

The Impact of Enhanced Premium Tax Credits on Coverage by Race and Ethnicity

Jessica Banthin, Michael Simpson, and Mohammed Akel

August 2024

Under enhanced PTCs, **Black and Hispanic people** will be **enrolled** in the **nongroup market** at **higher rates** than White people in 2025.

With enhanced PTCs, **Black and Hispanic people** will account for a **larger share** of **nongroup enrollment** in 2025 than they would have without them.

Black and Hispanic people will see **greater reductions** in the **percent of uninsured** people relative to White people because of enhanced PTCs.

Increases in nongroup enrollment and **decreases in uninsurance** among **Black and Hispanic** people because of enhanced PTCs are **greater in nonexpansion states** than in expansion states.

Gains for Black and Hispanic people will likely **be reversed after 2025** if Congress does not **extend the enhanced PTCs**.

Congress passed enhanced premium tax credits (PTCs) in March 2021 as part of the American Rescue Plan Act (ARPA) and extended them through 2025 by the Inflation Reduction Act (IRA) of 2022. The enhanced PTCs substantially increased the subsidies available to buy insurance in the Marketplace, making coverage more affordable for eligible people. As a result, enrollment steadily increased and jumped by 5 million people, or 31 percent, during the 2024 open enrollment period.¹ Soon, Congress will debate whether to extend enhanced PTCs again, make them permanent, or let them expire.

In this brief, we estimate coverage of the nonelderly population (under age 65) in 2025 with and without enhanced PTCs by race and ethnicity to gauge the impact of the more generous credits.² We project our estimates to 2025 because that is the last year enhanced PTCs are authorized under current law.

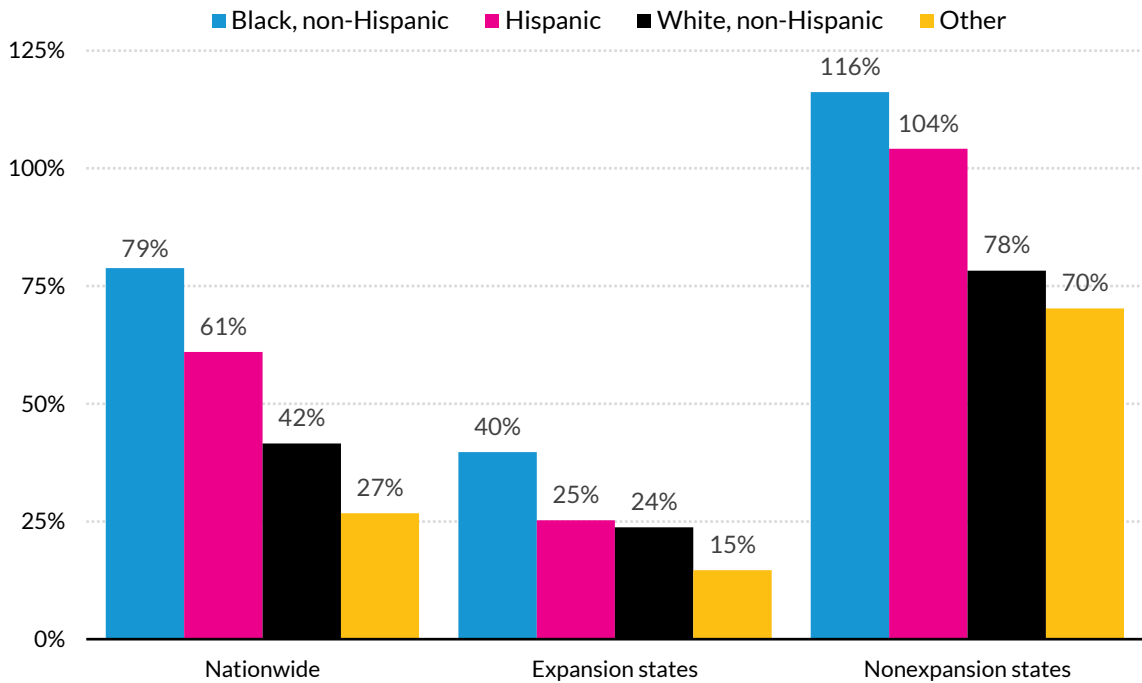
We previously estimated that 7.2 million more people will receive subsidized Marketplace coverage in 2025 with enhanced PTCs than if they were not in place (Banthin et al. 2024). We also estimated that there will be 4.0 million fewer uninsured people in 2025 because of enhanced PTCs. If Congress does not extend the enhanced PTCs after 2025, we project these gains will be reversed, and 4 million people would become uninsured.

