Health Extenders 2025: Policy Approaches and Offset Options

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COMMITTEE FOR A RESPONSIBLE FEDERAL BUDGET

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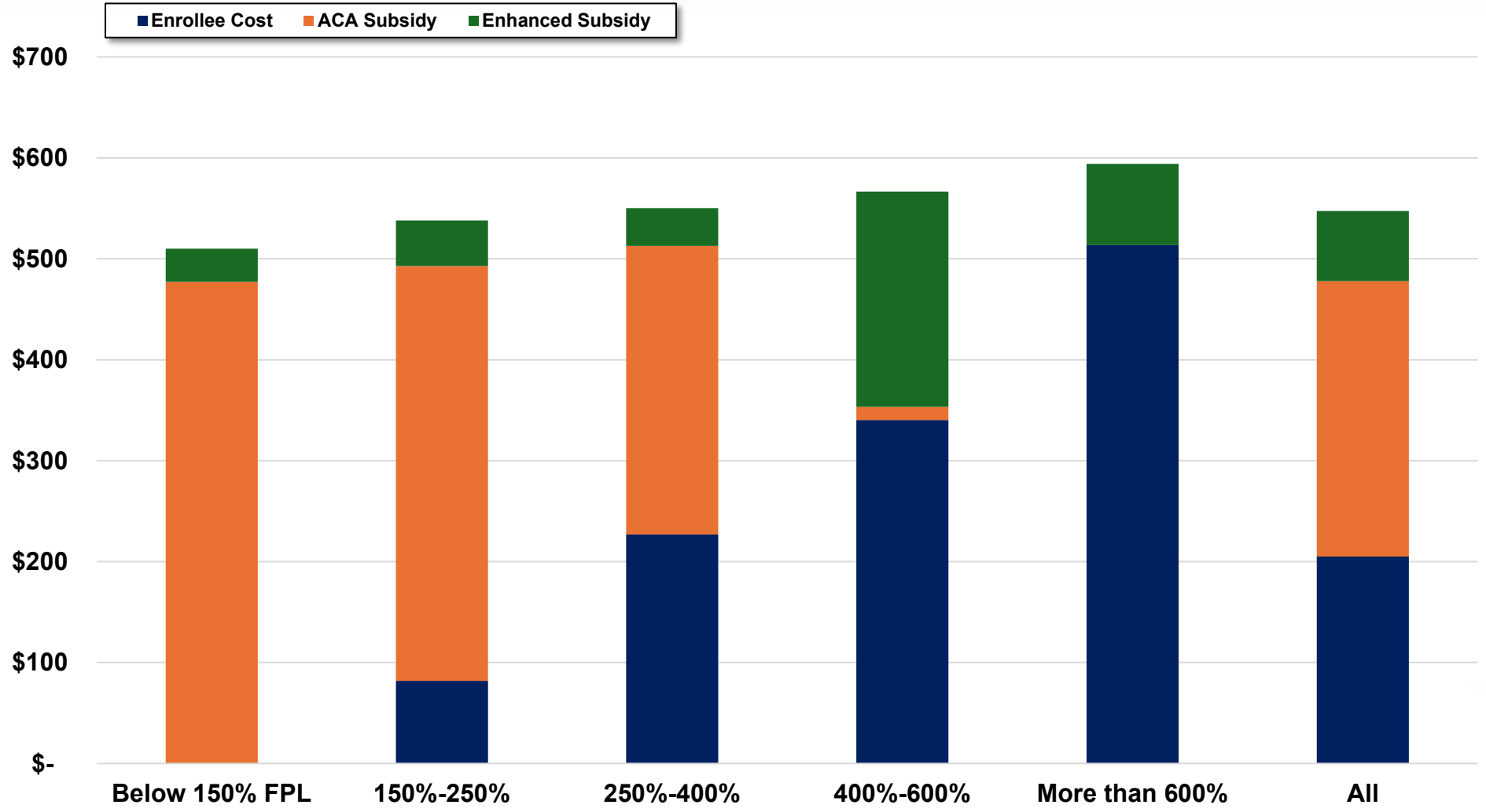
ACA Premium Subsidies

- The Affordable Care Act established exchanges where individuals can buy subsidized health insurance
- The size of these subsidies are calculated based on the "benchmark" plan (second lowest-cost silver plan) as a share of income
- Prior to 2021, these subsidies were limited to people with household income at or below 400% of the federal poverty line, creating a "subsidy cliff"

What Are the ACA Enhanced Subsidies?

