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Health Insurance Costs Will Rise Steeply if Premium Tax Credit Improvements Expire

By Gideon Lukens

Improvements to premium tax credits, enacted in the American Rescue Plan and extended by the Inflation Reduction Act, have helped millions of people afford health coverage in the Affordable Care Act (ACA) marketplaces. But the enhanced premium tax credits are set to expire after 2025. If Congress does not act, nearly all marketplace enrollees will face significantly higher premium costs and 3.8 million will become uninsured, according to Congressional Budget Office estimates.

Premium Tax Credit Improvements Save \$700 on Average

A record 92 percent of marketplace enrollees, or 19.7 million people, qualified for premium tax credits (PTCs) in 2024.¹ These tax credits provide up-front financial assistance to help people afford the individual or family health insurance plans offered in their state through the ACA marketplaces.²

The PTC enhancements helped these enrollees by:

- lowering the caps on premium contributions for people of all income levels;
- allowing people with incomes between 100 and 150 percent of the poverty level to pay \$0 in premiums for “benchmark” silver-level plans; and
- extending eligibility for PTCs to people with incomes above 400 percent of the poverty level if their benchmark premiums would exceed 8.5 percent of household income.

The average enrollee saved an estimated \$700 in 2024 because of the PTC enhancements. Average monthly premiums were 32 percent *lower* than in 2021, before the enhancements took effect.³

¹ Centers for Medicare & Medicaid Services (CMS), 2024 Marketplace Open Enrollment Period Public Use Files, <https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files>.

² CBPP, Beyond the Basics, “Key Facts: Premium Tax Credit”, updated August 2023, <https://www.healthreformbeyondthebasics.org/premium-tax-credits-answers-to-frequently-asked-questions/>

³ CMS, “Health Insurance Marketplaces 2024 Open Enrollment Report,” March 22, 2024, <https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files>

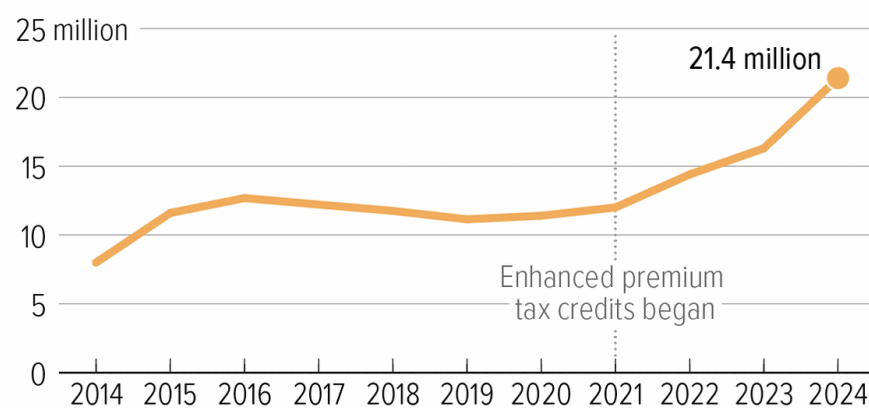
Improvements Spurred Record Coverage, Especially Among Black and Latino People

By making health insurance more affordable, the PTC enhancements helped drive a record 21.4 million people to sign up for marketplace coverage in 2024. This is nearly twice as many as in 2021, when only 12 million people enrolled.⁴ (See Figure 1.)

FIGURE 1

Four Consecutive Years of ACA Marketplace Enrollment Growth, Spurred by Affordability and Outreach Efforts

Affordable Care Act (ACA) marketplace open enrollment plan selections



Source: Health Insurance Marketplace Open Enrollment Reports for 2014, 2015, and 2016, Office of the Assistant Secretary for Planning and Evaluation (ASPE), Department of Health and Human Services (HHS); Marketplace Open Enrollment Period Public Use Files for 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024, Centers for Medicare and Medicaid Services (CMS), HHS.

