

Taxpayers Will Finance Vast Majority of ACA Plan Premiums For Most Enrollees After Biden's COVID Credits Expire

By Brian Blase, Ph.D., Liam Sigaud, and John R. Graham

In May 2023, the Biden Administration ended the COVID-19 public health emergency. Biden's COVID credits—which shifted more of the share of premiums to taxpayers—expire at the end of 2025. Extending them would cost at least \$40 billion annually, crowd out private coverage, drive up health costs, encourage employers to not offer health coverage, continue funneling higher subsidies to insurers, and delay needed reforms. Moreover, the COVID credits were intended as a temporary pandemic-era measure, not a permanent expansion of government. For these reasons, Congress should let Biden's COVID credits expire.

The ACA Before and After COVID

The Affordable Care Act (ACA) established a new type of heavily regulated and subsidized health plan designed for Americans who did not have employer-based health plans and were not eligible for government programs, particularly Medicare, Medicaid, and the Children's Health Insurance Program. About 6 percent of Americans are covered through ACA individual market plans. A core feature of the ACA is higher premiums for younger and healthier Americans that finance benefits for Americans near retirement and with expensive health conditions.

The ACA disguised the cost of its regulatory approach with large subsidies to insurance

KEY TAKEAWAYS

Biden's COVID credits drove improper and phantom enrollment. Paragon estimates 6.4 million improper exchange enrollees in 2025, and CMS reported nearly 12 million enrollees—35 percent of all enrollees—with zero claims in 2024.

The credits were supposed to be temporary pandemic relief. Despite the official end of the COVID-19 emergency in 2023, the credits persist, costing about \$40 billion annually while encouraging fraud, crowding-out of private coverage, and allowing big insurers to enrich themselves at the expense of taxpayers.

After Biden's COVID credits expire at the end of this year, ACA subsidies will remain robust. The original ACA structure still provides significant taxpayer support for low- and middle-income people: For almost all enrollees under 250 percent of the federal poverty line, taxpayers will continue to cover the vast majority of premiums. For example, a 50-year-old at 150 percent FPL will have more than 90 percent of his or her premium paid by taxpayers.

companies that passed a significant share of premiums to taxpayers. This subsidy limits the amount of household income that enrollees must pay toward a benchmark plan, with the enrollee able to use that subsidy amount on any plan. The subsidies decline as household income increases. In 2026, the lowest-income exchange enrollees will pay 2.10 percent of their household income toward a benchmark plan.¹ The highest-income subsidized exchange enrollees—up to four times the federal poverty level (FPL), or \$62,600 for an individual in 2026—will pay 9.96 percent of their household income toward a benchmark plan.

When President Biden entered office in early 2021, enrollment in the ACA exchanges had stabilized at about 10 million annualized enrollees. However, enrollment was only about 40 percent of what the Congressional Budget Office projected when the ACA was enacted in 2010. President Biden signed a pandemic measure in 2021 that boosted premium subsidies by increasing their size and removing the income cap on eligibility. By signing the Inflation Reduction Act in 2022, President Biden extended these enhanced subsidies through 2025. These COVID credits made plans fully subsidized by taxpayers for anyone claiming to be in households with income between 100 percent and 150 percent FPL.

The COVID credits triggered a surge in enrollment—much of it improper (ineligible people claiming fully subsidized plans) and phantom (people unaware of their enrollment or already covered elsewhere). Based on government data, we estimate that there are 6.4 million improper enrollees in the exchanges in 2025. The Centers for Medicare and Medicaid Services reported that nearly 12 million exchange enrollees in 2024 never used their plans—not a doctor visit, lab test, or prescription. That number corresponds to 35 percent of all exchange

enrollees and nearly 8 million enrollees on an annualized basis. For fully subsidized enrollees, 40 percent of enrollees had zero claims in 2024.

What If the Credits Expire?

In the absence of Biden's COVID credits, low- and middle-income households will continue to receive robust financial assistance to purchase health coverage. Ending the COVID credits would restore the original ACA subsidy structure. The following figures show that federal taxpayers would still pick up a large amount of the premium cost for most enrollees if the COVID credits expire.

