The Takeaway

Policy Briefs from the Mosbacher Institute for Trade, Economics, and Public Policy

Marketplace Health Insurance & the Public Health Emergency

Implications for Texas

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Texas has the highest uninsurance rate in the country. The COVID-19 related public health emergency led to the American Rescue Plan Act, federal legislation that increased premium subsidies for private Marketplace health insurance plans and expanded eligibility criteria. Since early 2021, total Texas Marketplace enrollment has increased by 70% or 750,000 people. In recent work, we used public data to estimate the gains in Marketplace coverage attributable to the policy, the remaining share of uninsured individuals who may remain eligible for subsidized Marketplace coverage, and projected losses in coverage when these temporary policies expire at the end of 2025.[1]

MARKETPLACE PANDEMIC-ERA POLICY HAS REDUCED OUT-OF-POCKET PREMIUMS

The American Rescue Plan Act (ARPA), signed into law on March 11, 2021, made two important changes to the Afforda-

WHAT'S THE TAKEAWAY?

About 750,000 Texans have gained Marketplace coverage due to new federal policies.

Nevertheless, about 70% or 1.7 million of subsidy-eligible individuals remain uninsured.

When these policies sunset in 2025, many Texans could lose health insurance coverage, increasing the uninsurance rate by at least 2.5 percentage points or 14%.

State efforts to reduce marketplace premiums may help sustain coverage gains.

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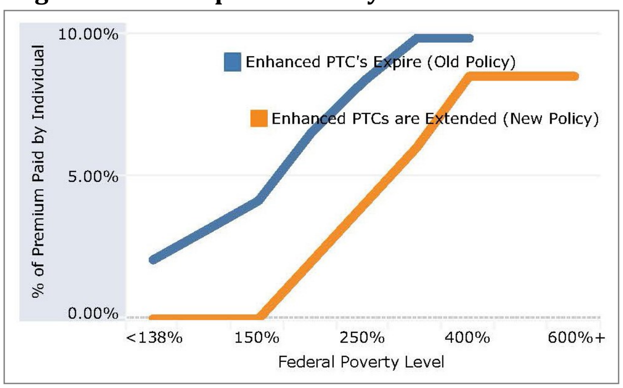
ble Care Act's (ACA) subsidy schedule for individuals purchasing coverage on the individual Marketplace:

1) Increased existing premium tax credit (PTC) subsidies for individuals making between 100%-400% of the federal poverty line (FPL) by reducing the out-of-pocket premium contribution limits, and
2) Expanded subsidy eligibility to those making more than 400% FPL (see Figure 1).

Figure 1: Marketplace Subsidy Schedule



Source: Medicare and Medicaid Services Health Insurance Exchange Public Use Files

In addition, people who were unemployed in 2021 were made eligible for the most generous category of subsidies, leading to zero out-of-pocket premium costs and access to affordable health insurance for those who might otherwise have fallen into the coverage gap in states like Texas that have not expanded Medicaid. To increase enrollment and limit uninsurance due to job loss during the COVID period, the Biden administration also opened a six-month pandemic-related special enrollment period in 2021 and increased funding for outreach and consumer assistance.

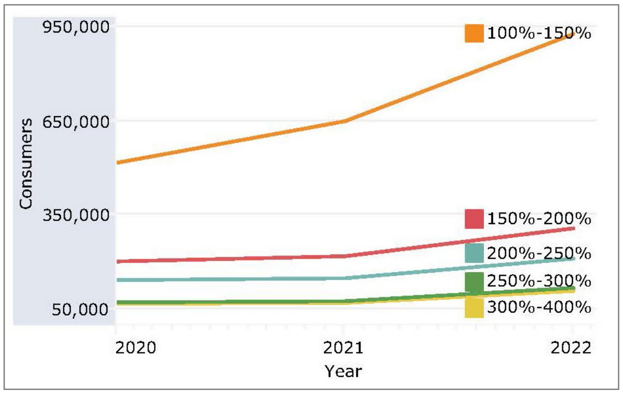
These changes made health plans more affordable, with estimates suggesting that the ARPA Marketplace subsidy rules led to average premium savings of $70 per person per month for those making 100%-400% FPL in 2021. However, with the ARPA subsidies currently expected to expire in 2025, premium contributions may increase for many, which could lead to disenrollment and uninsurance. For example, currently a 45-year-old Texan making $27,180 per year or 200% of the FPL, in 2022 would have to pay no more than $45 per month for a benchmark silver plan, but without ARPA subsidies, this would increase to $148 per month. Similarly, a 45-year-old Texan making $54,400, or 401% of the FPL, would have to pay no more than $385 per month for a benchmark silver plan, but post ARPA expiration would not be eligible for a subsidy and would have to pay the full premium of about $454 per month.[2]

Record enrollment in Marketplace plans occurred by the end of the special enrollment period. Previous estimates suggested the original scheduled sunset of ARPA at the end of 2022 would lead to 3 million individuals losing coverage nationally, or about 800,000 people in Texas.[3] However, the Inflation Reduction Act signed on August 16, 2022, continued the enhanced premium tax credits and expanded income eligibility for subsidies through the end of 2025. Thus, increases in uninsurance are expected in 2026 without further action by Congress.