- The American Rescue Plan Act (ARPA) of 2021 “enhanced” the subsidies by removing the income eligibility cap and making almost all subsidies more generous
- With enhanced subsidies, no one purchasing insurance on the exchanges pays more than 8.5% of their income in premiums
- The Inflation Reduction Act (IRA) of 2022 extended the enhanced subsidies to the end of Calendar Year (CY) 2025

How are the ACA Enhanced Subsidies Distributed?



Source: Committee for a Responsible Federal Budget Based on KFF Data

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ACA Enhanced Subsidies Expire This Year

- If the enhanced subsidies expire at the end of 2025 as scheduled, it will recreate the "subsidy cliff" at 400% FPL
- According to one study, a family of four making $70,000 (about 200% FPL) a year could see a $570 increase in health premiums next year
- A family of four “over the cliff” making $130,000 could see premiums could increase by $2,900 per year without the enhanced premium tax credit
- CBO estimates that an additional 4.2 million people would go uninsured if the enhanced subsidies are allowed to expire as scheduled

ACA Enhanced Subsidies Expire This Year

- Given the potential health coverage and cost impacts, some policymakers are interested in extending the enhanced subsidies beyond this year
- However, doing so would come at significant fiscal cost at a time when we already face a massive national debt
- Federal spending on health care is a major driver of our nation's fiscal crisis

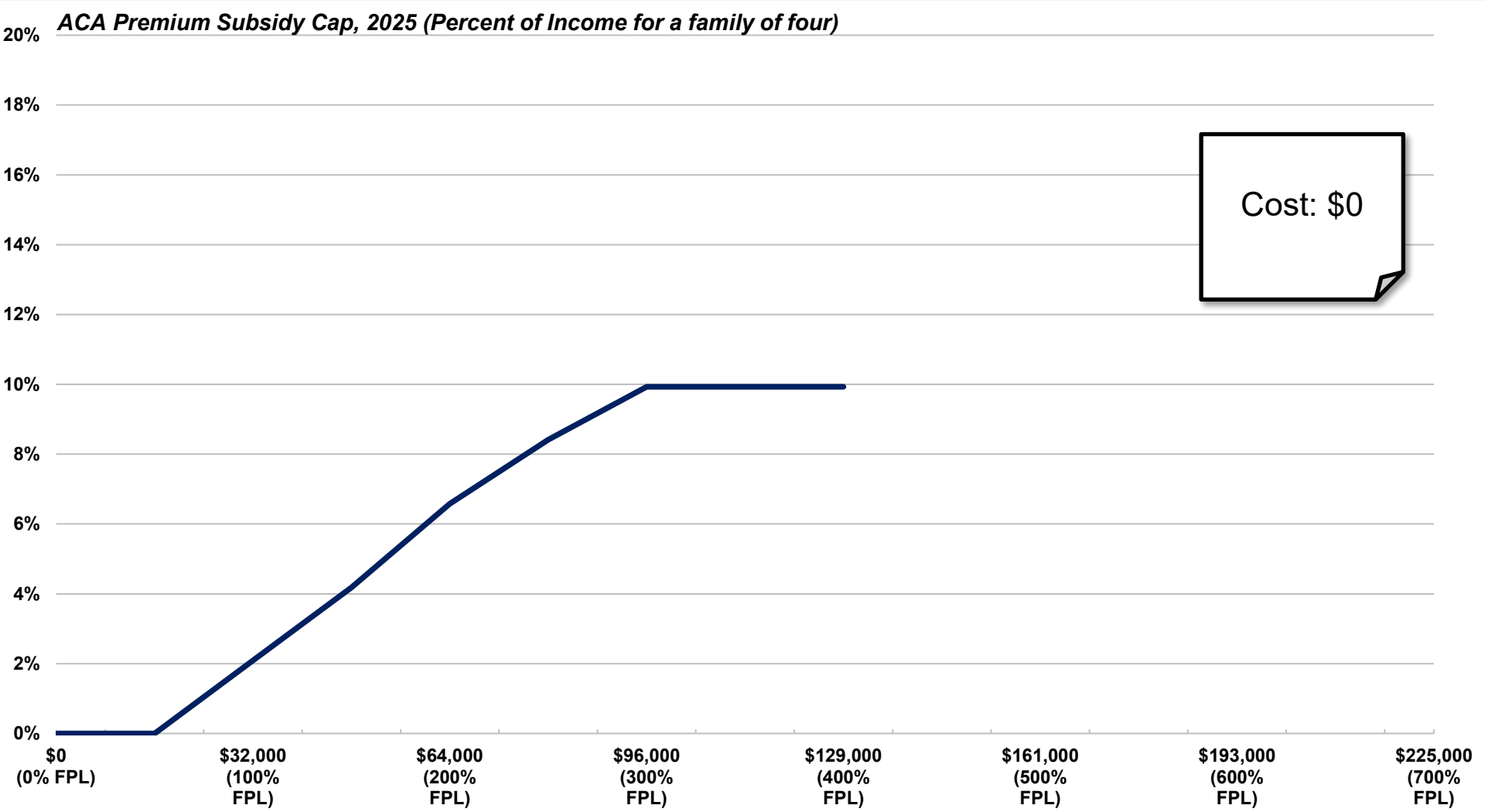
Options to Extend the Expiring ACA Subsidies