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The PTC enhancements have been especially critical for increasing enrollment among Black and Latino people. People of color made up the majority of marketplace enrollees for the first time in 2023. Between 2021 and 2023, marketplace enrollment among Black and Latino people each grew by over 80 percent, far outpacing the growth rates for other racial and ethnic groups.⁵ Marketplace enrollment rates of Asian American people have long been higher than other racial and ethnic

⁴ *Ibid.*

⁵ Nearly half of enrollees' races and ethnicities were unknown in 2024 marketplace enrollment data. The estimates cited here are limited to states that use the HealthCare.gov platform and include imputations of missing race and ethnicity data, which greatly improves the usefulness of the data but does not disaggregate beyond broad racial and ethnic categories. Anupama Warriar *et al.*, "HealthCare.gov Enrollment by Race and Ethnicity, 2015-2023," Office of the Assistant Secretary for Planning and Evaluation, HHS, March 22, 2024, <https://aspe.hhs.gov/reports/marketplace-enrollment-race-ethnicity-2015-2023>.

groups, potentially due to robust and language-specific enrollment assistance among non-profits and insurance brokers.⁶

The enhancements also helped spur enrollment among people with lower incomes — those just above the minimum income level for PTC eligibility. Between 2021 and 2024, marketplace enrollment among people with incomes between 100 and 200 percent of the federal poverty level more than doubled, with enrollment growing by 109 percent compared to 46 percent among those with other incomes.⁷

Many of these coverage gains will be lost if PTC enhancements are allowed to lapse. If the enhancements are not made permanent and instead are allowed to expire, the Congressional Budget Office projects that 3.8 million more people would be uninsured.⁸

If Improvements Expire, Premiums Will Rise in Every State for People of All Ages and Income Levels

If PTC enhancements expire, premium costs will increase for people across states, ages, and income levels. The initial impact would occur in the spring and summer of 2025, as insurers begin making premium rates public, and would intensify in the fall of 2025 when people begin shopping for 2026 plans. Among those with lower incomes who would see their subsidies reduced, for example:

- A single individual making \$21,000 (144 percent of the poverty level) would no longer be eligible for a zero-premium plan and would see their monthly marketplace premium rise from \$0 to \$66 — an annual increase of \$792.
- A single individual making \$30,000 (205 percent of the poverty level) would see their monthly marketplace premium more than double, from \$55 to \$168 — an annual increase of \$1,350.
- A 60-year-old couple making \$45,000 (228 percent of the poverty level) would see monthly marketplace premiums increase from \$117 to \$283 — an annual increase of almost \$2,000.
- A family of four making \$60,000 (200 percent of the poverty level) would see their monthly marketplace premium increase from \$100 to \$326 — an annual increase of about \$2,700. (See Figure 2 for a family of four at different income levels; Appendix Table 1 for premium increases among people of various family sizes, ages, and incomes; and Appendix Table 2 for premium increases at the state level.)

As a result of the enhancements, people with incomes above 400 percent of the federal poverty level became newly eligible for PTCs if their marketplace premiums would exceed 8.5 percent of

⁶ CBPP analysis of American Community Survey. Rose Chu and Benjamin Sommers, “Health Insurance Coverage Changes Since Implementation of the Affordable Care Act: Asian Americans and Pacific Islanders,” Office of the Assistant Secretary for Planning and Evaluation, HHS, May 2021, <https://aspe.hhs.gov/reports/health-insurance-coverage-changes-asian-americans-pacific-islanders>.

⁷ CMS, “Marketplace Open Enrollment Period Public Use Files,” March 22, 2024, <https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2024-marketplace-open-enrollment-period-public-use-files>.

⁸ Congressional Budget Office, “Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues,” May 8, 2024, <https://www.cbo.gov/publication/60114>.

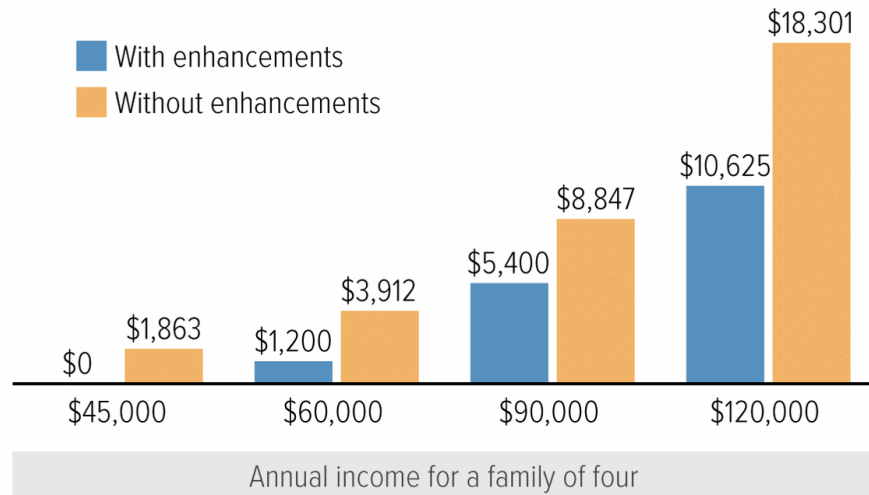
household income. If the PTC enhancements are not extended, the premium increases for people in this group would be dramatic:

