The Takeaway
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Expiring Subsidies Threaten Texans' Health Insurance Gains

4 Million Texans will see Higher Marketplace Prices Next Year

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Texas has made significant progress in reducing uninsurance since the Affordable Care Act's implementation, but the expiration of enhanced federal subsidies at the end of 2025 threatens to reverse these gains. In new research,[1] we use economic and statistical modeling tools to provide projected coverage losses in addition to spillover consequences to the rate of uninsured hospital admissions.

PROGRESS ON UNINSURANCE THROUGH MARKETPLACE

Although remaining the last-ranked state in the number and fraction of the population without health insurance, Texas has reduced uninsurance for residents under age 65 from 24.6% in 2013 to less than 18.5% today. This improvement has been driven primarily by the success of the Affordable Care Act (ACA)/ "Obamacare" Marketplace at Healthcare.gov. Figure 1 shows total enrollment and the average subsidized out-of-pocket premium in Texas compared to the United States as a whole. Dramatic

WHAT'S THE TAKEAWAY?

Texas is second in the nation in Marketplace enrollment, with 4 million enrollees in 2025.

Expiration of enhanced subsidies in 2026 will increase out-of-pocket premiums, reducing Marketplace enrollment up to 1.45 million people.

Without further policy action, up to 800,000 people could become uninsured, increasing the uninsured rate by 3.2 percentage points in Texas from 16.8% to 20%.

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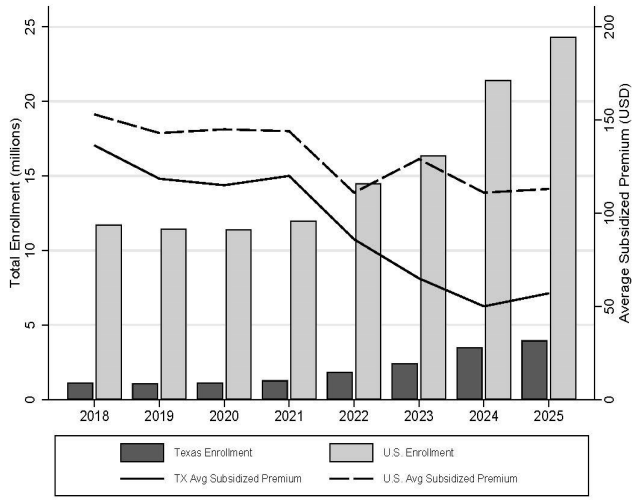
growth in this market has occurred over time. Today, the total number of Texas Marketplace enrollees (4 million, the majority of whom are adults) is almost equivalent to state Medicaid caseloads (4.1 million, the majority of whom are children). About 1 in 6 Marketplace enrollees are Texans, and almost all (95%) of them receive a federal subsidy.

Figure 1: Increased Marketplace Enrollment and Decreasing Premiums since 2021



Source: Authors' calculations using data from OEP State-Level Public Use File (2018- 2024)

FEDERAL POLICIES REDUCED PRICES TO CONSUMERS AND DROVE NEW ENROLLMENT

Marketplace subsidies are discounts that set a cap on what consumers must pay for their health insurance plan, limiting it to a certain percentage of income for a standard plan. The subsidies cover the difference between the plan's full price and the capped monthly payment. The government pays its share of the bill directly to insurers every month, so consumers are only responsible for paying the remaining, "out-of-pocket," premium amount.

In 2021, ACA Marketplace subsidies were temporarily expanded, lowering premiums and boosting enrollment. These dramatic declines in premiums and increases in enrollment volume after 2021 can be seen in Figure 1. Before, consumers with incomes higher than a strict 400% of the federal poverty line (FPL) limit were not eligible for any subsidy. Beginning in 2021, no one had to pay more than 8.5% of their income for a standard plan, which meant middle-income people who previously got no help could now get a discount. At the same time, it made the discounts even bigger for people with lower incomes, making their monthly bills much smaller and, for many, even dropping their cost to $0 for a standard plan. The total value of these "enhanced" subsidies is estimated at more than $1.5 billion in Texas.[2] Marketplace enrollment in Texas more than tripled from 2021 to 2025, from 1.3 million to almost 4 million, and is the second highest nationally, after Florida.

