



What if the American Rescue Plan's Enhanced Marketplace Subsidies Were Made Permanent?

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August 13, 2021

What if the American Rescue Plan's Enhanced Marketplace Subsidies Were Made Permanent? Estimates for 2022

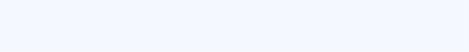
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April 2021

Thank you to Claire O'Brien for help with these slides.



Purpose of our analysis

- We estimated maximum potential impact of the ARPA's enhanced Marketplace subsidies to set the stage for policymakers' next steps.
- We modeled our analysis as if the ARPA's changes were permanent instead of temporary.
- We estimated results for 2022 as if consumers, insurers and employers had fully adjusted their behavior in response.



We use microsimulation modeling to project into the future under a “what if” scenario

- Health Insurance Policy Simulation Model (HIPSM)
- HIPSM models how consumers, employers and insurers respond to changes in the price of insurance options and the creation of new alternatives
- Behavioral responses based on economics literature
- The underlying data of the model are calibrated to align with the most recent administrative information on enrollment and premiums



Summary of main results

- 4.2 million fewer people would be uninsured, a decline of 14 percent
- 5.1 million additional people would enroll in subsidized coverage through the Marketplace, a 60 percent jump.
- Nongroup premiums would be 15 percent lower than if no change in subsidies because new enrollees would be healthier on average than existing enrollees
- Household financial burdens among the 13.5 million subsidized marketplace enrollees would fall substantially. Average spending on premiums would drop nearly 50 percent among enrollees below 200 percent of FPL
- Federal spending would increase by \$17.6 billion in 2022, under our assumptions

Subsidy Schedules before ARPA and with American Rescue Plan, 2022

Income (% of FPL)	Before ARPA	American Rescue Plan
Premium Tax Credit Percent of Income Limits for Benchmark Coverage		
< 138	2.07	0.0-0.0
138–150	3.10-4.14	0.0-0.0
150–200	4.14-6.52	0.0-2.0
200–250	6.52-8.33	2.0-4.0
250–300	8.33-9.83	4.0-6.0
300–400	9.83	6.0-8.5
400–500	n.a.	8.5-8.5
500–600	n.a.	8.5-8.5
600+	n.a.	8.5-8.5
Benchmark Plan	Silver	Silver
Cost-Sharing Reductions: Actuarial Value of Plan Provided to Eligible Enrollees (%)		
< 138	94	94
138–150	94	94
150–200	87	87
200–250	73	73
250–300	70	70
300–400	70	70
400–500	70	70
500–600	70	70
600+	70	70

Sources: Internal Revenue Service, Health and Human Services Department, and American Rescue Plan Act of 2021, Pub. L. No. 117-2.

Notes: FPL is federal poverty level. Percentage-of-income caps applied in 2022; before-ARPA caps are for 2021 and are indexed each year. Annual adjustments to caps have been modest and are not made until close to the end of year open enrollment period.

Coverage Distribution of the Nonelderly, before ARPA and with ARPA's Marketplace Premium Subsidy Schedule, 2022

	Before ARPA	Alternative	Change	Change (%)
	# Thousands	#Thousands	# Thousands	% change
Employer	149,325	148,850	-475	-0.3%
Private Nongroup	14,960	19,574	4,613	30.8%
Medicaid/CHIP	71,162	71,528	366	0.5%
Uninsured	30,766	26,579	-4,188	-13.6%
Total	277,446	277,446	0	0.0%

Source: Urban Institute Health Insurance Policy Simulation Model, 2021.

Note: CHIP is Children's Health Insurance Program.

Changes in Number of Uninsured Nonelderly People, by Income Group, 2022

Thousands of people

	Before ARPA	Alternative Subsidies	Change	Change (%)
Below 138% of FPL	14,530	14,218	-312	-2.1%
Between 138% and 200% of FPL	4,581	3,942	-639	-13.9%
Between 200% and 400% of FPL	7,712	5,298	-2,414	-31.3%
Above 400% of FPL	3,943	3,120	-823	-20.9%
Total, all incomes	30,766	26,579	-4,188	-13.6%

Source: Urban Institute Health Insurance Policy Simulation Model, 2021.

