



## Marketplace Coverage and Economic Benefits: Key Issues and Evidence

*The Affordable Care Act (ACA) Marketplace has led to substantial coverage gains among small business owners and self-employed individuals, and the American Rescue Plan has bolstered the Marketplace's positive effects on household finances.*

### KEY POINTS

- In addition to improving access to health care, expanding health insurance through the Marketplace also produces economic benefits for millions of Americans.
- The Marketplace serves as an important source of coverage for 2.6 million small business owners and self-employed adults, based on analysis of 2021 tax data, which was the first year for which the American Rescue Plan's enhanced Marketplace premium tax credits were in effect.
- Small business owners and self-employed people make up 25 percent of Marketplace enrollment among working-age adults.
- The uninsured rate for the self-employed fell dramatically since the implementation of the ACA starting in 2014. In 2019, the uninsured rate for self-employed adults ages 21-64 was nearly 10 percentage points lower than the rates seen before the implementation of the ACA (30.0 percent in 2013 vs. 20.5 percent in 2019), corresponding to approximately 1.3 million less uninsured self-employed adults.
- More broadly, research evidence shows that access to health insurance coverage provides substantial benefits in terms of improved household finances.

### Introduction

Marketplace coverage plays a critical role in providing affordable health coverage to people who are self-employed or small business owners. Entrepreneurs have relied on the portability and stability of Marketplace coverage since its inception; Marketplace coverage and premium tax credits allow the self-employed, small business owners, and their employees to take risks including starting a new business or switching to a new job, without fear of losing health coverage. Prior to the ACA, small business owners and the self-employed had limited options for health insurance. Individual insurance market premiums were often unaffordable, with varying access to coverage across states and frequent denial of coverage to those with pre-existing conditions. Following the creation of the ACA Marketplaces, small businesses and the self-employed had greater access to portable, high-quality, comprehensive coverage options in every state. The ACA has helped stabilize health costs for many small business owners that provide employee health coverage, with the rate of small-business premium increases falling by half following implementation of the law.<sup>1</sup>

Building on these benefits, the American Rescue Plan (ARP) expanded the affordability of Marketplace health care coverage by extending Marketplace subsidies to middle-income consumers and increasing premium tax credits for low-income consumers for 2021-2022.<sup>2</sup> Under the ARP, an estimated 14.5 million Americans signed up for coverage through the HealthCare.gov Marketplace plans or state-based Marketplaces during the open enrollment period, with HealthCare.gov consumers seeing their average monthly premium fall by 23% compared to the 2021 enrollment period prior to the ARP.<sup>3</sup> The ARP's enhanced premium tax credits (PTCs) have lowered financial barriers to quality health insurance, leading to broader access to affordable plans and \$800 in average annual savings per person.<sup>4</sup>

This Issue Brief highlights the impacts of the ACA's Marketplace subsidies on coverage rates among self-employed adults and small business owners, based on tax information and national survey data. The report also reviews research evidence on the impact of health coverage on consumer financial security.

## Marketplace Enrollment Among Small Business Owners and Self-Employed Adults

Based on a recent analysis of tax data by the Department of Treasury, in 2021, 2.6 million Marketplace enrollees ages 21-64 were small business owners or self-employed, accounting for 25 percent of working-age individuals with Marketplace coverage (Table 1).<sup>5</sup> Marketplace enrollees were more than 3 times as likely to be small business owners or self-employed compared to those without Marketplace coverage.<sup>6</sup> The Marketplace plays an important role for this population in all 50 states, with the share of working-age Marketplace enrollees who are small business owners or self-employed ranging from 16 to 32 percent by state.

**Table 1: Number of Self-Employed Adults and Small Business Owners with Marketplace Coverage in 2021, Ages 21-64**

	Small Business Owners	Self-Employed	Either	Share of Marketplace Enrollees
Alabama	29,070	18,840	35,470	24%
Alaska	3,300	2,000	3,920	25%
Arizona	25,110	16,690	31,030	24%
Arkansas	11,340	6,340	13,490	21%
California	333,570	210,720	406,510	25%
Colorado	29,700	19,910	37,320	24%
Connecticut	21,590	13,910	25,810	27%
Delaware	3,280	2,010	3,940	21%
District Of Columbia	3,090	2,910	4,240	30%
Florida	345,600	278,660	476,620	26%
Georgia	95,230	63,700	121,000	27%
Hawaii	3,970	2,320	4,780	31%
Idaho	10,230	6,010	12,260	23%
Illinois	49,400	35,570	64,680	25%
Indiana	22,960	13,460	27,160	23%
Iowa	11,940	6,520	13,850	25%
Kansas	16,580	10,470	20,100	24%
Kentucky	12,620	7,450	15,220	23%
Louisiana	17,330	10,150	20,420	28%
Maine	12,160	7,800	14,530	28%
Maryland	25,580	17,840	32,470	21%

