 295,000 | 43,000 | 22,000 | 128,000 |
Wyoming | 34,762 | 0.2% | 41,000 | 7,000 | 4,000 | 23,000 |

Table Notes:
OEP = Open Enrollment Period. Numbers may not sum exactly due to rounding.
* Columns A and B reflect data on individual plan selections reported in the CMS 2022 Open Enrollment Report; Columns C, D, E, and F contain estimates from the COMPARE model and are rounded to the nearest thousand.
‡ The remaining 6.3 million people (of the total 19.6 million) are unsubsidized individual market enrollees under the ARP scenario (e.g., incomes too high to qualify for subsidies) who remain insured if the ARP subsidies are eliminated. Most (6.1 million) remain insured on the individual market, but a small share (200,000) transition to ESI under the model parameters.
§ Estimates represent both Marketplace and off-Marketplace enrollees; COMPARE’s methodology does not distinguish on- from off-Marketplace enrollment for unsubsidized individuals.
^ Includes coverage from any source post-ARP, Marketplace or otherwise.
REFERENCES


U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Assistant Secretary for Planning and Evaluation
200 Independence Avenue SW, Mailstop 447D
Washington, D.C. 20201

For more ASPE briefs and other publications, visit: aspe.hhs.gov/reports

ABOUT THE AUTHORS
D. Keith Branham is a Senior Research Analyst for the Office of Health Policy in ASPE.
Christine Eibner is a Senior Economist with RAND.
Federico Girosi is a Senior Policy Researcher with RAND.
Jodi Liu is a Policy Researcher with RAND.
Kenneth Finegold is a Senior Social Science Analyst in the Office of Health Policy in ASPE.
Christie Peters is the Director of the Division of Health Care Access and Coverage for the Office of Health Policy in ASPE.
Benjamin D. Sommers is the Deputy Assistant Secretary for the Office of Health Policy in ASPE.

SUGGESTED CITATION

COPYRIGHT INFORMATION
All material appearing in this report is in the public domain and may be reproduced or copied without permission; citation as to source, however, is appreciated.

DISCLOSURE
This communication was printed, published, or produced and disseminated at U.S. taxpayer expense.

Subscribe to ASPE mailing list to receive email updates on new publications: https://list.nih.gov/cgi-bin/wa.exe?SUBED1=ASPE-HEALTH-POLICY&A=1

For general questions or general information about ASPE: aspe.hhs.gov/about