Note: Income groups are based on computations for Medicaid eligibility.

Federal Health Care Spending for the Nonelderly before ARPA and with Permanent ARPA Marketplace Premium Subsidy Schedule, 2022

Millions of dollars

	Before ARPA	Alternative Subsidies	Change
Medicaid and CHIP	376,113	378,098	1,985
Marketplace PTC	58,277	76,701	18,424
Reinsurance	1,314	1,314	0
Uncompensated Care	15,700	12,913	-2,787
Total	451,405	469,026	17,622

Source: Urban Institute Health Insurance Policy Simulation Model, 2021.

Note: CHIP is Children's Health Insurance Program. PTC is premium tax credit. Uncompensated care includes federal spending that will shrink in proportion to reductions in the number of uninsured (largely Medicare Disproportionate Share Hospital payments).

Household Spending for the Nonelderly with Nongroup Coverage before ARPA and with Permanent ARPA Marketplace Premium Subsidy Schedule, by Income Group, 2022

Dollars

	Spending per Enrollee			
	Before ARPA	Alternative Subsidies	Change	Change (%)
Household Spending on Premiums				
Below 200% of FPL	1,182	624	-559	-47.2%
Between 200% and 400% of FPL	2,619	1,609	-1,009	-38.5%
Above 400% of FPL	5,864	4,173	-1,691	-28.8%
All Incomes	2,768	1,850	-919	-33.2%
Household Out-of-Pocket Spending				
Below 200% of FPL	1,314	1,065	-248	-18.9%
Between 200% and 400% of FPL	2,691	2,158	-533	-19.8%
Above 400% of FPL	3,022	2,970	-51	-1.7%
All Incomes	2,157	1,938	-219	-10.1%

Source: Urban Institute Health Insurance Policy Simulation Model, 2021.

Note: FPL is federal poverty level

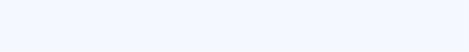
Comparing to CBO Estimates

- Our estimates vary from those published by CBO mainly because of different approaches. CBO estimates the effects of a law as written. This means their model assumes that ARPA's health care provisions are temporary and not everyone responds to the new subsidies.
- In contrast, we chose to assume that the provisions are permanent and that consumers, employers, and insurers have fully adjusted their behavior in response.
- CBO projects 1.3 million fewer uninsured people while we project 4.2 million fewer uninsured people by 2022. CBO estimates 1.7 million more marketplace enrollees while we estimate 5.1 million more enrollees.
- CBO estimates the ARPA's enhanced marketplace subsidies would increase the deficit by \$21.9 billion in 2022, compared to our estimate of \$17.6 billion. This difference likely due to (a) lower Marketplace premiums and (b) more offsetting savings from reduced tax preferences for ESI.



Employers Response to ARPA

- Some worry that permanently expanding premium tax credit eligibility to those with incomes above 400 percent of FPL could cause some employers to stop offering ESI to their workers.
- However, research shows most employers responded to the ACA by increasing the rates at which they offered insurance to their employees.
- Our analysis is consistent with the latest evidence on employers, and we estimate very few employers currently offering insurance to their workers would find it advantageous to stop offering coverage. This partially owes to the substantial value of the ESI subsidy under the current tax structure and employee preferences for broad provider networks.
- CBO estimates that 100,000 people with ESI would switch to the marketplace because of new subsidies, while we estimate that 335,000 people with ESI would switch to the subsidized marketplace and 140,000 people would switch to other sources of coverage.



Health Insurance Policy Simulation Model (HIPSM)

- Detailed model designed to estimate the cost and coverage effects of proposed health care policies, yielding national and state-level estimates
- Based on 2 years of data from American Community Survey (ACS) which provides a representative sample of families with information on more than 6 million observations
- Sample is reweighted to match administrative data on Medicaid and Marketplace enrollment and costs for each state; also reweighted to future populations.
- Additional data are imputed, including family health insurance relationships, drawn from Current Population Survey (CPS), and health care spending from the Medical Expenditure Panel Survey (MEPS).