- A full extension of the enhanced subsidies through 2035 would cost up to $350 billion
- Selected more affordable extension options cost from $175-$325 billion

Policy	2026-2035 Cost
Extend Enhanced ACA Subsidies	
Make Current Subsidies Permanent	-$350 billion
Extend Subsidies Below 600% of Poverty	-$325 billion
Extend Subsidies Below 300% of Poverty, Extend Phase Up Above (Progressive Alternative)	-$280 billion
Extend Roughly Half of Subsidies (Smaller Alternative, PPI Plan)	-$175 billion

Source: CRFB estimates based on CBO data

Option 1: Allow Enhanced Subsidies to Expire



Source: Committee for a Responsible Federal Budget Based on KFF Data

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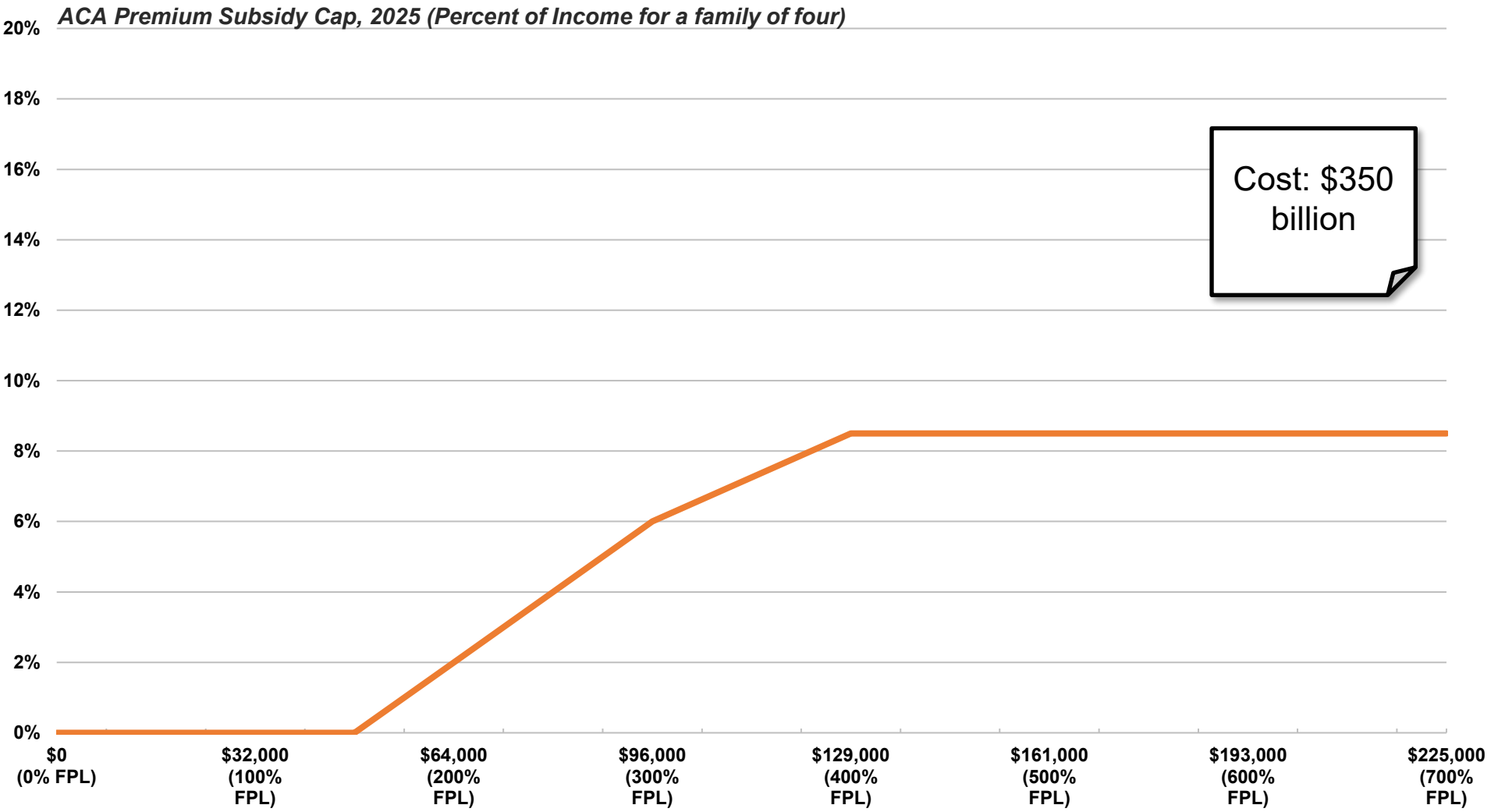
Option 2: Full Extension



