NASHP | NATIONAL ACADEMY FOR STATE HEALTH POLICY

State Health Exchange LEADERSHIP NETWORK

Updated April 14, 2022

Impact of the American Rescue Plan Act on State-Based Health Insurance Marketplaces: Increased Affordability and Access for Consumers

The American Rescue Plan Act (ARPA) has had a significant impact on the health insurance marketplaces, making coverage more affordable and accessible to millions of Americans.

ARPA enhanced the amount of tax credits available to marketplace consumers and extended eligibility for premium tax credits to more middle-income Americans (individuals making over $54,360 per year or over $111,000 for a family of four). Currently, these provisions are set to expire on December 31, 2022.

The National Academy for State Health Policy (NASHP) operates the State Health Exchange Leadership Network, a consortium of the state leaders and staff operating the state-based health insurance marketplaces (SBMs). To understand the impact of ARPA's tax credit enhancements and the potential ramifications if those policy changes expire, NASHP engaged the Network to gather data on the impact of ARPA.

Below is a summary of key findings reported by the SBMs.[i]

ARPA lowered costs and expanded access to health insurance for over 4.2 million Americans enrolled in coverage through the SBMs.[ii] The enhanced subsidies enabled greater financial security and health protections for marketplace consumers.

Historic enrollment growth

ARPA's enhanced subsidies led to record enrollments across many of the SBMs, driven by the over 685,000[iii] individuals who newly enrolled in SBM coverage in 2022. Several SBMs, including California, Colorado, Connecticut, Maryland, Minnesota, New Jersey, and Washington, reported record-high enrollments.

Substantial affordability support

ARPA's enhanced subsidies enabled premium savings, with SBMs reporting average savings of ranging from 7-47%.[iv] In addition, 8 states report that 20% or more of their enrollees are paying less than $25 per month for coverage.

Enrollment increases across target populations including young adults, and older adults

ARPA's premium support has particularly benefitted certain target populations including communities of color who are generally disproportionately impacted by a lack of access to routine care and by the pandemic economy.

- 15 SBMs report enrollment increases among their young adult population (age 18-34); enrollment grew by 10% or more in California, New Jersey, New Mexico, and Pennsylvania.v
- 16 SBMs report enrollment increases among older adults (age 55-64); enrollment great by 10% or more in Colorado, Maine, New Jersey, Nevada, and Pennsylvania.vi
- California, Maryland, New Jersey, and Oregon reported enrollment growth in African-American/ Black communities. vii
- California, Pennsylvania, Maryland, New Jersey, and Oregon also reported enrollment growth across Hispanic/Latino enrollees. viii

Increased purchasing power and financial security

Additional savings enabled thousands of households to "purchase up," granting them improved financial protection from high out-of-pocket spending on healthcare and access to coverage with more robust benefits.

- All SBMs reported hundreds of enrollees electing plans at higher metal tiers (e.g., from bronze to silver or silver to gold). The biggest shifts were reported in Maryland and Washington, where over 18,000 and 10,000 consumers, respectively, elected to enroll in higher metal tier plans.

Expiration of the ARPA enhancements will lead to market disruptions and premium increases for millions of SBM enrollees, resulting in an increase in the uninsured.

Premium increases predicted for most SBM enrollees

SBMs estimate most of their enrollees will lose financial support if the enhanced subsidies are not extended. SBMs estimate that consumers' average spending on premiums may increase by 15-70%.[ix] Connecticut, Minnesota, and New York estimate consumers will spend over $1,300 per year in additional premium costs.

Disenrollments will change market dynamics and limit purchasing power

SBMs anticipate thousands may disenroll from coverage through their marketplaces if the enhanced subsidies expire, changing the dynamics of risk pools, resulting in premium increases.

In addition to dropping coverage, increased costs will drive many customers to "purchase down" to coverage with less robust benefits and fewer financial protections, eliminating increased financial security and improved access to health care services enabled by plans at higher metal tiers.

Immediate action to extend the enhanced subsidies is needed. Insurers have already begun analyses to set their rates for 2023, as SBMs begin making operational changes to prepare for the 2023 enrollment season

SBMs, state Departments of Insurance, and insurance carriers have begun planning for the 2023 open enrollment period which will begin November 1, 2022.

- Insurers are currently negotiating 2023 premium rates. Unless Congress acts, the insurers will assume tax credits will not be extended, resulting in significant increases in premiums. While consumers will be made directly aware of plan changes in renewal notices sent in September and October, insurance rates in most states will be finalized and publicized beginning in July.
- In tandem, SBMs have begun planning operational changes for 2023, including modifications to eligibility systems, websites, and marketing strategies. To be ready for the open enrollment season, SBMs begin executing these changes as early as May.

Additional preparations for a possible influx of individuals who will no longer qualify for Medicaid once the federal public health emergency ends, compounding urgency and complications for SBMs

SBMs are working diligently in coordination with their Medicaid agencies to prepare for the anticipated transition of millions of individuals from Medicaid to the marketplaces once the public health emergency, and corresponding Medicaid Maintenance of Effort requirements are lifted.[x] SBMs want to provide a soft landing to ensure that as many of these individuals retain needed health coverage, but dual focus on both planning for the end of the PHE and the potential end of APRA puts operational and financial strain on the marketplaces, while also risking coverage losses from transitioning individuals.

ARPAs enhancements ease transitions from Medicaid by making $0 coverage available to low-income consumers

ARPA's new tax credit structure enables consumers up to 150% FPL to qualify for a $0 benchmark plan Availability of this $0 option will ease the transition from many who have become accustomed to coverage under Medicaid.

Without ARPA, consumers up to 150% FPL could be expected to pay up to $70/ mo. for a benchmark plan—unaffordable for most at this income level.

For more information related to this document, please contact Hemi Tewarson, Executive Director, The National Academy for State Health Policy, htewarson@nashp.org

[i] Except where otherwise noted, information for this analysis includes data collected from 17 SBM states: CA, CO, CT, DC, ID, ME, MD, MA, MN, NV, NJ, NY, OR, PA, RI, VT, and WA.
[ii] CMS Marketplace Open Enrollment Period Public Use Files, 2020-2022, available at: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/index.html
[iii] Ibid.
[iv] Data not available for CT, DC, ME, NV, OR and VT
[v] CMS Marketplace Open Enrollment Period Public Use Files, 2020-2022, available at: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/index.html
[vi] Ibid.
[vii] Limited race, ethnicity data only available from CA, MD, NJ, OR, and PA.
[viii] Limited race, ethnicity data only available from CA, MD, NJ, OR, and PA.
[ix] Data not available for CT, MN, NJ, OR, VT and WA
[x] The Urban Institute. (2021) What Will Happen to Unprecedented High Medicaid Enrollment after the Public Health Emergency? https://www.urban.org/sites/default/files/publication/104785/what-will-happen-to-unprecedented-high-medicaid-enrollment-after-the-public-health-emergency_0.pdf