ESTIMATED GAINS IN MARKETPLACE ENROLLMENT FROM ARPA POLICIES

ARPA policies led to large gains in Marketplace enrollments starting in 2021 (Figure 2). Enrollment growth was strongest among those making between 100%-150% of the FPL and those making 150%-200% of FPL. These two income groups accounted for over 50% of the increase in enrollment after 2021. Given the relatively

Figure 2: Marketplace Enrollment by Income Group (measured in FPL)



Source: Medicare and Medicaid Services Health Insurance Exchange Public Use Files

flat level of Marketplace enrollment prior to and including 2020, gains in coverage, especially in a strongly rebounding economy, can likely be attributed to the ARPA policies. To estimate the impact in Texas, we used time series techniques where we consider the 2020 enrollment level to be the counterfactual level of enrollment had the ARPA policies not been implemented.

We estimate that through the end of 2022, ARPA policies led to an increase in Marketplace coverage of about 750,000 individuals in Texas and note the changes in Marketplace coverage by county in the main report.[4] Gains in coverage were especially pronounced for those aged 35-64 and equally strong for men and women.

HOW MANY ELIGIBLE FOR MARKETPLACE SUBSIDIES REMAIN UNINSURED?

The large growth in Marketplace enrollment suggests that major gains have been made in increasing insurance coverage. In order to understand how many more individuals may still lack coverage but might be able to enroll in Marketplace, we performed an analysis that estimates the number and share of individuals that remain uninsured in 2022 but are likely eligible for a subsidized Marketplace plan. We use data from the 2020 5-year American Community Survey by the U.S. Census Bureau to estimate the number of uninsured individuals likely to be eligible for subsidized Marketplace coverage in 2020. These are uninsured individuals who are between 18-64 years old who have a household income between 100%-400% of the FPL.

After accounting for the increase in Marketplace enrollment between 2020-2022, we estimate that about 30% of the uninsured individuals likely eligible for marketplace coverage enrolled in marketplace coverage by 2022. The share of uninsured likely Marketplace-eligible individuals varies by county, with some counties having few uninsured and others having a large share that remain uninsured; county-level estimates are available in the longer report.

HOW CAN WE MAINTAIN MARKETPLACE COVERAGE GAINS?

Marketplace enrollment exploded in Texas by 2022 compared to 2020. The historic gains in Marketplace coverage have likely reduced the uninsurance rate markedly. Our estimates suggest that about 750,000 people enrolled due to the more generous subsidies and would disenroll if they were ended. We estimate that the impact on the uninsurance rate could be as large as 2.5 percentage points or 14% of its 2020 baseline if the policies are allowed to expire.

In the meantime, there are other promising federal and state policies that can increase Marketplace coverage in Texas and reduce uninsurance. The recent federal guidelines that will resolve the “family glitch” (family members not qualifying for the ACA, but unable to afford the employer's family plan) should lead to higher Marketplace enrollments, as many family members will qualify for subsidized Marketplace coverage for the first time.[5] Further, the Texas Department of Insurance gained authority for insurance rate review of Marketplace plans beginning in 2022, with the specific goal to apply silver loading to Marketplace plans to increase the subsidy to health plans and decrease the out-of-pocket premium cost for purchased plans without any additional cost to the state.[6] Recently redrawn rating areas that take effect in 2023 should further improve affordability by improving the average risk pool for rural counties, who generally have high rates of uninsurance.[7]

In summary, although federal pandemic-era policies have helped, Texas continues to have the highest uninsurance rate in the country. Unless additional steps to encourage health plan enrollment are taken, gains in insurance coverage will be lost when the enhanced subsidies end in 2025, leaving many more vulnerable Texans without health coverage.

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Notes:

[1] Dague, L. & Ukert, B. (2022, December). What Happens to Texans' Insurance Coverage When Medicaid and Marketplace Pandemic-Era Policies End? Episcopal Health Foundation. https://www.episcopalhealth.org/wp-content/uploads/2023/01/Dague_Ukert_EndofPHE.pdf

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[3] Buettgens, M., Banthin, J., & Green, A. (2022, April) What if the American Rescue Plan Act Premium Tax Credits Expire? Washington, DC: Urban Institute. https://www.urban.org/research/publication/what-if-american-rescue-plan-act-premium-tax-credits-expire

[4] Dague & Ukert (2022).

[5] Schwab, R., Swindle, R., & Giovannelli, J. (2022, Dec. 8). Implementing the Family Glitch Fix on the Affordable Care Act's Marketplaces. The Commonwealth Fund. https://www.commonwealthfund.org/blog/2022/implementing-family-glitch-fix-affordable-care-acts-marketplaces

[6] LegiScan. Supplement: TX SB1296. https://legiscan.com/TX/supplement/SB1296/id/179628

[7] Texas Department of Insurance (2022, April). Affordable Care Act rate review. https://www.tdi.texas.gov/InsurED/documents/affordable-care-act-rate-review.pdf

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