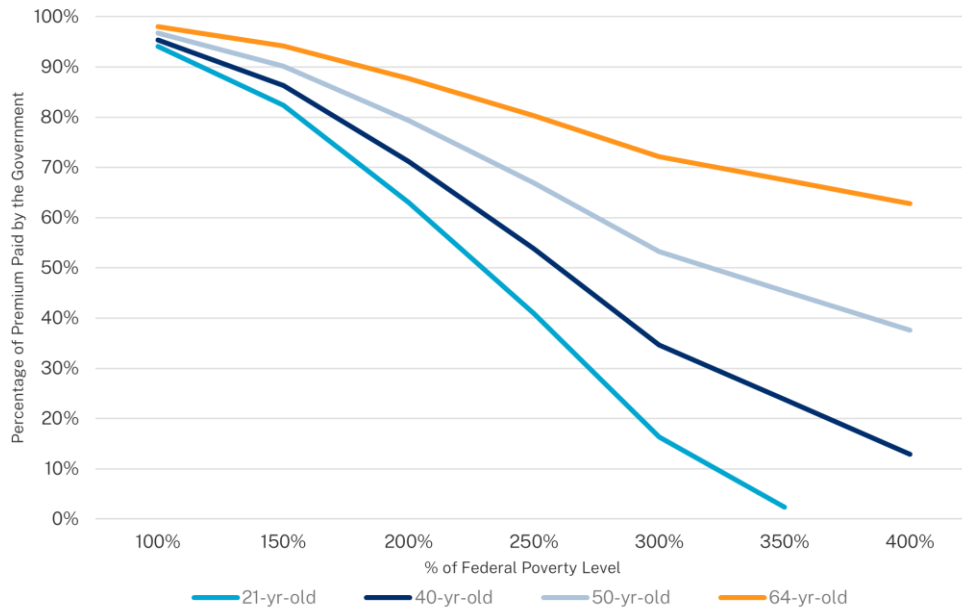
Figure 1 shows the percentage of premium paid by federal taxpayers in 2026 for a single individual for enrollees of four ages (21, 40, 50, and 64). The federal government picks up a much greater share of premiums for older enrollees, because the subsidy limits the amount of household income enrollees at a given FPL level pay for a benchmark plan irrespective of enrollee age. Because the exchange plan premium for an enrollee near 65 is about three times more than for young adult enrollees, the corresponding subsidy for the older adult is much higher.

Nearly three-quarters of exchange enrollees have income below 250 percent FPL, so for the vast majority of enrollees, taxpayers will pay most of the premium cost if Biden's COVID credits expire. The median enrollee claims to earn about 150 percent FPL.² For a 50-year-old at that income level, the taxpayer share of the premium is 90 percent. Those shares are 82 percent, 86 percent, and 94 percent for 21-year-old enrollees, 40-year-old enrollees, and 64-year-old enrollees, respectively.