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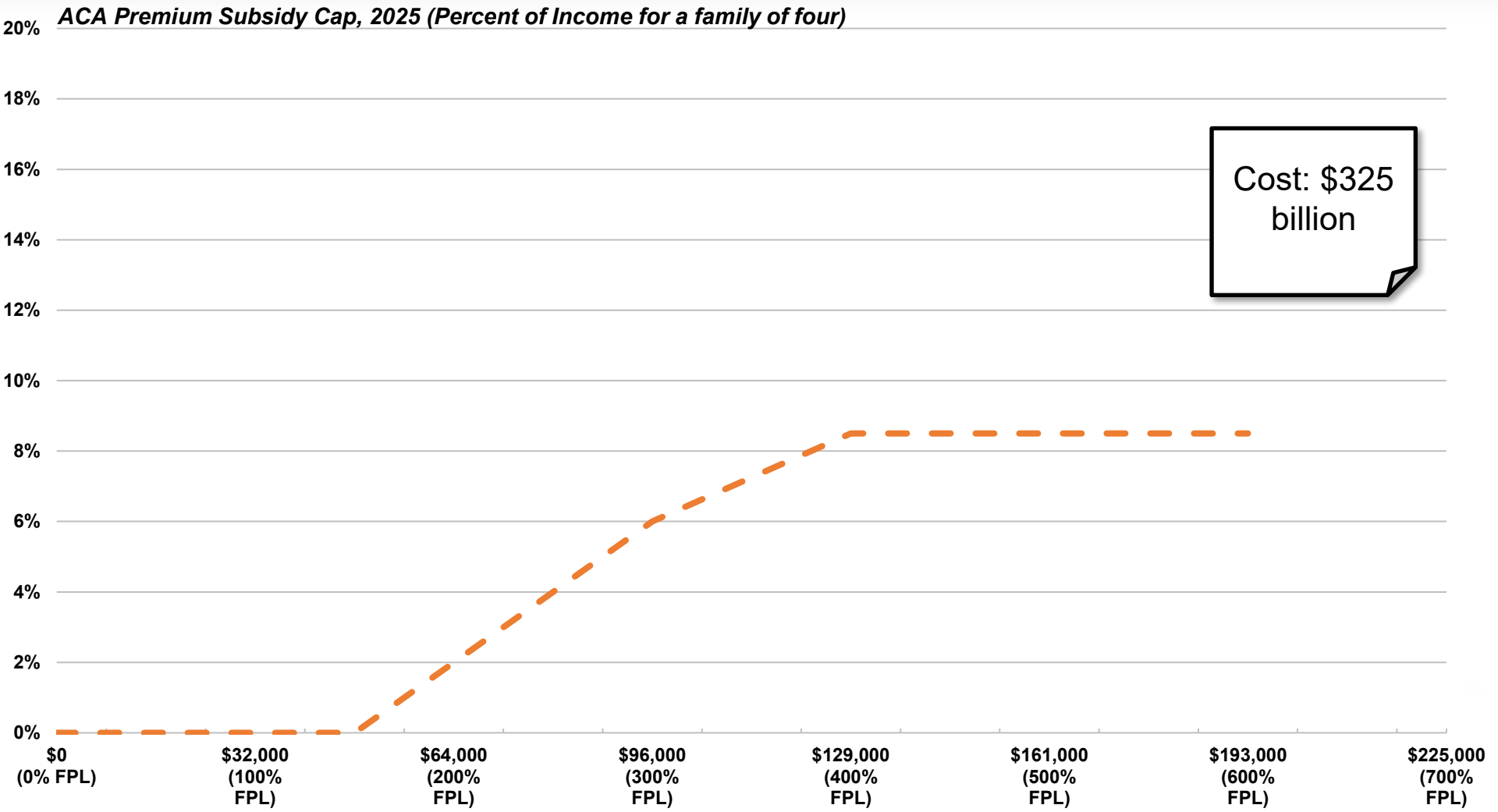
Option 3: Extend below 600% FPL



