

Enhanced Premium Tax Credits: Helping More Mainers Afford Health Coverage

August 2024



The enhanced premium tax credits authorized in the American Rescue Plan Act of 2021 (ARPA) and extended in the Inflation Reduction Act (IRA) have made significant differences in the lives of Mainers, especially older Mainers and those who live in rural communities. These efforts have lowered the percent of income spent on premiums for the majority of Mainers who purchase health coverage on their own, especially for middle income families. Marketplace enrollees below 150% FPL in Maine may pay only \$1 in premiums/month. Those with incomes over 400% FPL receive tax credits to limit their monthly premiums to 8.5% of their income.

- As of August 12, 2024, 50,906 **consumers on the Maine marketplace received premium tax credits**, that is almost 85% of all individuals purchasing marketplace plans.¹
- Among those consumers that receive advance premium tax credits, the **average premium before premium tax credits are applied is \$724**. After the tax credit is applied, the **average premium drops to \$163**, for an **average savings of \$561 per month**.¹

OUTSIZED RURAL IMPACT

According to the Urban Institute, “Because of the structure of premium assistance, **people living in areas of the country with the highest premiums see the greatest benefit from ARPA subsidies**—and residents of **rural areas are more likely to see higher insurance premiums**.”²

- Mainers face marketplace premiums that are **some of the highest in the nation**. In 2024, the average premium for the benchmark plan in Maine was \$515; the US average was \$477.³ There are **only 12 other states and the District of Columbia with premiums equal to or higher than those in Maine**. Older and rural Mainers pay the highest premiums, on average.
- For plan year 2025, Mainers buying health coverage through the state-based marketplace will see an 8.6% increase in their premiums, on average, before any premium tax assistance is applied. In 2026, this increase will be even higher than a typical annual increase if the enhanced premium tax credits are not renewed.⁴

CONSIDER THESE MAINE FAMILIES*

A family of three living in Caribou, Maine:

- Household income of \$79,000. The husband, age 48, is a farm employee, making an annual income of \$58,000 and the wife, age 46, works in a health clinic, making \$20,500. They have an 18-year old daughter. They are enrolled in a Silver Plan with a \$3,500 deductible. The unsubsidized monthly premium for their family is \$2,004.49. **They currently pay \$395 per month in premiums and receive \$1,609.49 in premium tax credits.**
- **If the enhanced premium tax credits were not available to them, they would pay \$569.46 per month in premiums, nearly \$175 per month more.** The enhanced premium tax credit has allowed them to save more than \$2,000 over the past year. They are saving this money to help pay for college after their daughter graduates from high school next year.

A single woman living in Gorham, Maine:

- She is 34 and is a self employed landscaper making \$45,000 per year. She is enrolled in a Clear Choice Silver HMO Plan with a \$3500 deductible. Her unsubsidized monthly premium is \$617.45. **She currently pays \$341.45 per month in premiums and receives \$276 per month in premium tax credits.**
- **If the enhanced premium tax credits are not extended, she would have to pay an additional \$3,312 annually towards her premium.** Adding an additional \$276 per month to her expenses would mean she could no longer make her vehicle loan payment which is critical to the operation of her business. Having to choose transportation over insurance coverage could lead to unexpected medical debt due to the physical nature of her profession, and is not a choice she should have to make.

*Hypothetical examples based on actual consumer data

NOW IS THE TIME TO ACT

The enhanced tax credits are set to expire at the end of 2025. **Congress needs to make the expanded tax credits permanent.** Maine will see a serious increase in the number of uninsured individuals if the enhanced tax credits are not made permanent. Action is required well ahead of this deadline (ideally by January 1, 2025) due to impacts on premium rate setting which happen early in 2025.

- Marketplace premiums are set well in advance of open enrollment. For plan year 2026, insurers will submit their proposed rates to the regulatory authorities in early 2025 with final decisions on premium rates set by August 15th.
- Without definitive action on extending and making permanent the premium tax credits, insurers will make assumptions about the number of individuals that will drop their coverage and how that impacts their risk pools. Research shows that healthy individuals are more price sensitive and more likely to forego coverage if they believe it is too expensive. As such, insurers will likely predict less healthy risk pools, which will drive up premiums. It is predicted that this will increase premium rates even higher than the regular average annual increases of 11.5% we have seen over the last three years.⁵
- Enhanced tax credits have benefited Maine's reinsurance program by providing more federal passthrough funds. Since the enhanced premium tax credits strengthen the risk pool by attracting healthier consumers through lower premiums, the impact is magnified as reinsurance funds are used to lower premiums for individuals and small business plans, including those who are not eligible for premium tax credits. In 2024, we received \$45.7M in federal passthrough funds that – when combined with \$25M in state funds – reduced premiums by 7% in the individual and small group markets. In 2025, we anticipate receiving the same amounts, lowering premiums by 7%.⁶

¹ OHIM calculations based on data from the eligibility and enrollment system.

² Buettgens, M., Banthin, J. Akel, M. and Simpson, M. (February 2024). *An Overview of Health Care Costs and Coverage in Maine for 2025*. Urban Institute. <https://www.urban.org/sites/default/files/2024-02/An%20Overview%20of%20Health%20Coverage%20and%20Costs%20in%20Maine%20for%202025.pdf>

³ KFF. State Health Facts. *Average Marketplace Premiums by Metal Tier, 2018-2024*. Map of 2024 Average Benchmark Premium. Retrieved August 20, 2024 <https://www.kff.org/affordable-care-act/state-indicator/average-marketplace-premiums-by-metal-tier/?activeTab=map¤tTimeframe=0&selectedDistributions=average-benchmark-premium&sortModel=%7B%22collId%22:%22Location%22,%22sort%22:%22asc%22%7D>.

⁴ Maine Bureau of Insurance. *Maine Merged Market Health Insurance Rate Filings*. Individual and Small Group Health Insurance. 2025 Average Rate Increases Summary Tables (pdf). Retrieved August 20, 2024 <https://www.maine.gov/pfr/insurance/sites/maine.gov.pfr.insurance/files/inline-files/2025-ratesummary-V3.pdf>.

⁵ Average rate increase derived from combining averages from the Maine Bureau of Insurance yearly Membership Weighted Average Premium Average Increase data from 2023, 2024 and 2025 as found in the following locations. 2023 <https://www.pressherald.com/2022/09/01/insurance-premiums-for-maine-small-businesses-declining-in-2023/>. 2024 <https://www.maine.gov/pfr/insurance/sites/maine.gov.pfr.insurance/files/inline-files/2024-ratesummary-V1.pdf>. 2025 <https://www.maine.gov/pfr/insurance/sites/maine.gov.pfr.insurance/files/inline-files/2025-ratesummary-V3.pdf>.

⁶ "Maine Guaranteed Access Reinsurance Association: 2025 MGARA Reinsurance Program Reinsurance Parameters," Milliman, May 23, 2024.