**Figure 1: Taxpayers Finance More Than Three-Quarters of
Obamacare Benchmark Premiums for Most Enrollees**

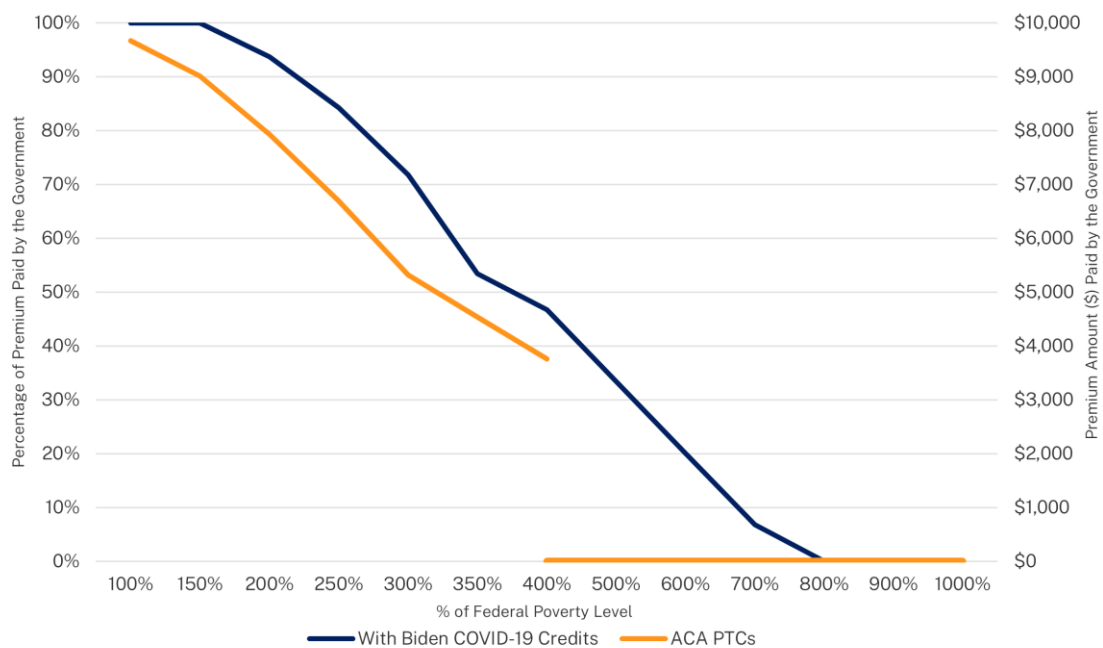
Taxpayers Pay a Greater Share for Older Enrollees



SOURCE: Authors' calculations based on data from the Kaiser Family Foundation's Health Insurance Marketplace Calculator.



**Figure 2: Taxpayer Share of Benchmark Premium
for a 50-Year-Old Enrollee**



SOURCE: Authors' calculations based on data from the Kaiser Family Foundation's Health Insurance Marketplace Calculator.

In Figure 2, we illustrate the percentage of the premium paid by the government along with the premium amount paid by the government for a 50-year-old enrollee under the original ACA subsidies as well as with Biden's COVID credits. We choose a 50-year-old enrollee because the median exchange enrollee is near 50 years old. The difference between the blue line (Biden's COVID credits) and the orange line (original ACA subsidy) is the extra amount paid by taxpayers with Biden's COVID credits in place.

At 150 percent FPL (\$23,475 in 2026), Biden's credits cover the entire \$9,994 premium. When they expire, the enrollee pays \$984 a year — under 4 percent of income — while taxpayers still cover \$9,010, or 90 percent of the cost.³ The biggest difference would be for an enrollee earning just above four times the FPL. At this level of income, the difference is about \$4,673. These are individuals earning over \$62,600, who were not considered in need of subsidies when President Obama signed the legislation in 2010.

Figure 3 shows the percentage of the premium cost borne by federal taxpayers for enrollees who select bronze plans. Bronze plans cost less than silver plans because they have higher deductibles and copayments. Because the premium subsidies do not vary by plan type, taxpayers cover an even larger share when enrollees choose bronze plans. If Biden's COVID credits expire, enrollees under 150 percent FPL of any age would still be able to purchase bronze plans with no out-of-pocket premium, while 64-year-old enrollees with income up to 250 percent FPL would qualify for fully subsidized bronze plans. For an enrollee at 200 percent FPL selecting a bronze plan, taxpayers would cover 82 percent of the premium for a 21-year-old enrollee, 93 percent of the premium for a 40-year-old enrollee, and 100 percent of the

premium for a 50-year-old or 64-year-old enrollee.

Figure 4 shows the percentage of premium paid along with the premium amount for a 50-year-old enrollee under the original subsidies as well as with the Biden COVID credits. For enrollees with income below 200 percent FPL, there is no difference — the federal taxpayer covers the entire cost. At three times the FPL, the difference is about \$1,860 — and the difference narrows until the individual reaches four times the FPL. At four times the FPL, the difference is about \$4,673.

