Health Care in Motion
Timely, Substantive Updates on Policy Shifts · Actionable Advocacy to Protect Health Care

May 22, 2024

The Advocacy Fight to Save Enhanced ACA Subsidies is Heating Up: What This Means for People with Chronic and Complex Conditions

At the end of the last open enrollment period, Affordable Care Act (ACA) marketplace sign-ups were at an all-time high, with over 21 million people choosing a plan. This exceeded last year's sign-ups (which were also a record high) by 5 million. These unprecedented marketplace enrollment numbers are largely driven by COVID-era reforms that increased the generosity of premium tax credits (PTCs), making marketplace coverage more affordable for millions of Americans. However, these enhanced PTCs are time-limited. They have already been extended once and are now set to expire at the end of 2025. Read on to learn more about how these enhanced PTCs have impacted marketplace coverage and what's at stake if Congress fails to extend them.

What are PTCs?

For people eligible for them, PTCs reduce the monthly premium for a marketplace plan. The amount of an individual plan member's PTC is based on that person's income and the premium amount for a silver benchmark plan where they live. The difference between the expected contribution and the premium amount for a silver benchmark plan is the amount someone gets in PTCs. As a plan member's income rises, their expected contribution goes up (and PTCs go down). While the amount of the PTC is based on a silver benchmark plan, a person can apply their PTC to any metal level plan.

What Are the Enhanced ACA PTCs and Who Are They Helping?

In March 2021, Congress enacted a massive piece of COVID-19 relief legislation, the American Rescue Plan Act (ARPA). As a partial response to the massive health care access disparities and gaps in coverage that COVID-19 exposed, Congress included in ARPA a set of provisions aimed at making marketplace coverage more affordable. First, Congress made PTCs more generous across every income bracket. And second, Congress removed the eligibility cap for PTCs set at 400% FPL, instead allowing higher income enrollees to get PTCs on a sliding scale based on income.

ARPA only authorized enhanced PTCs for two years – 2021 and 2022. However, after a massive advocacy push and evidence showing the importance of these subsidies in expanding access to coverage, Congress extended the subsidies for another three years, through 2025. Because the enhanced PTCs have coincided with the end of the COVID-era Medicaid continuous coverage requirement, they have also been an important bridge to help people transition from Medicaid to marketplace coverage. The PTCs have been a major driver of growth in ACA enrollment numbers both overall and among groups that are more likely to be uninsured, including people of color and people with low income.

More generous PTCs across the board

- The enhanced PTCs reduce the amount that individuals have to pay for marketplace coverage in every income bracket
- People under 150% FPL can enroll in $0 premium silver plans and 4 out of 5 enrollees are now able to find a plan for $10 or less per month

Elimination of 400% FPL "cliff"

- For the first time, ARPA expanded PTCs to people making over 400% FPL, eliminating this eligibility "cliff," that harmed people with incomes on the cusp of eligibility
- Now, anyone can get some amount of PTCS as long their marketplace premiums would exceed 8.5 percent of household income

PTCs in Action

A 40-year-old person living in Virginia making ~$41K per year (200% FPL), will receive $308 in monthly PTCs. If this person has a chronic condition and thus chooses a gold level plan with lower cost sharing, they will only pay $100 per month in premiums instead of $500 per month without PTCs.

The PTCs also provide an important benefit to individuals with chronic or complex conditions who, because of their higher healthcare utilization, may need marketplace plans with lower deductibles and cost sharing. ACA plans are organized into metal levels, where higher metal level plans cover a larger percentage of a plan member's healthcare costs in exchange for generally higher premiums. People with chronic or complex conditions thus often need higher metal level plans to adequately cover their healthcare needs. But without significant subsidies, high plan premiums can make enrollment in these plans too costly for people who are living with low or moderate income. The PTC amounts are calculated using a silver level plan, but enrollees are free to apply their PTC amount to any metal level plan.

Premiums

Metal Level	Insurance Plan Pays (Actuarial Value)	Individual Pays
Platinum	90%	10%
Gold	80%	20%
Silver*	70%	30%
Bronze	60%	40%

Individuals with income below 250% FPL are also eligible for cost-sharing reductions (CSRs) that boost the cost-sharing generosity of their plans. People eligible for CSRs must choose a silver level plan to get the CSR benefits, but the CSRs lower the individual's deductible and cost-sharing amounts under the plan, making it function more like a platinum or gold plan. However, people with incomes over 250% FPL who are not eligible for CSRs may still need more generous plans with lower cost sharing, but often have trouble affording the premiums for these more expensive plans. This is especially true for people with chronic and complex conditions who often anticipate a lot of healthcare expenses over the year. The enhanced PTCs mean that these individuals can apply their enhanced PTC to a higher metal level plan, enabling them to afford the premiums for a plan with more generous cost sharing.

CBPP Report Connecting Premium and Cost Sharing Affordability

The Center on Budget and Policy Priorities (CBPP), working with a coalition of stakeholders, including CHLPI, recently published a report on marketplace cost-sharing affordability challenges and policy solutions. The report highlighted the impossible trade-offs for people with chronic and complex conditions when people must choose between unaffordable premiums or unaffordable cost sharing and included extending the enhanced PTCs as an important federal policy intervention to improve marketplace plan affordability.

This has had real consequences for people looking for lower deductible plans. CBPP has observed that among people who selected a plan on HealthCare.gov, median individual deductibles dropped by almost half, from $750 to $400, between 2021 and 2023.

What Happens if Congress Allows the Enhanced PTCs End?

There is mounting evidence that allowing enhanced PTCs to expire would have disastrous consequences for marketplace enrollees. An analysis from the Urban Institute found that:

- In 2022, when the enhanced PTCs were first set to expire, people eligible for PTCs with incomes between 150 and 400% of FPL would pay more than $1,000 more annually per person for a silver plan, and people with incomes above 400% of FPL who would lose PTC eligibility would pay about $2,000 more per year.
- Black people would have seen the largest increase in uninsured rates compared to other racial and ethnic groups if the enhanced PTCs had ended in 2022.
- The uninsured rate overall would increase.
- Because marketplace enrollment is likely to decrease, especially among younger and healthier enrollees who are often more price sensitive than those with complex chronic conditions, premiums would likely increase for marketplace plans, impacting even those who do not receive PTCs.

What's Next?

Congress has until the end of 2025 to act to extend (or make permanent) the enhanced PTCs. But advocates warn that Congress needs to act sooner than this to ensure that consumers and plans have the information they need heading into the 2026 open enrollment period, which starts in November 2025. Coalition efforts to push Congress to act will be critical, and the voices of organizations representing people living with complex and chronic conditions are a powerful voice in this fight.

Subscribe to all Health Care in Motion Updates

Health Care in Motion is written by Carmel Shachar, Health Law and Policy Clinic Faculty Director; Kevin Costello, Litigation Director; Elizabeth Kaplan, Director of Health Care Access; Maryanne Tomazic, Clinical Instructor; Rachel Landauer, Clinical Instructor; Johnathon Card, Staff Attorney; and Suzanne Davies, Clinical Fellow. This issue was written with the assistance of Amy Killelea of Killelea Consulting.

*For further questions or inquiries please contact us at **chlpi@law.harvard.edu**.*