Eliminating ACA subsidies would cause nearly 10 million to lose insurance, study finds

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Eliminating government subsidies for low- and moderate-income people who purchase coverage through federally run health insurance marketplaces would sharply boost costs and reduce enrollment in the individual market by more than 9.6 million, according to a new RAND Corporation study.

Modeling the likely effects of ending subsidies in 34 states where the federal government operates insurance marketplaces for individuals, researchers found that such a move would cause individual market enrollment to drop by 70 percent among people buying policies that comply with the federal Affordable Care Act.

In addition, unsubsidized individual market premiums would rise by 47 percent in those states. The hike would correspond to a $1,610 annual increase for a 40-year-old nonsmoker who purchased a silver-level plan.

"The disruption would cause significant instability and threaten the viability of the individual health insurance market in the states involved," said Christine Eibner, the study's senior author and a senior economist at RAND, a nonprofit research organization. "Our analysis confirms just how much the subsidies are an essential component to the functioning of the ACA-compliant individual market."

The U.S. Supreme Court has agreed to hear a court case (King v.

Burwell) that challenges the use of government subsidies to help low- and moderate-income people buy health insurance in marketplaces operated by the federal government.

The creators of the federal Affordable Care Act adopted the subsidies to help make health insurance affordable for a broad cross-section of Americans. The subsidies also help hold down costs to others by making health insurance more attractive to young and healthy individuals.

Eibner and study lead-author Evan Saltzman used an updated version of the RAND COMPARE microsimulation model, which predicts the effects of health policy changes at state and national levels, to estimate the effects on costs and coverage of eliminating subsidies in 34 states with federally run marketplaces.

If the subsidies are struck down, enrollment in the ACA-compliant individual market in the 34 states would drop from 13.7 million people to 4.1 million, according to the analysis. In addition, premium costs for a 40-year-old nonsmoker purchasing a silver plan would be expected to rise from $3,450 annually to $5,060.

Researchers found the effects of ending federal subsidies would be larger in states with federally run marketplaces than in states that run their own marketplaces.

Among the reasons for that difference is that states with federally run marketplaces generally have higher proportions of low-income individuals, who tend to be more sensitive to insurance prices and thus are more likely to drop insurance without subsidies. Those states also had higher uninsurance rates prior to adoption of the Affordable Care Act.

In addition, most of these same states did not expand Medicaid to cover more people as allowed under the Affordable Care Act. This means that there generally are more low-income people buying policies in those states' insurance marketplaces.

More information: The study, "The Effect of Eliminating the Affordable Care Act's Tax Credits in Federally Facilitated Marketplaces," is available at www.rand.org

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