Boosting tax credits could prevent health insurance loss during future recessions

November 16 2021

Credit: CC0 Public Domain

The federal Affordable Care Act was not robust enough on its own to stave off a large number of people in New York from losing their health coverage during the pandemic-related recession, according to a new RAND Corporation report.

It was temporary policies adopted to help people keep their insurance after they faced job losses and other economic challenges that prevented a surge in people losing their insurance during 2020 and 2021, the analysis found.

The findings suggest that current federal legislative proposals to make permanent the enhanced marketplace tax credits enacted under the American Rescue Plan could be critical to avoiding coverage loss in future recessions.

"We know that there was no widespread loss of health insurance in New York or elsewhere across the nation during the coronavirus pandemic, despite concerns that it might occur," said Christine Eibner, the report's lead author and a senior economist at RAND, a nonprofit, nonpartisan research organization.

"Our analysis shows that the temporary aid to protect insurance coverage did what it was designed to do," Eibner said. "Current efforts to enhance tax credits available to help people buy health insurance could make the marketplace more resilient during future economic hard times."

Early reports suggest that insurance enrollment held steady or increased during 2020, despite the recessionary effects of the coronavirus pandemic. However, there is little evidence about why coverage remained stable despite substantial job loss.

RAND researchers used the COMPARE microsimulation model to assess the role of public and private safety-net policies on health insurance enrollment in New York state for 2020 and 2021.

They simulated coverage loss and insurance enrollment for 2020 and 2021 under several scenarios, incorporating alternative assumptions about the availability of employer insurance during temporary furloughs, the presence or absence of the Medicaid disenrollment freeze enacted under the Families First Coronavirus Response Act, and the availability of enhanced marketplace tax credits enacted under the American Rescue Plan.

The analysis estimated that during 2020 about 560,000 New Yorkers lost employer-sponsored health insurance, but the coverage loss was offset by increases in Medicaid, the Children's Health Insurance Program (CHIP) and other sources of insurance.

Without the temporary Medicaid disenrollment freeze and employer-provided furlough coverage, researchers estimate that 250,000 New Yorkers would have become uninsured during 2020.

For 2021, the report estimates that the combination of the continued Medicaid disenrollment prohibition and temporary tax credits made available through the American Rescue Plan would increase health insurance enrollment by 160,000 individuals. However, without these interventions, approximately 120,000 additional people would have become uninsured.

While the RAND study focused only on New York, researchers say it is likely that the programs examined in the analysis also may have prevented significant increases in the number of uninsured people in other states.

"These findings relate to the current discussion about whether to bolster the assistance for people who buy individual health plans through the ACA," Eibner said. "Permanent policy solutions, such as enhancing the ACA's premium tax credits or supporting enrollment assistance, could help to ensure readiness for the next recession."

More information: Christine Eibner et al, Temporary Safety-Net Policies and Pandemic-Related Insurance Loss in New York State,

RAND Corp. (2021). [DOI: 10.7249/RR-A804-1](https://doi.org/10.7249/RR-A804-1)

Provided by RAND Corporation