The Fair Distribution Between Enrollee and Taxpayer

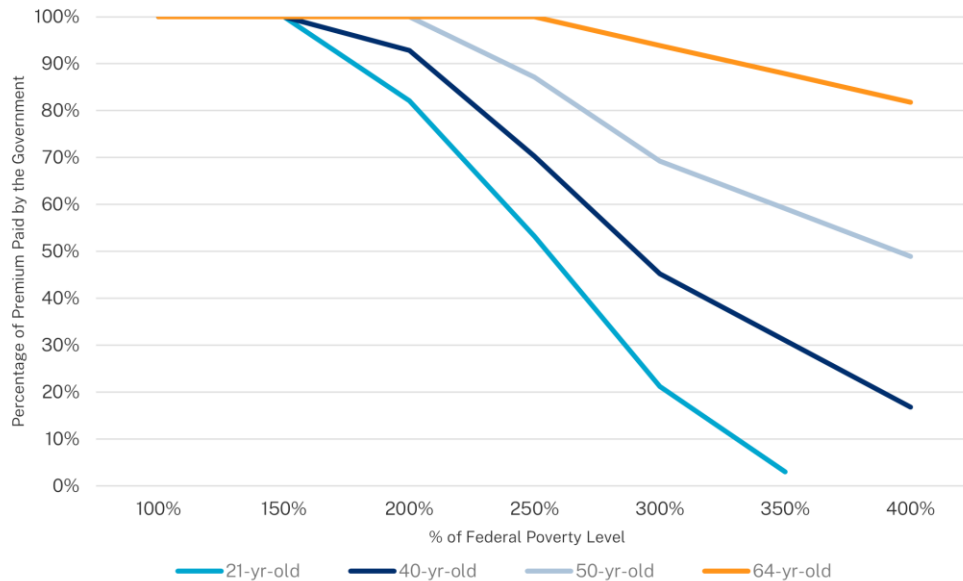
The Biden COVID credits shifted costs of exchange plans from enrollees to taxpayers. Doing so increased enrollment in the exchanges but doubled the cost of the program, ushered in large amounts of improper and phantom enrollments, crowded out private financing with government financing, and led small employers to drop coverage.

One key question, if not the key question, from a public policy perspective is what the optimal share of the premium paid by the enrollee versus the taxpayer is. The original ACA design envisioned the lowest-income enrollees paying about 2 percent of their household income for benchmark plans, which meant paying 10-20 percent of the premium, with taxpayers financing the other 80-90 percent. And the original design limited the taxpayer assistance for enrollees with income less than four times the FPL.

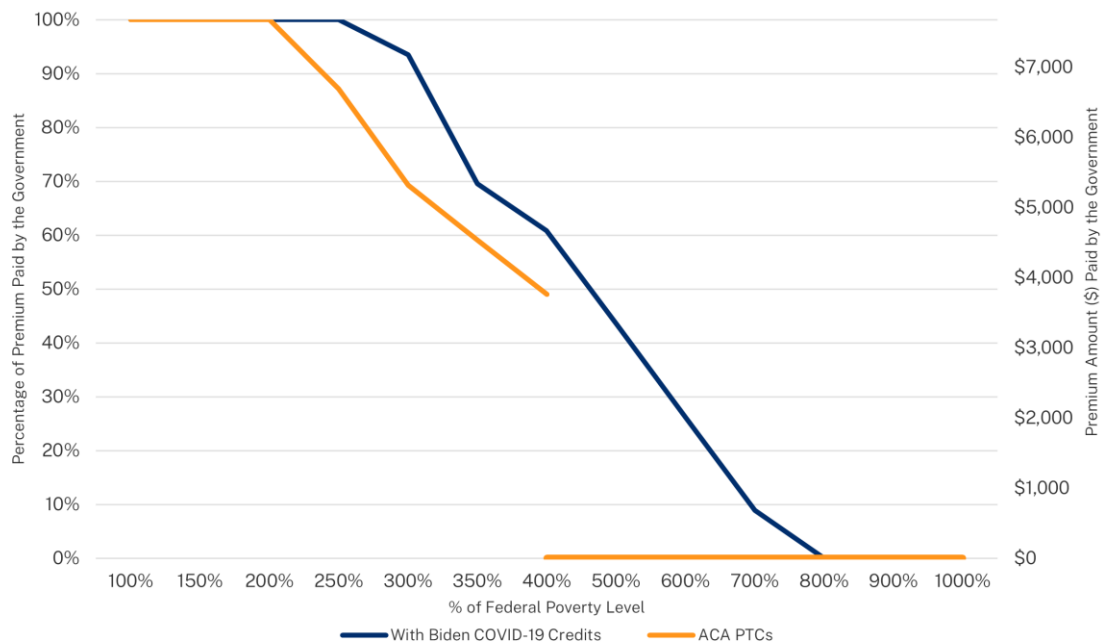
Under the Biden COVID credits, nearly half of enrollees no longer have any premium obligation. That change produced large-scale waste, fraud, and abuse, but it also turned the ACA into even


