NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

July 18, 2024

The Honorable Ron Wyden, Chairman
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

The Honorable Mike Crapo, Ranking Member
Senate Committee on Finance
239 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jason Smith, Chairman
House Committee on Ways and Means
U.S. House of Representatives
1139 Longworth House Office Building
Washington D.C. 20515

The Honorable Richard Neal, Ranking Member
House Committee on Ways and Means
U.S. House of Representatives
1129 Longworth House Office Building
Washington D.C. 20515

Dear Chairmen Wyden and Smith and Ranking Members Crapo and Neal:

We write on behalf of state insurance regulators to urge timely Congressional action on enhanced premium tax credits under the Affordable Care Act (ACA). The National Association of Insurance Commissioners (NAIC) represents the chief insurance regulators in the 50 states, the District of Columbia, and 5 U.S. Territories. Our members regulate fully insured health plans, including Marketplace plans eligible for premium tax credits. In 2022, the NAIC supported an extension of the enhanced credits as part of the Inflation Reduction Act and we are doing so again.

The increased size and availability of premium tax credits that have been available since passage of the American Rescue Plan Act of 2021 have resulted in greater enrollment in Marketplace plans in state individual health insurance markets. The greater subsidies have enhanced affordability of coverage for families of modest means as well as those who were previously denied help with coverage costs due to income limits. Over 21 million people signed up for ACA plans in PY 2024, and potentially all of them could be affected if the enhanced subsidies expire - from very low-income individuals to high income newer enrollees and anyone in between. Fewer people covered would also have an economic impact on health care providers: hospitals, physicians, nurses, and pharmacies.

State regulators recognize that larger credits come at a higher cost to taxpayers, and Congress must balance this with other fiscal priorities, but these credits have moved the needle on access to healthcare for millions. In particular, these additional subsidies have been crucial for those who need help the most, those with annual incomes under 250% of the FPL.

The enhanced credits are currently scheduled to expire at the end of 2025. Ending the enhanced credits after next year would have a major impact on state health insurance markets. The affordability of coverage would change for millions of enrollees and some may choose to discontinue their Marketplace coverage at the end of next year. Others may continue their enrollment, only to be caught off guard by significantly higher premium costs in 2026, when more may choose to disenroll. Enhanced subsidies have increased enrollment of the healthiest cohort, ages 18-34, who will be the most likely to drop coverage due to higher out-of-pocket premiums if the enhanced subsidies end. Losing that healthy population will adversely impact the risk pools, which will increase premiums for another significant cohort of enrollees, those aged 55-64. The end of enhanced subsidies and the return of the 400% FPL subsidy cliff together will disproportionately impact households with enrollees over age 55. These changes would not only affect access to coverage for millions, but they would also roil insurance markets as issuers and regulators adjust to a likely smaller and somewhat higher-risk overall individual market.

The end of the enhanced credits would also starve state reinsurance programs of the federal support they have used to reduce individual market rates overall. The reinsurance programs, run under state innovation waiver authority in Section 1332 of the ACA, are funded by the dollars that would otherwise flow through premium tax credits. While they do not add to federal costs, state reinsurance programs would have less funding available to lower premiums should the enhanced subsidies expire.

Regardless of Congress's final choice on extending the enhanced credits, state insurance regulators urge a decision before the end of 2024. State regulators are tasked with reviewing health plans' rates and approving plans for sale each year. Open Enrollment for plan year 2026 begins on November 1, 2025. To make plans available for this date, insurers must file their plans and rates with states in the first half of 2025. Health insurers will need to take into account the presence or absence of enhanced subsidies in setting their rates for 2026. Without a decision on the enhanced subsidies, the rate filing and approval process will be challenging, and costly.

Uncertainty regarding the continuation of the enhanced subsidies existed in 2022. That year, some states required health insurers to file two sets of rates, one assuming continued enhanced subsidies and one with subsidies returning to prior levels. Developing two sets of rates was costly and confusing for insurers and reviewing them was more complicated and resource-intensive for state regulators. In addition to complicating the rate review process, if this issue remains unresolved it may lead to higher than necessary premiums due to the uncertainty itself.

We urge Congress, with your leadership, to act before the end of 2024 to provide certainty for consumers, insurers, and insurance regulators and extend the enhanced premium tax credits beyond their current end date.

Sincerely,

Andrew N. Mais (He/Him/His)
NAIC President
Commissioner
Connecticut Insurance Department

Jon Godfread
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North Dakota Insurance Department

Scott White
NAIC Vice President
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