

Health Insurance Tax Subsidies in the Build Back Better Act Will Provide Affordable Health Insurance for Millions of Americans

The House's Build Back Better Act (BBB Act) will expand low-to-middle income families' access to medical care by [extending increased tax credits](#) from the American Rescue Plan (ARP) that make health insurance sold on federal and state marketplaces [more affordable](#). These increased tax subsidies from the ARP have already lowered families' monthly premiums and out-of-pocket costs, and have helped total enrollment on marketplace plans [reach a record high](#) as of August 2021. If Congress makes these subsidies permanent through the BBB Act instead of letting them expire at the end of 2022, researchers estimate that [4.2 million](#) more people will be insured compared to before the ARP was passed. This increase would help millions of families access health care, have more stable household finances and would put more money in their pockets to spend on other necessities.

Continuing the enhanced premium tax credits in the Build Back Better Act could help 4.2 million Americans get health insurance

The increased premium tax credits passed under the American Rescue Plan are structured to help the [lowest-income enrollees the most](#), which is a key part of President Biden's commitment to lowering taxes for low and middle-income families. Specifically, [the subsidies would](#):

- ensure that families earning under 150% of the federal poverty line can get a standard insurance plan for \$0 per month in premiums,
- increase tax credits for families earning between 150%-400% of the poverty line to ensure they don't spend more than a certain share of their income on premiums, and
- provide some support for families earning more than 400% of the poverty line (\$52,000 for a single person) who were previously ineligible for tax credits.

Researchers with the Urban Institute find that the combined effect of the increased premium tax credits in the American Rescue Plan and an extension under the Build Back Better Act would help [a total of 4.2 million more people](#) get health insurance than if the credits were never expanded.

The table below shows the original authors' **state-level estimates** of the number of newly insured people under a permanent extension, and **JEC estimates at the congressional district level** based on the same data are available [here](#).¹

¹ To create these estimates, JEC staff allocated the state level data in the table below to congressional districts based on each district's share of its state's uninsured population under age 65. Data on the number of uninsured people comes from the 2019 American Community Survey's 1-Year estimates acquired through the Census API.

Health Insurance Tax Subsidies in the Build Back Better Act Will Both Help Insure and Cut Health Costs for Millions of Americans

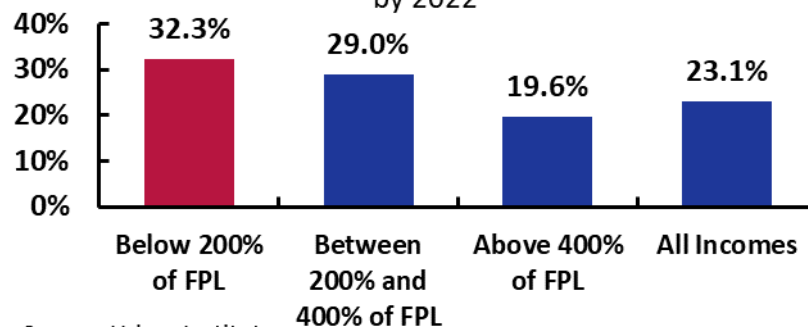
Federal enrollment data shows that [2.8 million people](#) have newly signed up for marketplace health insurance since February of 2021, with [nearly three times](#) as many people enrolling in federal marketplace plans in 2021 compared to 2020. Some of these 2.8 million new enrollees were previously uninsured, meaning they contribute to the estimated 4.2-million-person increase in the insured population cited above. However if Congress does not make the credits permanent, many of these same families could see their premiums [double](#) at the end of 2022, potentially pushing them into plans with higher deductibles or off of insurance entirely.

The increased subsidies also reduce health spending for many currently-insured families by 23%, putting more money back in the pockets of low- and middle-income Americans

These subsidies also lower health costs for the millions of Americans who already have health insurance but are currently spending a larger share of their incomes on premiums than this bill would allow. For example, under the increased subsidies a family earning 200% of the poverty line only has to pay [2% of their income](#) towards premiums for a benchmark marketplace plan, down from the 6.5% they had to pay before the subsidies were increased. For some families who already have insurance, the Urban report finds that these expanded subsidies will reduce total health spending by [23.1%](#), saving them an average of over \$1,100 per household per year in health spending. As shown in the graph below, the lowest income families would see the greatest percentage cost savings under these expanded tax subsidies.

Lower Income Households Experience Greater Health Savings

Percent change in household spending per enrollee, by 2022



Source: Urban Institute

Note: FPL is federal poverty level.

Data from the U.S. Department of Health and Human Services show how families who enrolled in marketplace plans in 2021 are already seeing substantial cost savings. [To date](#):

- 48% of new enrollees have enrolled in a plan that costs less than \$10 a month,
- the median deductible – the amount that families have to pay out of their own pockets before their insurance coverage kicks in – has dropped from \$750 down to \$50, and
- families who were already on exchange plans saw their premiums drop by an average of \$67 per person, per month.

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With the extension of these credits, families will have to spend less of their incomes on health care costs, which in recent years have grown to consume a [substantial share of household budgets](#).

Studies of the Affordable Care Act (ACA) find that increasing insurance coverage leads to improved access to care, better health outcomes and more financial stability

While these economic impacts are important, expanding health insurance is first and foremost about ensuring families have access to medical care. While it is still too soon to assess the specific impacts of the expansions under the American Rescue Plan, past research on the ACA points to promising impacts on both health outcomes and economic stability.

- Families who were uninsured prior to the ACA's enactment but then gained marketplace coverage had [reduced barriers to care, used more outpatient services, and were more likely to receive important diagnoses](#). These improvements were most notable among the lowest income recipients who earned just above the Medicaid eligibility threshold and thus were previously ineligible.
- People in the income range for the most generous marketplace subsidies were [less likely to delay medical care](#) due to cost.
- Families who gained coverage under the ACA were also [less likely to experience a catastrophic health expenditure](#).

Together, these findings suggest that extending these enhanced subsidies will help many more newly-insured Americans get the affordable medical care they need to improve their health.