



# Americans Brace for Higher Health Insurance Costs if the American Rescue Plan is Allowed to Expire

## Introduction

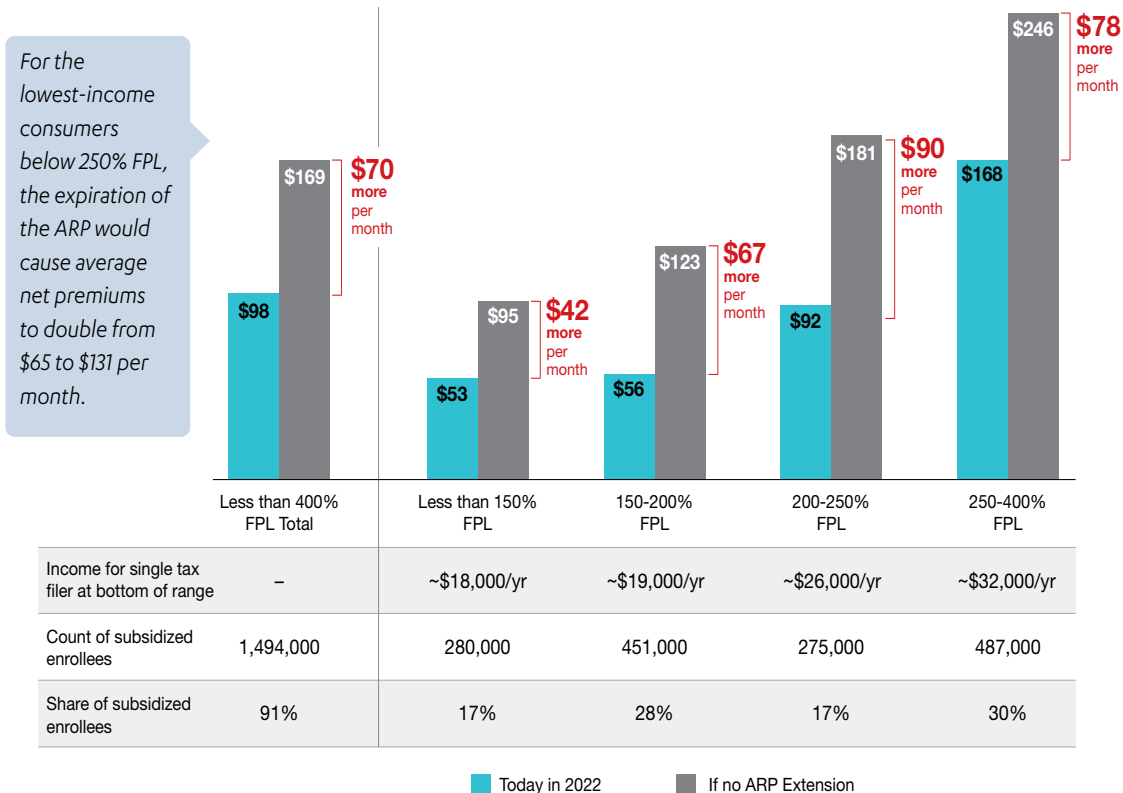
The American Rescue Plan Act of 2021 (ARP) provides additional financial help that has enabled a record-high 14.5 million Americans, including 1.8 million people in California, to get covered and stay covered during the COVID-19 pandemic. However, the ARP’s enhanced subsidies are set to expire at the end of 2022, meaning millions of Americans will see a significant reduction in the amount of financial help they receive – or lose it entirely - and face substantially higher monthly premium costs in 2023. As a result, an estimated 3 million Americans, including an [estimated 220,000 Californians](#) could be priced out of coverage.

This fact sheet outlines key impacts of ARP expiration in California and illustrates those impacts through real life examples of Covered California consumers.

## Nearly One Million Low-income Consumers Will See Their Premium Costs Double

For the lowest-income Californians, [below 250 percent of the Federal Poverty Level](#) (FPL) – which equates to \$32,200 for an individual and \$66,250 for a family of four – the expiration of the ARP would cause [average net premiums to double from \\$65 to \\$131 per month](#). Additionally, consumers enrolled in coverage at no cost, as provided by the ARP, will see dramatic increases in premium costs.

