pennie®

Federal Update:
Enhanced Premium Tax Credits

Top Takeaways

- Federal Inflation Reduction Act (IRA) enhanced premium tax credits are set to expire at the end of 2025 if Congress does not act. The enhanced premium tax credits go beyond the original Affordable Care Act to make coverage significantly more affordable.
- Over **$500M** annually in advanced premium tax credits (APTCs) will no longer be available to Pennsylvanians if the tax credits expire. This accounts for **1/5th** of all premium tax credits distributed to Pennsylvanians annually.
- Since the enhanced tax credits have become available, we have seen enrollment gains in the **low income**, **pre-Medicare**, **young adult**, and **rural** communities. These vulnerable populations will be disproportionately impacted if the tax credits expire.
- For those receiving enhanced tax credits, **premiums would increase by 81%** if the customer remained in their same plan and the tax credits expired.
- Communicating the impact of expiring subsidies will be especially difficult, as **two-thirds** of current Pennie customers have only experienced enrollment with the enhanced tax credits in effect.

Enhanced Tax Credits Impact to Below 400% FPL Population

Per Member Per Month (PMPM) Net Premium Metrics

Federal Poverty Level (FPL)	Enrollees Using APTCs
Total enrollees	378,342
Less than 400% FPL	341,069
Less than 150% FPL	85,178
150-200% FPL	93,191
200-250% FPL	67,718
250-400% FPL	94,982

- **90% of enrollees** receiving APTCs are below 400% FPL. If the enhanced tax credits expired today, they could face **premium increases of up to 76%** if they remain enrolled in their current plan.

- When considering total enrollees receiving APTCs, these premium increases jump to **81%**.

**Note: The enrollment and net premium metrics shown do not include members who are eligible for APTCs but are not receiving them in advance.*

Enhanced Tax Credits Impact to Above 400% FPL Population

- 10% of customers using APTCs have an FPL above 400%. They will see the largest cost increases – a monthly increase of $376 per enrollee, or more than $1,500 for a family of 4.
- These cost increases will disproportionately impact those approaching Medicare (55-64 age band) as 58% of customers receiving APTCs at the 400%+ FPL fall within this age band.

Scenario 1:
Married couple (60 years old), non-smokers, Philadelphia County, 405% FPL ($82,782 annual income)

With enhanced premium tax credits:
- Monthly premium - **$586** ($7,032/year)
- Percent of income – 8.5%

Without enhanced premium tax credits:
- Monthly premium - **$1,549** ($18,588/year)
- Percent of income – 22.45%

Expiration of the tax credits results in a **164% increase** on this couple's net premium.

Scenario 2:
Married couple (60 years old), non-smokers, York County, 405% FPL ($82,782 annual income)

