CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

December 5, 2024

Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
Washington, DC 20510

Honorable Richard Neal
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Honorable Jeanne Shaheen
U.S. Senate
Washington, DC 20510

Honorable Lauren Underwood
U.S. House of Representatives
Washington, DC 20515

Re: The Effects of Not Extending the Expanded Premium Tax Credits for the Number of Uninsured People and the Growth in Premiums

Dear Chairman Wyden, Ranking Member Neal,
Senator Shaheen, and Congresswoman Underwood:

You have asked the Congressional Budget Office to discuss the effects on health insurance coverage and premiums that will result from not extending—either for one year or permanently—the expanded premium tax credit structure provided in the American Rescue Plan Act of 2021 (ARPA, Public Law 117-2).

ARPA reduced the maximum amount eligible enrollees must contribute toward premiums for health insurance purchased through the marketplaces established by the Affordable Care Act, and it extended eligibility to people whose income is above 400 percent of the federal poverty level (FPL). Those provisions were extended through calendar year 2025 in the 2022 reconciliation act (P.L. 117-169).

CBO expects that not extending the credit will increase the number of people without health insurance and raise the average gross benchmark premiums for plans purchased through the marketplaces.

Structure of the Premium Tax Credit

The premium tax credit is an advanceable, refundable credit that lowers the out-of-pocket cost of health insurance premiums for people who obtain insurance through the marketplaces.[1] The credit is calculated as the difference between the benchmark premium (that is, the premium for the second-lowest-cost silver plan available in a region) and a maximum contribution per household, calculated as a percentage of household income and adjusted over time.[2]

Until 2021, the premium tax credit was available to people who met the following criteria:

- Their modified adjusted gross income was between 100 percent and 400 percent of the FPL,
- They were lawfully present in the United States,
- They were not eligible for public coverage, such as Medicaid, and
- They did not have an affordable offer of employment-based coverage.

For 2021 and 2022, ARPA expanded eligibility to include enrollees whose income was above 400 percent of the FPL and lowered the maximum household contribution. The 2022 reconciliation act extended those provisions through calendar year 2025.

1. See Joint Committee on Taxation, "Description of Subtitle H—Social Safety Net: Budget Reconciliation Recommendations," JCX-39-21 (September 11, 2021), www.jct.gov/publications/2021/jcx-39-21.

2. For more information on those percentages of household income, see Congressional Budget Office, letter to the Honorable Jodey Arrington and the Honorable Jason Smith concerning the effects of permanently extending the expansion of the premium tax credit and the costs of that credit for deferred action for childhood arrivals recipients (June 24, 2024), https://www.cbo.gov/publication/60437.

   In most marketplaces, people can choose among plans—bronze, silver, gold, and platinum—for which the average percentage of the total cost of covered medical expenses paid by the insurer (that is, the actuarial value of the plan) differs. The share of medical expenses that is not paid by the insurer is paid by enrollees in the form of deductibles and other cost sharing.

Effects on the Uninsured Population

CBO estimates that, relative to extending the tax credits, not extending them—either for a year or permanently—will increase the number of people without health insurance. The agency expects some people will exit the marketplaces and become uninsured because of higher out-of-pocket costs for health insurance premiums.

Without an extension through 2026, CBO estimates, the number of people without insurance will rise by 2.2 million in that year.

Without a permanent extension, CBO estimates, the number of uninsured people will rise by 2.2 million in 2026, by 3.7 million in 2027, and by 3.8 million, on average, in each year over the 2026-2034 period.[3] (The initial increase is significantly smaller because CBO expects that some people will remain temporarily enrolled after the expanded credits expire at the end of 2025. CBO assumes enrollees would need time to fully respond to the expiration, for example, because of automatic renewal policies.)

Effects on Average Gross Benchmark Premiums

CBO estimates that, relative to extending the premium tax credits, not extending them—either for a year or permanently—will lead to higher gross benchmark premiums, on average, in marketplace plans. (Those premiums reflect the amount before the tax credits are accounted for.) CBO expects that healthier-than-average people will exit the marketplaces if the expanded credits are no longer available and, in response, insurers will raise premiums for the remaining enrollees.

Without an extension through 2026, CBO estimates, gross benchmark premiums will increase by 4.3 percent, on average, for that year.

Without a permanent extension, CBO estimates, gross benchmark premiums will increase by 4.3 percent in 2026, by 7.7 percent in 2027, and by 7.9 percent, on average, over the 2026-2034 period. (Similar to the

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3. Because of rounding, the effects of not extending the policy in 2026 appear to be the same as those estimated to occur without a permanent extension. CBO estimates that a larger number of employers will not offer health insurance in response to a permanent extension than would be the case under a temporary one.

effects on the uninsured population, the initial increase is significantly smaller because some people will remain temporarily enrolled.)

I hope this information is helpful. Please contact me if you have further questions.

Sincerely,

Phillip L. Swagel
Director

cc: Honorable Mike Crapo
Ranking Member
Senate Committee on Finance

Honorable Jason Smith
Chairman
House Committee on Ways and Means