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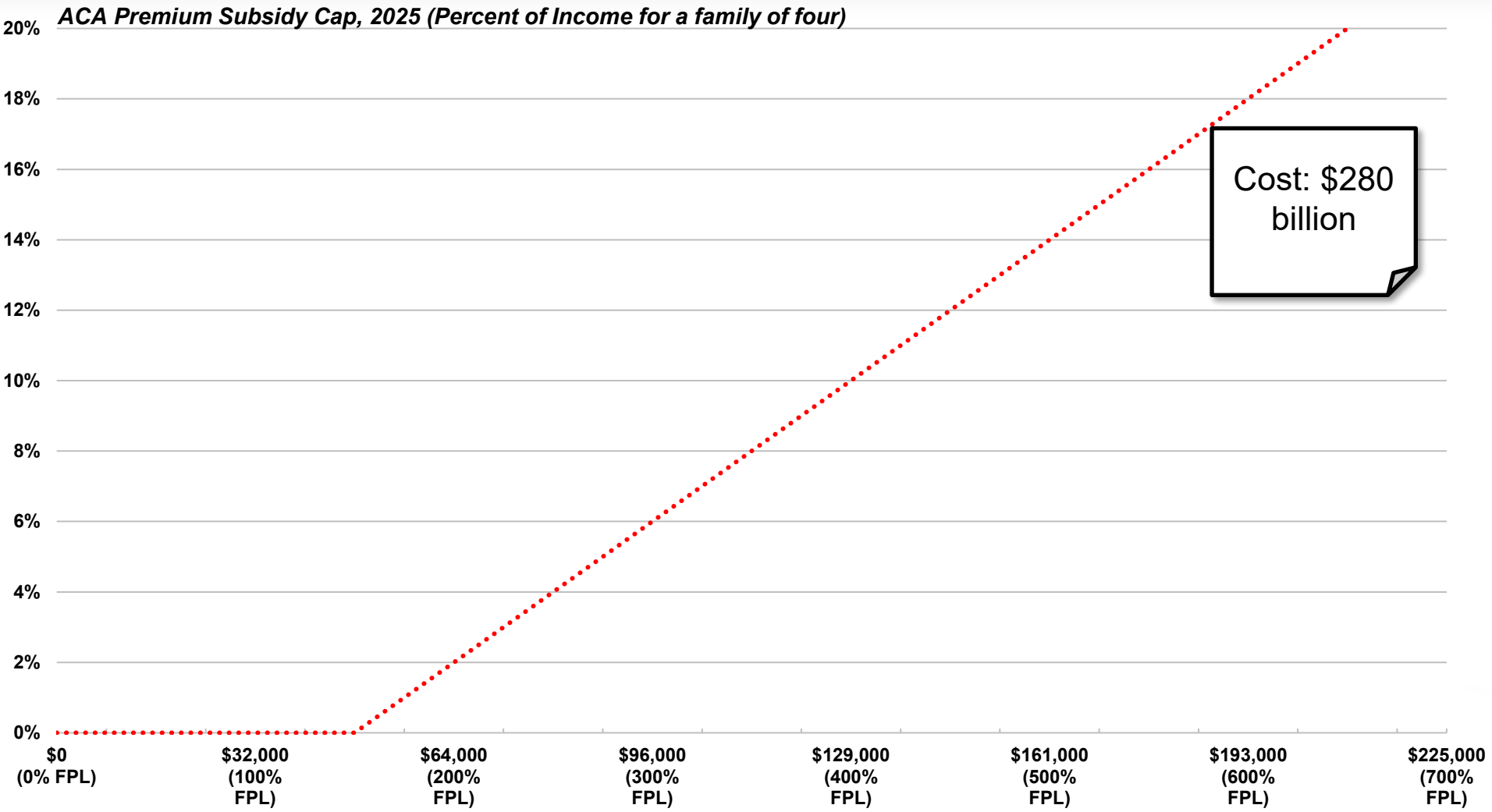
Option 4: Extend Below 300% FPL, Reduce Subsidy Above