EXPIRATION OF HIGHER SUBSIDIES WILL INCREASE PRICES, CAUSING COVERAGE LOSS

Enhanced subsidies are set to expire under current law at the start of 2026. Consequently, all Marketplace enrollees will face sharp premium hikes during the Open Enrollment Period beginning November 1, 2025, for the 2026 plan year, with middle-income earners again losing federal assistance entirely.

We used public data from the Census Bureau's American Community Survey and the Centers for Medicare and Medicaid Services Open Enrollment Period county-level public use files to estimate price sensitivity among consumers and projected the size of Marketplace coverage

declines and corresponding increases in uninsurance as subsidies expire.

Our new estimates of the elasticity of demand for Marketplace coverage imply that a 10% increase in out-of-pocket premiums will decrease enrollment by 1.5% to 3.2%. Applied to the expected average 115% increase in out-of-pocket premiums from subsidy expiration, this means Marketplace enrollment will decline by between 665,000 and 1,450,000 people.[3] Some people may find alternate sources of coverage through employment or a family member's plan, but we project that more than half of them will become uninsured, resulting in an increased uninsurance rate of between 1.5 to 3.2 percentage points, from an estimated rate of 16.8% among nonelderly Texans under enhanced subsidies to between 18.3% to 20.0% if they expire. These estimates are larger than estimated in our prior work[4] due in large part to increasing take-up of Marketplace plans since 2022; our estimates are close to short-run projections from the Congressional Budget Office, although more conservative than other published projections. [5]

The consequences of losing insurance for individuals are well-understood, from immediate impacts on health care use to lifetime impacts on physical and financial health. To understand the impact on the health system, we combined our estimates with existing evidence on changes in Texas hospital uninsured inpatient stays after the ACA[6] and predict that the fraction of uninsured inpatients could increase by 2.5% at the average hospital because of enhanced subsidy expiration, putting increased pressure on operating margins. These impacts can vary significantly by geography depending on prior market conditions. We provide county-level projections of Marketplace declines, uninsurance rates, and changes in uninsured inpatient rates in our full report.

WHAT CAN BE DONE?

> *Uninsurance will increase by up to 3.2 percentage points, erasing recent coverage gains.*

Our analysis clearly shows that without further action by policymakers, individuals should prepare for increased Marketplace premiums. Health systems and health care providers should prepare for increased numbers of uninsured Texans coming through their doors. The expiration of these subsidies will reduce federal spending while increasing the financial burden on individuals, families, and health care providers, particularly in states like Texas that rely more heavily on Marketplace than states that have participated in the ACA Medicaid expansions. Increased uninsurance can also affect those who keep their insurance coverage or obtain it through employment via financial spillovers from uncompensated care and quality spillovers from a less robust delivery system.

To address health insurance affordability, policymakers have several options. Federal actions include making enhanced subsidies permanent, managing risk pools, or granting states more

flexibility. State-level options include reinsurance programs, state-based subsidies, or Medicaid expansion. Outreach and application assistance can also be helpful for consumers. There is no shortage of policy ideas, and public opinion in Texas indicates strong support for more state action to help low-income residents access care.[7] These decisions, however, involve significant trade-offs, as spending on subsidies means less funding for other programs or larger federal deficits. Ultimately, the most critical long-term strategy is to control the underlying growth of healthcare prices across inpatient, outpatient, and pharmaceutical markets. Without addressing these root costs, any subsidy is only a temporary solution to the continuing rise in premiums for consumers, employers, and taxpayers.

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Notes:

[1] Dague, L., Eo, T., Palanisami, K., Ukert, B., Wang, B. 2025. Projected Uninsurance Increases from the End of Federal Health Insurance Marketplace Subsidies in Texas. Report available at: https://hdl.handle.net/1969.1/1594491 .

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[3] *Ibid.*

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