Figure 3: Taxpayers Will Finance Almost Entire Bronze Plan Premiums for Most Enrollees

Most Enrollees Will Have Option for a Free Plan, Even Without Biden COVID Credits



SOURCE: Authors' calculations based on data from the Kaiser Family Foundation's Health Insurance Marketplace Calculator.


Figure 4: Taxpayer Share of Bronze Plan Premium for a 50-Year-Old Enrollee


SOURCE: Authors' calculations based on data from the Kaiser Family Foundation's Health Insurance Marketplace Calculator.

more of a clear welfare program — counter to the original design. Hard-working American taxpayers rightly expect all enrollees to contribute at least something toward their premiums.

The underlying ACA created generous subsidies for low- and lower-middle-income Americans to purchase exchange plans but importantly included enrollee financial obligations as well. To protect program integrity and ensure that more enrollees value their coverage enough to part with some of their own income to purchase plans,⁴ Congress should allow Biden's COVID credits to expire.

About the Authors

Brian Blase, Ph.D., is the President of Paragon Health Institute. Brian was Special Assistant to the President for Economic Policy at the White House's National Economic Council (NEC) from 2017-2019, where he coordinated the development and execution of numerous health policies and advised the President, NEC director, and senior officials.

Liam Sigaud is an Adjunct Scholar at the Paragon Health Institute and a Research Analyst at the Knee Regulatory Research Center at West Virginia University. His work focuses on state and federal health policy. He has published peer-reviewed research in the *Southern Economic Journal*, *Social Science & Medicine* and *Maine Policy Review* and his popular writing has appeared in *The Wall Street Journal*, *The Hill*, and many other publications. Sigaud holds a master's degree in economics from the University of Maine.

John R. Graham is a Visiting Fellow who contributes nearly three decades of health policy expertise to research across all of Paragon's initiatives. He worked on Capitol Hill from 2021 to 2024 as a Professional Staff Member on the Senate Special Committee for Aging and the House Committee on Ways & Means. From 2018 to 2021, he served as the U.S. Department of Health & Human Services (HHS) Regional Director for Region 10 (Washington State, Oregon, Idaho, and Alaska), where he managed relationships with state governments and the private sector. In 2017-2018, John was the HHS Acting Assistant Secretary for Planning & Evaluation.

¹ The ACA contained inflation-adjustment percentages that varied the percentage of household income that households would owe for a benchmark plan. In 2026, the percentage of income for households at the FPL will be 2.10 percent, and the percentage will be 9.96 percent for households at four times the FPL.

² Previous Paragon research shows that millions of people are claiming income in the 100-150 percent FPL category who do not have that income. The median actual income is probably quite a bit higher than 200 percent FPL. For more information, see: Brian Blase et al., "The Greater Obamacare Enrollment Fraud," Paragon Health

Institute, June 2025, <https://paragoninstitute.org/private-health/the-greater-obamacare-enrollment-fraud/>.

³ We estimated 2025 premium levels using the Kaiser Family Foundation's Health Insurance Marketplace Calculator (<https://www.kff.org/interactive/subsidy-calculator/>). To convert to 2026 amounts, we assumed year-over-year premium growth of 20 percent.

⁴ As shown in this brief, many enrollees would still be able to purchase bronze plans at zero cost to them.