- A typical 60-year-old couple making \$80,000 (405 percent of the poverty level) would see monthly marketplace premiums more than triple, from \$567 to \$2,026 — an annual increase of roughly \$17,500.
- A typical family of four making \$125,000 (416 percent of the poverty level) would see their monthly marketplace premium increase from \$885 to \$1,525 — an annual increase of about \$7,700.

FIGURE 2

Families Would Face High Premium Increases if Tax Credit Enhancements Expire

Annual premium for benchmark marketplace coverage for a family of four, based on national average premium



Note: The example family includes two 40-year-old adults, a 10-year-old child, and a 5-year-old child. Premium costs differ for states with different poverty level standards than the national standard (Alaska and Hawaii) and in some cases differ for states that provide additional financial help beyond the federal subsidy.

Source: CBPP calculations

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Premiums would rise the most:

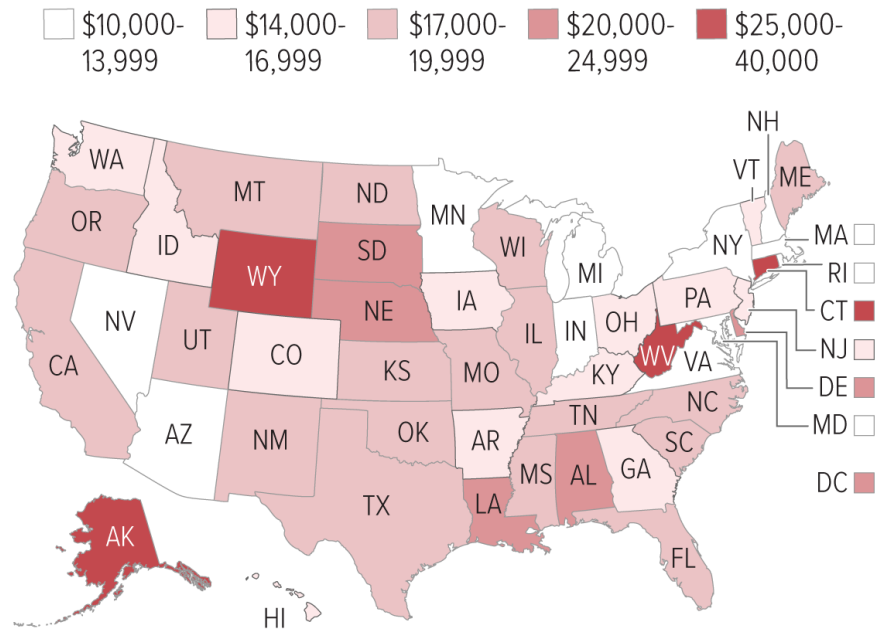
- in states with high underlying marketplace premiums, such as West Virginia and Wyoming;
- for older enrollees, who pay higher premiums under ACA rules than younger people; and
- for people with incomes above 400 percent of the poverty level, who would lose subsidies entirely if the enhancements expired.

For example, a 60-year-old West Virginia couple making \$80,000 would see annual premiums for a benchmark silver plan increase more than sixfold, from \$6,800 to over \$43,000. (See Figure 3 and Appendix Table 2).

FIGURE 3

Premiums Would Rise Dramatically for Some Groups if Tax Credit Enhancements Expire

Annual premium increase, 60-year-old couple with income of \$80,000 (405% FPL)



Note: FPL = federal poverty level. The FPL for these calculations is based on 2023 poverty guidelines, which are used to determine premium tax credits for 2024 marketplace coverage. Examples are illustrative and based on 2024 state average benchmark (second-lowest-cost silver plan) premiums with age adjustments. Alaska and Hawai'i have state poverty levels that differ from the federal poverty level; estimates for Alaska and Hawai'i assume that the state poverty levels match the federal poverty levels depicted, which means that income levels in the examples differ from those depicted. Estimates do not account for any state subsidized marketplace premiums beyond the federal subsidy because such state policies may be dependent on the federal tax credit enhancements.