RESULTS

Enrollment in the nongroup market in 2025, which includes the Marketplace, is estimated to be substantially higher across all racial and ethnic groups with enhanced PTCs relative to a scenario without enhanced PTCs. Enrollment increases among Black people (79 percent higher) and Hispanic people (61 percent higher) with enhanced PTCs are greater than enrollment increases among White people (42 percent higher) (figure 1).

FIGURE 1

Increase in Nonelderly Nongroup Enrollment Under Enhanced Premium Tax Credits by Race and Ethnicity, Nationwide and by Medicaid Expansion Status, 2025



URBAN INSTITUTE

Source: The Urban Institute Health Insurance Policy Simulation Model, 2024.

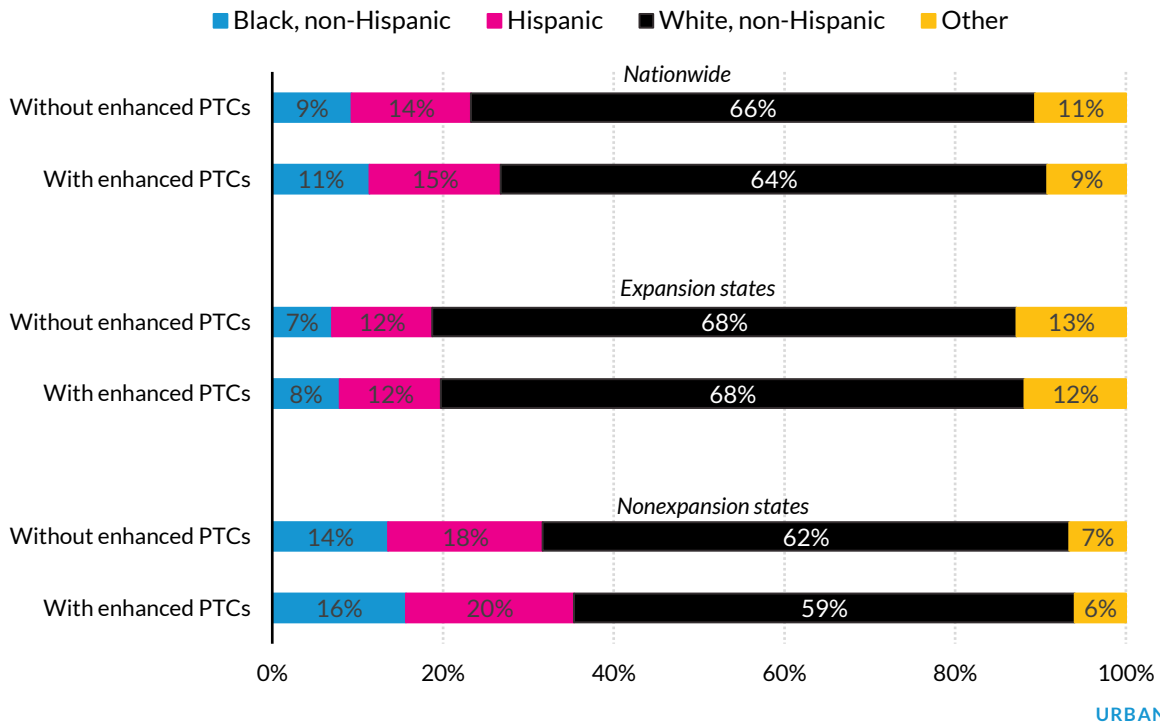
Notes: Other includes American Indian, Alaska Native, Asian, Pacific Islander, and those reporting more than one race.

