Weekly Checkup

ACA Enrollment – Expensive Lipstick, Still a Pig

JACKSON HAMMOND | JANUARY 12, 2024

On Wednesday, the Biden Administration announced that a record 20.4 million individuals enrolled in Affordable Care Act (ACA) Marketplace coverage since the start of the 2024 open enrollment period, either through HealthCare.gov Marketplaces or State-based Marketplaces (SBMs). Let's dive into the numbers and explore why we've seen a surge in ACA enrollment.

First, the topline numbers: The 2024 open enrollment period saw nearly 20.4 million plan selections. Of those, over 3.7 million (18.3 percent) were new enrollees while about 16.6 million (81.7 percent) were returning consumers. The vast majority of new and returning policyholders came through HealthCare.gov Marketplaces (approximately 3.1 million new and 12.4 million returning), while SBMs saw almost 600,000 new consumers and about 4.2 million returning consumers. The disparity between HealthCare.gov and SMB enrollees isn't particularly surprising: 32 states use the HealthCare.gov platform for ACA plan signups, while 18 states and the District of Columbia set up their own SBMs.

Also unsurprising is that the Biden Administration is trumpeting this as a major victory. Health and Human Services (HHS) Secretary Xavier Becerra called it a "momentous day" and remarked how President Biden is delivering on his promise to create "increased access to affordable, quality care." **HHS' press release hinted at the reasons for this record-high enrollment: the enhanced subsidies included in the American Rescue Plan Act (ARPA) of 2021 and continued in the Inflation Reduction Act (IRA) of 2022.** As a refresher, ARPA extended eligibility for premium tax credits to individuals earning above 400 percent of the federal poverty line (FPL), ensuring that these individuals would pay no more than 8.5 percent of their income in premiums for a benchmark plan. Those earning under 400 percent of FPL saw an increase of subsidies guaranteeing they pay a maximum of 6 percent of income toward premiums and those making less than 150 percent of FPL pay nothing. These subsidies were *supposed* to be temporary – an emergency relief measure during the peak of the COVID-19 pandemic for 2021 and 2022. But of course, there is nothing so permanent as a temporary government program, so the subsidies were continued through the end of 2024 in the IRA.

The Congressional Budget Office estimated that continuing the enhanced subsidies would cost $20.9 billion in 2023 and $5,820 per enrollee in 2022, compared to $2,000 per employer-sponsored insurance (ESI) enrollee. While no small change, the greater danger is the ever-increasing reliance on the federal government as the main payer for health care services. As this author has discussed previously, **the more subsidies increase, the more enrollment increases in the ACA, and as enrollment increases, the demand for greater subsidies increases, and so on until the federal government is paying for much more care than originally intended**. In addition to increased federal control of the health care system, ACA plans provide worse care options without being cheaper for many beneficiaries. ACA Marketplace plans have significantly smaller primary care, cardiology, and hospital networks than ESI and Medicare Advantage. For anyone making above 242 percent of the poverty line, ESI premiums are cheaper on average than ACA plans even with the enhanced subsidies. On top of that, the average benchmark ACA plan deductible is more than double that of ESI deductibles. So much for the "affordable, quality care" Secretary Becerra spoke about. Readers can be assured that the usual attack line of "you'll raise health care costs" will again be bandied about this year to destroy any attempt to return subsidies to their pre-2021 levels. **For those in Congress who want to hold the line against inherently doomed single-payer systems, returning ACA subsidies to their pre-2021 levels is a good place to start.**