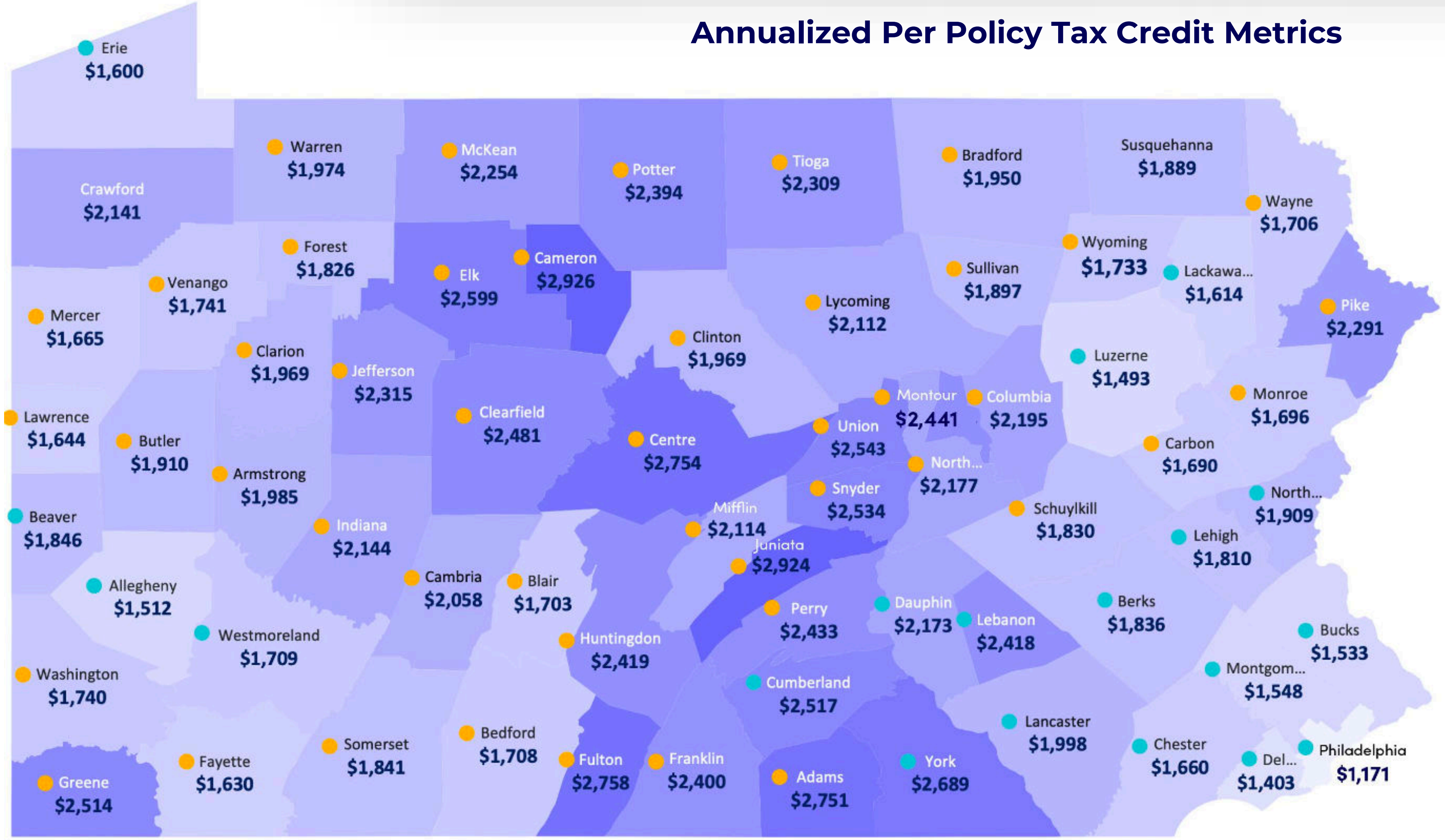
With enhanced premium tax credits:
- Monthly premium - **$586** ($7,032/year)
- Percent of income – 8.5%

Without enhanced premium tax credits:
- Monthly premium - **$2,827** ($33,924/year)
- Percent of income – 41%

Expiration of the tax credits results in a **382% increase** on this couple's net premium.

Enhanced Tax Credits Impact to Rural Communities

Annualized Per Policy Tax Credit Metrics



Rural
Urban

$3K $2K $1K

- This county map shows the average annual loss of APTCs per policy if the enhanced tax credits were to expire today.

- Although policies in every county would receive less APTCs, counties in central PA are expected to lose more dollars. These counties are predominately rural, as compared to other parts of the Commonwealth.

This map relies on the Center for Rural Pennsylvania's definition of rural and urban found here: https://www.rural.pa.gov/data/rural-urban-definitions

Enhanced Tax Credits Impact to Buying Power

- More than **1 in 8 customers (12.5%)** who were enrolled for both OE 2021 and OE 2024 have shopped and enrolled in a richer benefits plan.
- Since OE 2021, overall **enrollment in gold plans has increased 17 percentage points**, and enrollment in bronze plans has decreased 4 percentage points. This means both premiums and out of pocket costs are now more affordable for those individuals in richer benefits plans.
- Since OE 2021, the number of enrollees with **monthly premiums under $10/month has doubled**, meaning these more generous plans are also more affordable today due to the enhanced tax credits.
- If the enhanced premium tax credits expire at the end of 2025, Pennsylvanians' buying power will be severely diminished, and we can expect to see either increased enrollment in less expensive plans, or disenrollment altogether.

How Is Your Organization Preparing?

- **Customer impact:**
  - What are some different ways to show the customer impact?
  - Will your organization be sharing testimonials from either customers or providers?
- **Financial impact:**
  - What are some different ways to show the financial impact?
  - Will your organization use any data to demonstrate the financial impact to enrollees? If so, what data will you use?
- **Other actions:**
  - Have you considered publishing educational materials speaking to the importance of extension and the disruption with expiration?
  - Have you considered connecting with your national contacts to urge timely legislative action? Remaining uncertainty even in early 2025 will have impacts (e.g. on proposed rates for 2026), and the longer uncertainty remains in 2025, the more directly the customer will be impacted.

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