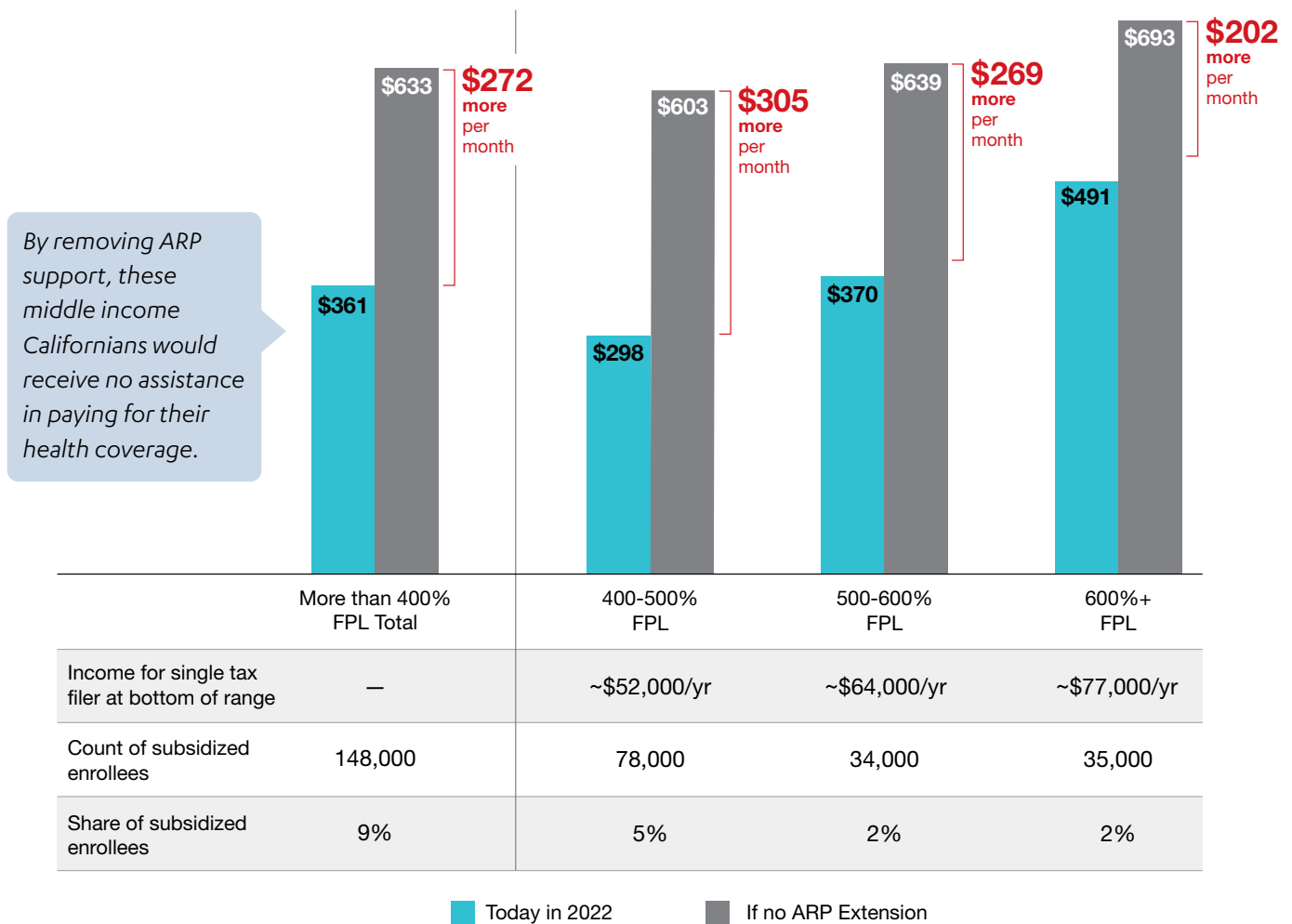
**Figure 1. Estimated 2023 Monthly Net Premium Increases After ARP Expiration For Lower Income Enrollees<sup>1,2</sup>**