In states that have expanded Medicaid, 40 percent more Black people are projected to enroll in the nongroup market with enhanced PTCs compared with increases of 25 and 24 percent, respectively, for Hispanic and White people. The biggest coverage impacts will occur in nonexpansion states where total enrollment jumps; Black and Hispanic people are projected to more than double their enrollment in nongroup coverage with enhanced PTCs than without (116 and 104 percent increases, respectively), while White people are projected to increase their enrollment at a lower rate (78 percent).

As a result of enhanced PTCs, Black and Hispanic people account for a larger share of nongroup enrollees, while White people account for a smaller share in 2025, according to our projections. Black people will account for 11 percent, and Hispanic people will account for 15 percent of total nongroup enrollment, shares 2 and 1 percentage points greater than without enhanced subsidies, respectively (figure 2). White people will account for 64 percent of total nongroup enrollment, 2 percentage points less than without enhanced subsidies.

FIGURE 2

Composition of Nonelderly Nongroup Enrollment by Race and Ethnicity with and without Enhanced Premium Tax Credits, Nationwide and by Medicaid Expansion Status



URBAN INSTITUTE

Source: The Urban Institute Health Insurance Policy Simulation Model, 2024.

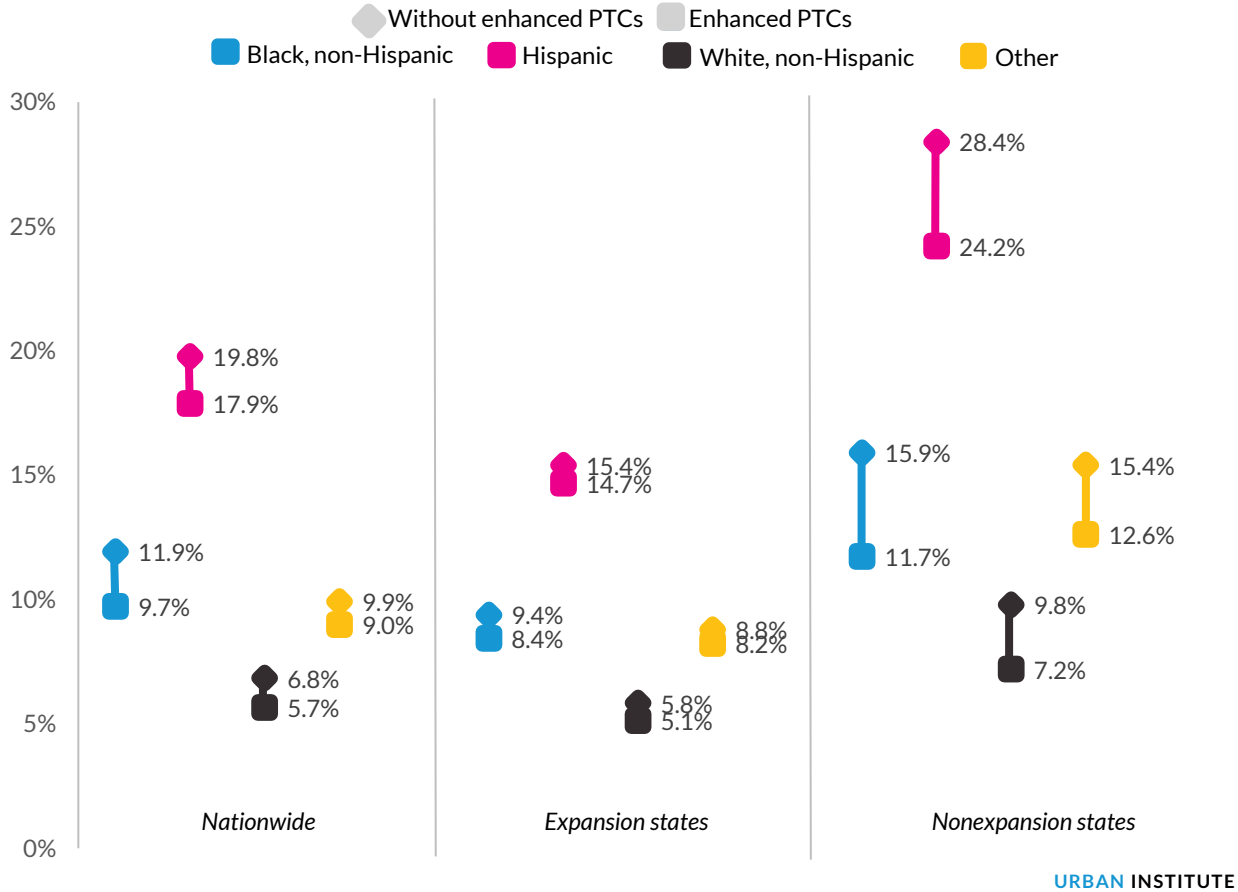
Notes: PTC = premium tax credit. Other includes American Indian, Alaska Native, Asian, Pacific Islander, and those reporting more than one race.