Source: Committee for a Responsible Federal Budget Based on KFF Data

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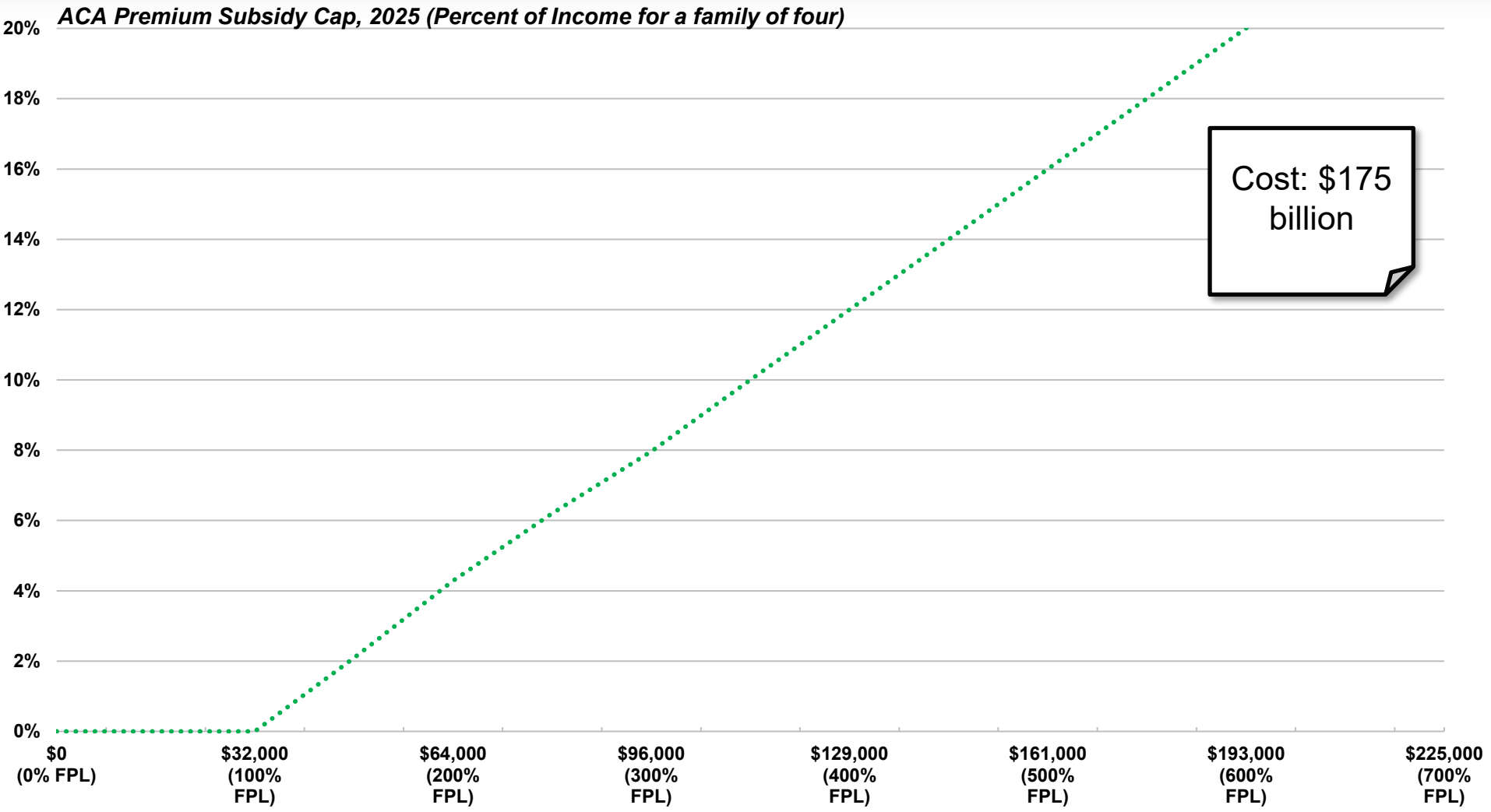
Option 5: Set Subsidy Level Between Original and Enhanced