	Small Business Owners	Self-Employed	Either	Share of Marketplace Enrollees
Massachusetts	38,530	25,810	47,740	17%
Michigan	43,420	29,060	53,620	24%
Minnesota	21,570	12,250	25,220	25%
Mississippi	16,330	11,040	20,870	20%
Missouri	40,440	25,620	49,140	25%
Montana	8,760	4,340	9,970	26%
Nebraska	15,260	7,900	17,450	27%
Nevada	14,880	9,990	18,960	25%
New Hampshire	10,170	6,540	11,840	30%
New Jersey	49,370	31,380	60,380	23%
New Mexico	6,720	4,400	8,080	22%
New York	45,760	29,020	55,890	23%
North Carolina	83,680	58,600	106,060	23%
North Dakota	5,310	2,360	5,840	32%
Ohio	33,200	21,810	40,240	23%
Oklahoma	28,310	16,370	34,230	25%
Oregon	24,530	15,180	29,290	25%
Pennsylvania	64,080	41,630	78,510	24%
Rhode Island	4,410	2,990	5,390	16%
South Carolina	38,130	24,240	46,310	22%
South Dakota	5,040	2,490	5,830	29%
Tennessee	40,620	27,250	50,100	26%
Texas	233,850	154,810	295,290	27%
Utah	22,420	12,740	27,740	19%
Vermont	5,390	3,240	6,360	27%
Virginia	41,610	28,440	52,690	24%
Washington	37,920	23,990	45,860	23%
West Virginia	3,530	2,370	4,310	22%
Wisconsin	32,740	19,310	38,160	22%
Wyoming	5,060	2,700	5,990	24%
United States	2,107,820	1,413,560	2,646,630	25%

Source: Analysis of tax data from the U.S. Department of Treasury

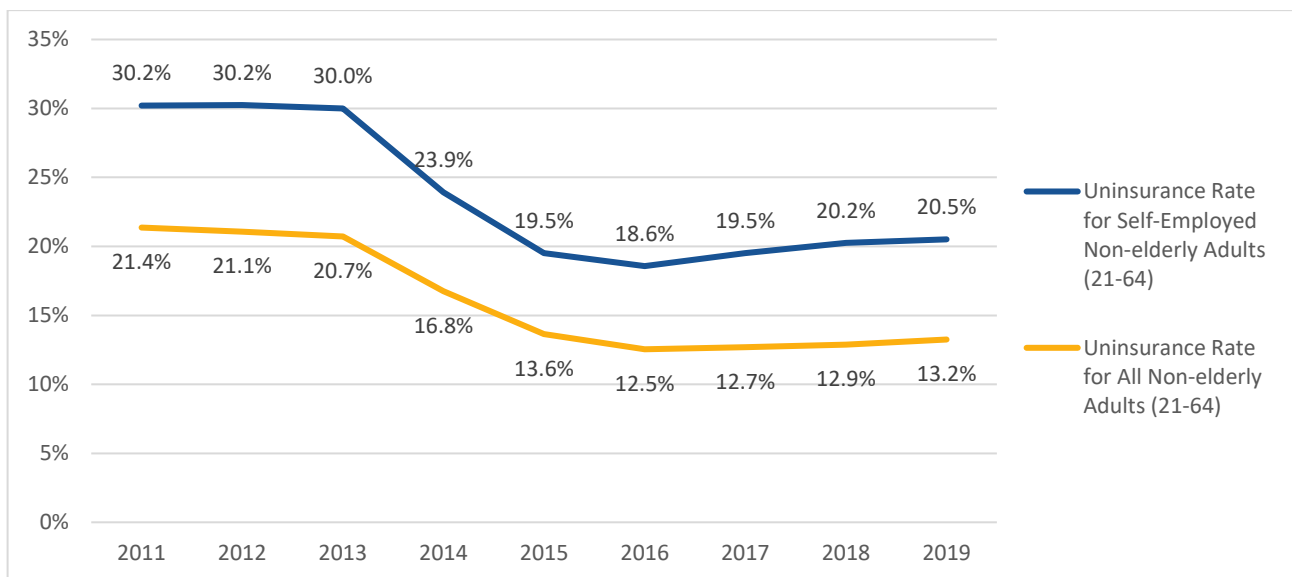
Note: This analysis is based on a 10% random sample of all tax returns. Marketplace coverage is measured using data submitted to the IRS on Forms 1095-A for tax year 2021. Small business owners are defined based on information contained in Form 1040 Schedules C, E and F, Forms 1065, and 1120S. The definition follows OTA Technical Paper 4 with the exception that the income threshold is set to \$5 million. A taxpayer is defined as self-employed if they received at least 85% of their earnings from income reported on Schedule SE. Self-employment and small business ownership based on 2020 data.