The largest shifts in the racial and ethnic composition of total nongroup enrollment occur among the nonexpansion states. With enhanced PTCs, Black people compose 16 percent and Hispanic people compose 20 percent of nongroup enrollment in nonexpansion states, 2 percentage points higher than without enhanced subsidies for each group. White people account for 59 percent of nongroup enrollment, 3 percentage points less than without enhanced subsidies.

The percentage of uninsured people would differ substantially by race and ethnicity in 2025 with or without enhanced PTCs (figure 3). Overall, fewer people of all races and ethnicities will be uninsured because of enhanced PTCs, but the differences are greater for Black and Hispanic people compared with White people. We project the uninsured rate for Black people will be 9.7 percent with enhanced PTCs and 11.9 percent without enhanced PTCs, representing 0.8 million fewer Black people without health insurance (data not shown). The uninsured rate for Hispanic people is projected to be 17.9 percent with enhanced PTCs and 19.8 percent without (1.0 million fewer Hispanic people without insurance). In both cases, uninsured rates are about 2 percentage points lower with enhanced PTCs. The uninsured rate for White people is projected to be 5.7 percent with enhanced PTCs and 6.8 percent without—a difference of 1 percentage point, which equals 2.0 million fewer uninsured White people.

FIGURE 3

Uninsurance of the Nonelderly with and without Enhanced Premium Tax Credits by Race and Ethnicity, Nationwide and by Medicaid Expansion Status, 2025



Source: The Urban Institute Health Insurance Policy Simulation Model, 2024.

Notes: PTC = premium tax credit. Other includes American Indian, Alaska Native, Asian, Pacific Islander, and those reporting more than one race.

In expansion states, we project that enhanced PTCs will have a limited impact on the uninsured rates by race and ethnicity in 2025. In contrast, we project that enhanced PTCs will reduce uninsurance rates dramatically in nonexpansion states. Among Black people, uninsurance will be 11.7 percent with enhanced PTCs and 15.9 percent without, a difference of over 4 percentage points. Among Hispanic people, uninsurance will be 24.2 percent with enhanced PTCs and 28.4 percent without, again a more than 4 percentage point difference. White people will also see lower uninsurance rates under enhanced PTCs, but the difference is smaller: about 2.6 percentage points.

CONCLUSION

The enhanced PTCs, originally enacted under ARPA and later extended through 2025 under IRA, expand subsidized nongroup enrollment in the Marketplace by 7.2 million people in 2025 and reduce the number of uninsured by 4.0 million people, as we have previously shown (Banthin et al. 2024). Black and Hispanic people are projected to increase their enrollment in the nongroup market at substantially higher rates relative to White people in 2025.

Black and Hispanic people will thus account for a larger share of nongroup enrollment in 2025 than without the enhanced PTCs. In addition, Black and Hispanic people will see greater reductions in the percent of uninsured people relative to White people because of this policy. These impacts are greater in nonexpansion states.

Our analysis of the impact of enhanced PTCs on coverage by race and ethnicity is consistent with two recent studies. One study examined Marketplace enrollment by race and ethnicity from 2018 to 2023 in 33 states using the Healthcare.gov website (ASPE 2024). ASPE (2024) found larger enrollment increases after the enactment of enhanced PTCs among Black and Hispanic people relative to White people, consistent with our projections, which include all states. They also found that Black and Hispanic people accounted for larger shares and White people for smaller shares of total Marketplace enrollment as of 2023, similar to what we project for 2025. A second report examined rates of coverage and uninsurance as of 2022 using the American Community Survey (ACS) (Sharer and Lukens 2024). They found wide variations in uninsurance rates by race and ethnicity consistent with our analysis.