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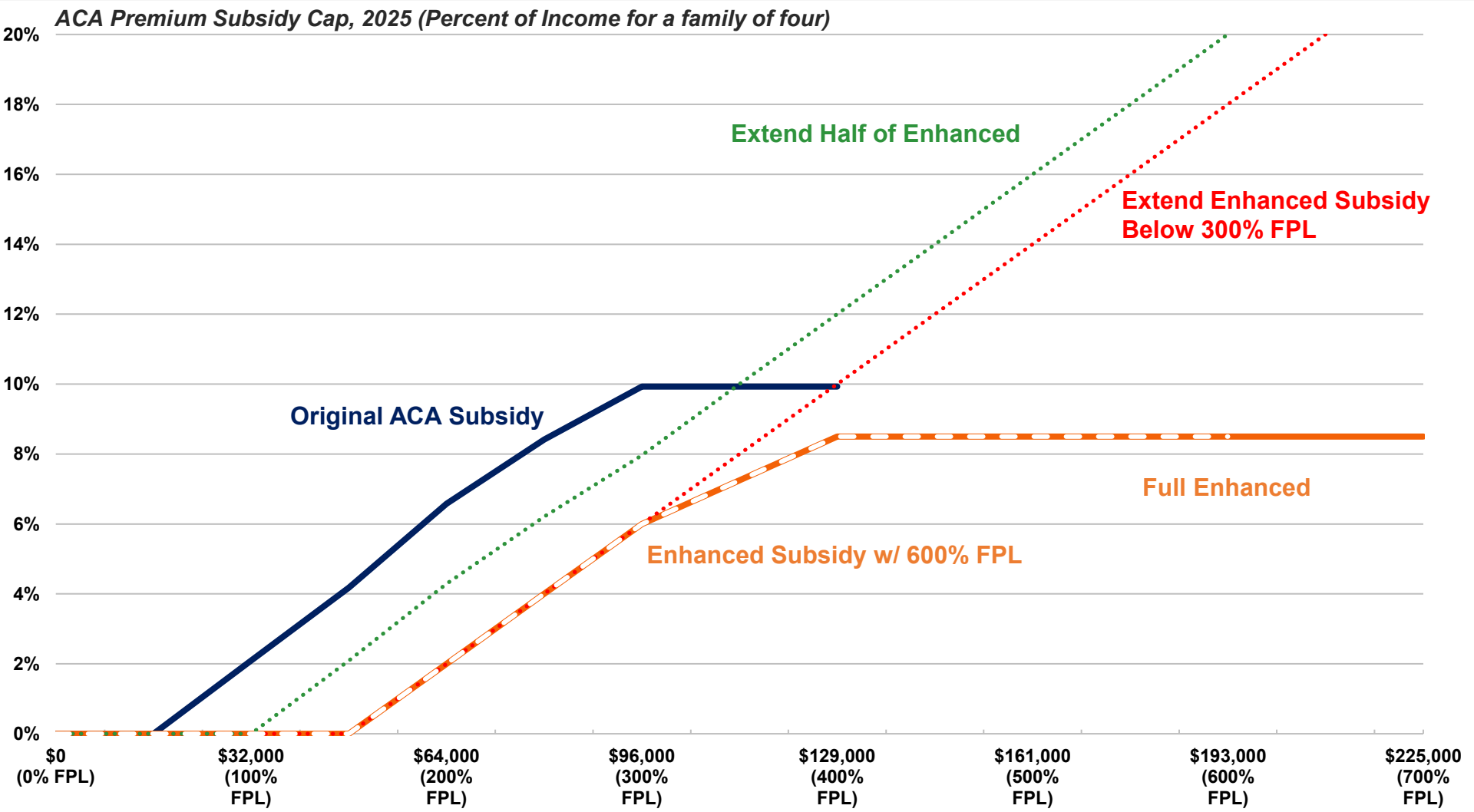
All Extension Options