Source: CBPP calculations

Appendix

APPENDIX TABLE 1

National Average Premium Increases if Enhancements Expire, by Income Level

	Annual marketplace premiums			
	With enhancements (current)	Without enhancements	Premium increase without enhancements	Percentage premium increase
45-year-old individual				
\$21,000 (144% FPL)	\$0	\$792	\$792	N/A
\$30,000 (205% FPL)	\$660	\$2,010	\$1,350	205%
\$45,000 (308% FPL)	\$2,790	\$4,424	\$1,634	59%
\$60,000 (411% FPL)	\$5,100	\$6,467	\$1,367	27%
60-year-old couple				
\$29,000 (147% FPL)	\$0	\$1,147	\$1,147	N/A
\$45,000 (228% FPL)	\$1,404	\$3,390	\$1,986	141%
\$60,000 (304% FPL)	\$3,660	\$5,898	\$2,238	61%
\$80,000 (405% FPL)	\$6,800	\$24,311	\$17,511	258%
Family of four				
\$45,000 (150% FPL)	\$0	\$1,863	\$1,863	N/A
\$60,000 (200% FPL)	\$1,200	\$3,912	\$2,712	226%
\$90,000 (300% FPL)	\$5,400	\$8,847	\$3,447	64%
\$125,000 (416% FPL)	\$10,625	\$18,301	\$7,676	72%

Note: FPL = federal poverty level. The FPL for these calculations is based on 2023 poverty guidelines, which are used to determine premium tax credits for 2024 marketplace coverage. Examples are illustrative and based on 2024 national average benchmark (second-lowest-cost silver plan) premiums with age adjustments. The example family includes two 40-year-old parents, a 10-year-old, and a 5-year-old. Estimates are applicable in all states except for those with different poverty level standards than the national standard and/or those that subsidize marketplace premiums beyond the federal subsidy. See Appendix Table 2 for state-specific estimates.

Source: CBPP calculations

APPENDIX TABLE 2

State-by-State Premium Increases if Enhancements Expire

State	45-year-old individual; \$60,000 (411% FPL)			60-year-old couple; \$80,000 (405% FPL)			Family of four; \$125,000 (416% FPL)		
	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements
U.S. average	\$5,100	\$6,467	\$1,367	\$6,800	\$24,311	\$17,511	\$10,625	\$18,301	\$7,676
Alabama	5,100	7,647	2,547	6,800	28,745	21,945	10,625	20,262	9,637
Alaska	6,362	12,054	5,692	8,482	45,310	36,828	13,260	34,108	20,848
Arizona	5,100	5,464	364	6,800	20,540	13,740	10,625	15,462	4,837
Arkansas	5,100	5,749	649	6,800	21,610	14,810	10,625	16,267	5,642
California	5,100	6,345	1,245	6,800	23,853	17,053	10,625	17,955	7,330
Colorado	5,100	6,115	1,015	6,800	22,986	16,186	10,625	17,303	6,678
Connecticut	5,100	8,962	3,862	6,800	33,689	26,889	10,625	25,360	14,735
Delaware	5,100	7,227	2,127	6,800	27,165	20,365	10,625	20,449	9,824
District of Columbia	5,100	7,733	2,633	6,800	27,487	20,687	10,625	21,332	10,707
Florida	5,100	6,630	1,530	6,800	24,923	18,123	10,625	18,761	8,136
Georgia	5,100	6,278	1,178	6,800	23,598	16,798	10,625	17,764	7,139
Hawai'i	5,859	6,345	486	7,808	23,853	16,045	12,199	17,955	5,756
Idaho	5,100	5,654	554	6,800	21,253	14,453	10,625	15,999	5,374
Illinois	5,100	6,413	1,313	6,800	24,107	17,307	10,625	18,147	7,522
Indiana	5,100	5,410	310	6,800	20,336	13,536	10,625	15,308	4,683
Iowa	5,100	6,115	1,015	6,800	22,986	16,186	10,625	17,303	6,678
Kansas	5,100	6,590	1,490	6,800	24,770	17,970	10,625	18,646	8,021
Kentucky	5,100	5,844	744	6,800	21,967	15,167	10,625	16,536	5,911
Louisiana	5,100	7,634	2,534	6,800	28,694	21,894	10,625	21,600	10,975
Maine	5,100	6,983	1,883	6,800	26,248	19,448	10,625	19,759	9,134