In 2025, we project that there will continue to be large and meaningful disparities in the rates of uninsured people by race and ethnicity among the nonelderly population. We also project that enhanced PTCs will play a role in reducing those disparities by disproportionately increasing Marketplace take-up and reducing uninsurance among Black and Hispanic people. The enhanced PTCs are not targeted by race or ethnicity, but they are more generous at lower incomes and directly assist those without affordable insurance offers from an employer. Because Black and Hispanic people are more likely than White people to be low-income, the PTCs are especially helpful, particularly in nonexpansion states where access to Medicaid is severely limited for adults.

APPENDIX: DATA AND METHODS

We used the Urban Institute’s Health Insurance Policy Simulation Model (HIPSM) to produce our analysis of the effects of ARPA/IRA’s enhanced PTCs on coverage and household spending in 2025; more information is available in that report on our data and methods (Banthin et al. 2024).³ HIPSM is a microsimulation model of the US health care system focused on the nonelderly population and is designed to estimate the cost and coverage effects of proposed policy changes. The model’s baseline is regularly updated to reflect changes in law and state policies, premium increases, population growth, and the most recently published Medicaid and Marketplace enrollment and costs in each state. We project the model’s baseline to 2025, the final year of enhanced PTCs under current law, and the year we expect to find their largest impact.

To examine Marketplace enrollment by race and ethnicity, we rely on the synthetic population in our model, based on two years of the ACS and consisting of more than 6 million observations. The ACS data represent racial and ethnic groups nationally, by individual states, and by smaller geographic areas. These data are reweighted to match current national and state population estimates. This summary focuses on how the two largest minority groups (Black and Hispanic people) compare with the majority group (White people). We combine Asians and Pacific Islanders, Native Americans and American Indians, and people of other or mixed races into a single group of other races. For more information on HIPSM, see Buettgens and Banthin 2022.

NOTES

¹ “Marketplace Products,” CMS.gov, accessed July 24, 2024, <https://www.cms.gov/data-research/statistics-trends-and-reports/marketplace-products>.

ABOUT THE AUTHORS

Jessica S. Banthin is a senior fellow in the Health Policy Center at the Urban Institute.

Michael Simpson is a principal research associate in the Health Policy Center.

Mohammed Akel is a former research assistant in the Health Policy Center.

² When estimating coverage under a policy without enhanced PTCs, we assume a counterfactual scenario in which the original Affordable Care Act PTCs would have remained in effect.

³ “The Health Insurance Policy Simulation Model,” in “Quantitative Data Analysis,” Urban Institute, accessed May 14, 2024, <https://www.urban.org/research/data-methods/data-analysis/quantitative-data-analysis/microsimulation/health-insurance-policy-simulation-model-hipsm>.

REFERENCES

ASPE (Assistant Secretary for Planning and Evaluation). 2024. “HealthCare.gov Enrollment by Race and Ethnicity, 2015–2023.” Washington, DC: ASPE.

Banthin, Jessica, Matthew Buettgens, Michael Simpson, and Jason Levitis. 2024. “Who Benefits from Enhanced Premium Tax Credits in the Marketplace?” Washington, DC: Urban Institute.

Buettgens, Matthew, and Jessica Banthin. 2022. “Estimating Health Coverage in 2023.” Washington, DC: Urban Institute.

Sharer, Breanna, and Gideon Lukens. 2024. *Health Coverage Rates Vary Widely across—and within—Racial and Ethnic Groups*. Washington, DC: Center on Budget and Policy Priorities.

ACKNOWLEDGMENTS

This summary was funded by the Robert Wood Johnson Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at [urban.org/fundingprinciples](https://www.urban.org/fundingprinciples). Copyright © July 2024. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.

The authors wish to thank Steven Zuckerman for his helpful feedback and Sarah LaCorte for her editorial support.