### Middle-Income Consumers Will Once Again Face the “Subsidy Cliff,” Losing All Federal Financial Help

Middle-income consumers, those over 400 percent FPL, will once again be subject to the “subsidy cliff” and will no longer receive any federal financial help. In California, nearly 150,000 middle-income consumers will see an average premium spike of \$272 per month due to expiration of the ARP subsidies alone. Any rate increases for 2023 will further increase premium costs for these members, who will bear the full cost of rate increases without the financial protection of the premium subsidy program.<sup>3</sup>

Figure 2. Estimated 2023 Net Premium Increases After ARP Expiration For Middle Income Enrollees<sup>4</sup>



### Older Consumers Will Face Far Higher Premium Spikes with the Return of the “Subsidy Cliff”

For older Americans, the return of the cliff could push out-of-pocket premiums above 20 percent of income. Many will face the choice of dropping coverage or buying a less generous plan than they need in order to keep coverage in case of a catastrophic illness or injury.

### The Timing of Congressional Action to Extend ARP Subsidies Matters

The renewal period for the 2023 coverage year begins in October 2022. Federal action to extend ARP subsidies should take place before August to avoid disruption for the upcoming renewal period and Open Enrollment Periods.

#### Real Stories of ARP Expiration Impacts

**Kellie** and her husband, are farmers in Sutter and Yuba counties. Kelly credits the Affordable Care Act for saving her life by giving her access to care for a dangerous heart condition. With an income just below 200% of the FPL, she is currently eligible for an enhanced Silver 87 plan for \$0 per month under the ARP. **Her monthly net premium will rise to \$102 per month if ARP subsidies expire, making it more challenging for her and her husband to make ends meet.**



**Hannah**, a student from Temple City, CA has been a Covered California enrollee since 2020 allowing her access to care. Thanks to the American Rescue Plan, Hannah’s net premium is \$6 per month. **If ARP expires, Hannah’s net premium will rise to \$93 per month, potentially pricing her out of coverage.**

**Syd and Lisa**, both age 63, are a couple from Elk Grove, CA with an income right around 550% of the federal poverty level. Under the ARP, Syd and Lisa spend \$717 per month for Silver coverage. **If ARP were to expire, they would pay over \$2300 per month for their coverage. That’s about 29 percent of income and over \$27,000 in 2023 on coverage premiums alone.**



### Endnotes

- <sup>1</sup> Net premium amounts shown are per member, per month, among Covered California enrollees found eligible for subsidized coverage under American Rescue Plan at the end of the 2022 open-enrollment period (approximately 1.64 million individuals).
- <sup>2</sup> In addition to Covered California enrollees, individuals losing Medi-Cal after the expiration of the PHE will also feel the impact of these premium increases as they decide whether to take up marketplace coverage if they are eligible. Historically, three-quarters of individuals transitioning from Medi-Cal to Covered California have had income below 250 percent FPL.
- <sup>3</sup> California's state budget for 2023 includes \$304 million to reinstate Covered California's premium subsidy program if ARP subsidies are allowed to expire. That program would offset rate increases if ARP premium subsidies expire but would provide only a fraction of the \$1.8 billion in premium support provided to Covered California members in 2022 by ARP. Impacts of the state subsidy program are not included in the brief because program design decisions have not yet been finalized.
- <sup>4</sup> Net premium amounts shown are per member per month, after any federal tax credits, among Covered California enrollees who were receiving subsidies under ARP at the end of the 2022 open enrollment period, approximately 150,000 individuals. Share of total enrollees is out of all enrollees receiving subsidies across all income ranges (1.64 million). Excluded are approximately 127,000 enrollees who did not receive subsidies either because the benchmark plan available to them was considered affordable relative to their income which was over 400% of FPL, or because they asked not to receive financial assistance (and hence no income known). Numbers shown may not sum due to rounding.

### About Covered California

Covered California is an independent part of the state government whose job is to make the health insurance marketplace work for California's consumers. It is overseen by a five-member board appointed by the governor and the Legislature. For more information about Covered California, please visit [CoveredCA.com](https://CoveredCA.com).