Source: Committee for a Responsible Federal Budget Based on KFF Data

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Other Health Extenders

- Congress is also considering extending other health policies at the end of this calendar year, including:
  - Medicare
    - Medicare Dependent Hospital Program
    - Add-on Payment for Ambulance Services
    - Medicare Geographic Practice Cost Index (GCPI)
    - Acute Hospital Care at Home Waiver Authority
    - Medicare Telehealth Flexibility
    - Medicare Low-Volume Hospital (LVH) Program
  - Medicaid
    - Disproportionate Share Hospital (DSH) Payment Reductions
  - Other
    - Teaching Health Center Graduate Medical Education
    - Special Diabetes Program
    - Community Health Centers (Health Center Program)
- Extending these policies would add billions in federal spending

Options to Offset ACA and other Health Extenders

- If Congress chooses to extend the enhanced subsidies or other health policies, they should be fully or more than fully offset by spending reductions or revenue increases elsewhere
- CRFB has created a bank of potential offsets that include health, tax, and other policy areas

Options to Offset Health Extenders

Policy	2026-2035 Savings
Reduce ACA Costs	
Codify Recent ACA Rules in Effect for 2026, in Litigation	$50 billion
Fund Cost-Sharing Reduction (CSR) Appropriations	$50 billion
Cap ACA Plan Hospital Reimbursement at 200% of Medicare	$50 billion
Reduce Medicare Costs	
Adopt Site-Neutral Payments for Most Services	$175 billion
Reduce MA Risk Score "Upcoding" (No UPCODE Act)	$125 billion
Increase MA Coding Adjustment from 5.9% to 7.0%	$100 billion
End Reimbursement of Bad Debts	$60 billion
Rebase Medicare Payments to Current (Sequester) Level	$45 billion
Reduce Drug Reimbursements to 340B Hospitals to Average Sales Price	$20 billion
Ban Spread Pricing by Pharmacy Benefit Managers (PBMs)	$5 billion

Source: CRFB estimates based on CBO data. Note: Most estimates are based on pre-reconciliation data and may differ against current law.

Conclusion

- This calendar year, Congress faces a complex set of decisions around the extension of several health policies
- The enhanced ACA subsidies have the largest fiscal cost of these policies, and present multiple considerations and trade-offs
- However, should Congressional policymakers choose to extend them, they should ensure that they do so in a fiscally responsible manner