## Changes in the Uninsured Rate for Self-Employed Adults

Prior to the ACA, small businesses and self-employed individuals comprised a disproportionate share of the working uninsured, with 6 out of 10 uninsured workers being self-employed or employed at a small business in 2011.<sup>7</sup> The ACA increased access to health coverage through the Marketplaces, prohibited insurers from setting premiums or denying coverage based on pre-existing conditions, and protected consumers with provisions such as essential health benefits, no annual or lifetime limits, and no rescissions of coverage.<sup>8,9</sup>

Previous research showed that the ACA led to a significant decline in the uninsured rate among self-employed adults after 2014.<sup>10,11</sup> In this section, we present new estimates from the American Community Survey (ACS) through 2019 (the most recent year with comparable data\*). Figure 1 shows the sharp decline in the uninsured rate for all adults ages 21-64 and self-employed adults in that age range, starting in 2014, when the ACA Marketplace was first implemented. The uninsured rates increased slightly for both groups between 2016 and 2019 but has remained well below pre-ACA levels. Uninsured rates for self-employed adults are higher than for all adults in this age range, but the gap has narrowed under the ACA. The uninsured rate for self-employed adults in 2019 was almost 10 percentage points lower than the rates seen before the ACA, while the analogous change rate for all adults was 7.5 percentage points. The number of uninsured self-employed adults decreased from 4.3 million individuals in 2013 to 3.0 million in 2019, indicating that the ACA was linked to 1.3 million less uninsured self-employed adults.

**Figure 1. Uninsured Rate for Self-Employed Adults, Ages 21-64**



Source: ASPE analysis of the American Community Survey (ACS) data, 2011-2019.

Note: Self-employed includes those who described their employment as self-employed in either their own incorporated business or their own not incorporated business. It does not include those who described their employment as working without pay in family business or farm.

\* The 2020 ACS response rate was affected by the COVID-19 pandemic, and the Census Bureau cautions against direct comparisons of 2020 data to previous years. Similarly, the Treasury Department cautions against direct comparison of self-employment rates reported in the ACS and self-employment rates reported in the tax data because the definitions of self-employed differs between the two.

## Research Evidence on Coverage and Financial Security

Research studies show that coverage expansion provides better access to affordable health care,<sup>12</sup> and also improves consumer financial wellbeing, including credit score improvement, reductions in medical and non-medical debt, and fewer bankruptcy filings.<sup>13,14</sup> A Massachusetts study found consumers with newly acquired coverage had reductions in total debt and third-party debt collections with a reduced likelihood of having more than \$1,000 in debt collections or debt due greater than \$5,000.<sup>15</sup> Catastrophic medical expenditures were also dramatically reduced and nearly eliminated after access to coverage, with a reduction of medical debt estimated around \$6 billion in aggregate or about \$1,231 per newly covered consumer.<sup>16,17</sup> The reductions in personal debt have also translated to more disposable income for non-medical expenses including rent and mortgage payments, leading to lower eviction filings and evictions for newly covered beneficiaries.<sup>18</sup> In the context of high inflation, greater out-of-pocket savings can be particularly useful in helping families pay for other necessary household expenses.

Greater subsidies through the premium tax credits have also had substantial impacts on health care equity, including promoting income equality and addressing racial and socioeconomic disparities in access to care and health outcomes.<sup>19</sup> Affordable coverage has also helped rural residents, who are more dependent on the individual Marketplace compared to their urban counterparts, gain health care coverage.<sup>20</sup> A May 2022 study found that average premiums were 10% higher in rural areas, but ARP subsidies limited the financial strain of these higher premiums on consumers.<sup>21</sup> In addition, enhanced coverage helped slow the rate of rural hospital closures, and in turn, retained crucial jobs in local communities and lowered regional unemployment.<sup>22,23</sup>

Access to adequate health insurance limits uncompensated care costs on health systems and excessive medical debt burdens on low- and middle-income families. Coverage reduces the share of consumers who did not receive care due to cost or who had problems paying medical bills.<sup>24</sup> In general, adequate health insurance and protections against catastrophic out-of-pocket costs allows greater upward social mobility.<sup>25</sup> Expanding coverage has also helped narrowed racial and socioeconomic disparities in access to care, cancer care, and maternal mortality among other health outcomes.<sup>26,27,28</sup>

Prior ASPE analyses have found that the ARP lowered Marketplace premiums and expanded access to affordable plans for low and middle-income consumers,<sup>29,30,31</sup> provided coverage to approximately 3 million people who would otherwise be uninsured and offered more generous financial support to more than 10 million people.<sup>32</sup>

## Conclusion

The ACA's Marketplace, combined with the expanded premium tax credits under the ARP, are providing a critical pathway to affordable health insurance to 2.6 million self-employed adults and small business owners. The uninsured rate among self-employed adults has dropped substantially under the ACA, and studies indicate the multifaceted benefits to household financial security based on gaining health insurance.

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