APPENDIX TABLE 2

State-by-State Premium Increases if Enhancements Expire

State	45-year-old individual; \$60,000 (411% FPL)			60-year-old couple; \$80,000 (405% FPL)			Family of four; \$125,000 (416% FPL)		
	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements
Maryland	4,691	4,691	0	6,800	17,635	10,835	10,625	13,275	2,650
Massachusetts	5,100	5,454	354	6,800	17,073	10,273	10,625	15,477	4,852
Michigan	5,100	5,166	66	6,800	19,418	12,618	10,625	14,618	3,993
Minnesota	4,651	4,651	0	6,800	17,482	10,682	10,625	13,965	3,340
Mississippi	5,100	6,576	1,476	6,800	24,719	17,919	10,625	17,424	6,799
Missouri	5,100	6,793	1,693	6,800	25,535	18,735	10,625	19,221	8,596
Montana	5,100	6,834	1,734	6,800	25,687	18,887	10,625	19,337	8,712
Nebraska	5,100	7,728	2,628	6,800	29,051	22,251	10,625	21,869	11,244
Nevada	5,100	5,247	147	6,800	19,724	12,924	10,625	14,848	4,223
New Hampshire	4,542	4,542	0	6,800	17,074	10,274	10,625	12,853	2,228
New Jersey	5,100	6,251	1,151	6,800	23,496	16,696	10,625	17,687	7,062
New Mexico	5,100	6,386	1,286	6,800	24,006	17,206	10,625	18,070	7,445
New York	5,100	8,832	3,732	6,800	17,664	10,864	10,625	25,171	14,546
North Carolina	5,100	6,712	1,612	6,800	25,229	18,429	10,625	18,991	8,366
North Dakota	5,100	6,590	1,490	6,800	24,770	17,970	10,625	18,646	8,021
Ohio	5,100	5,898	798	6,800	22,171	15,371	10,625	16,689	6,064
Oklahoma	5,100	6,888	1,788	6,800	25,891	19,091	10,625	19,490	8,865
Oregon	5,100	6,617	1,517	6,800	24,872	18,072	10,625	17,531	6,906
Pennsylvania	5,100	6,034	934	6,800	22,680	15,880	10,625	17,073	6,448
Rhode Island	5,100	5,423	323	6,800	20,387	13,587	10,625	15,346	4,721
South Carolina	5,100	6,671	1,571	6,800	25,076	18,276	10,625	18,876	8,251
South Dakota	5,100	8,352	3,252	6,800	31,396	24,596	10,625	23,634	13,009
Tennessee	5,100	6,793	1,693	6,800	25,535	18,735	10,625	19,221	8,596
Texas	5,100	6,440	1,340	6,800	24,209	17,409	10,625	18,224	7,599

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State-by-State Premium Increases if Enhancements Expire

State	45-year-old individual; \$60,000 (411% FPL)			60-year-old couple; \$80,000 (405% FPL)			Family of four; \$125,000 (416% FPL)		
	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements	With enhancements (current)	Without enhancements	Premium increase without enhancements
Utah	5,100	7,191	2,091	6,800	24,682	17,882	10,625	18,692	8,067
Vermont	5,100	11,400	6,300	6,800	22,800	16,000	10,625	32,034	21,409
Virginia	5,030	5,030	0	6,800	18,909	12,109	10,625	14,234	3,609
Washington	5,100	5,627	527	6,800	21,151	14,351	10,625	15,922	5,297
West Virginia	5,100	11,484	6,384	6,800	43,169	36,369	10,625	32,496	21,871
Wisconsin	5,100	6,454	1,354	6,800	24,260	17,460	10,625	18,262	7,637
Wyoming	5,100	11,132	6,032	6,800	41,844	35,044	10,625	31,499	20,874

Note: FPL = federal poverty level. The FPL for these calculations is based on 2023 poverty guidelines, which are used to determine premium tax credits for 2024 marketplace coverage. Examples are illustrative and based on 2024 state average benchmark (second-lowest-cost silver plan) premiums with age adjustments. The example family includes two 40-year-old parents, a 10-year-old, and a 5-year-old. Alaska and Hawai'i have state poverty levels that differ from the federal poverty level; estimates for Alaska and Hawai'i assume that the state poverty levels match the federal poverty levels depicted, which means that income levels in the examples differ from those depicted. Depending on the scenario, for a few states, premium payments under the enhancements do not exceed the income cap of 8.5 percent. In those cases, premium payments are equal with or without enhancements. Estimates do not account for any state subsidized marketplace premiums beyond the federal subsidy because such state policies may be dependent on the federal tax credit enhancements.

Source: CBPP calculations