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The Current podcast**

“Why are expiring ACA subsidies raising health insurance premiums?”

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Episode Summary:

With expanded subsidies for Affordable Care Act plans set to expire at the end of 2025, Americans on ACA health plans are starting to see big increases in their monthly health insurance premiums for 2026 as insurers send out annual notices. To address why this is happening and what the impacts are for health care access, coverage, and outcomes generally, Brookings expert Matt Fiedler, a senior fellow with the Center on Health Policy, joins *The Current*.

FIEDLER: I think there's a sense in which current debates are just the next stage in the debate over the Affordable Care Act that we've been having since 2010. And I think we're likely to see Republicans look for more ideas like the ones that made it across the finish line in the reconciliation bill this year that can allow them to make sort of progress towards ACA repeal without necessarily, you know, undertaking a full frontal assault on the law.

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DEWS: Hi, I'm Fred Dews, and this is *The Current*, part of the Brookings Podcast Network. In 2021, Congress expanded premium subsidies available to people who buy health care coverage through the Affordable Care Act's marketplaces. With those expanded subsidies set to expire at the end of 2025, Americans on ACA health plans are starting to see big increases in their monthly health care costs for 2026 as insurance companies send out their annual notices.

Here to talk about the causes and possible responses to this challenge is Matt Fiedler, the Joseph A. Pechman Senior Fellow in Economic Studies and the Center on Health Policy.

Matt, welcome to *The Current*.

FIEDLER: Thanks for having me.

DEWS: So, why are Americans enrolled in Affordable Care Act plans starting to see large increases in their premiums for 2026?

[1:08]

FIEDLER: So most people who buy their coverage on the individual market, around 85% of them, receive a subsidy from the federal government that helps pay their premium. And those subsidies have existed since the ACA marketplaces were first implemented in 2014. They were then expanded in 2021. And those expanded subsidies are slated to go away at the beginning of 2026.

So when the subsidies shrink, the portion of the premium that enrollees have to pay out of pocket grows and we'll have a lot of people who are, facing higher bills.

What I'll say is happening at the same time is the sticker premium, the sort of pre-subsidy premium that insurers set, those are rising too. For people who do receive subsidies, that's not actually going to affect what they pay because the sort of subsidy moves up and down based on the premiums that are available to people. But for the 15% of the market that doesn't receive subsidies, the increase in those sticker premiums will will translate into higher costs.

The one other thing to keep in mind is that the sort of changes in sticker premiums are not actually completely unrelated to what's happening with the subsidies. Insurers expect that when the subsidies go away and the sort of broad swath of enrollees in the market face higher costs that some of those enrollees are going to drop out of the market and that the people who are going to left behind are going to be sicker than the average today. And so part of why sticker premiums are rising is

insurers are anticipating that they'll see that sicker risk pool and, you know, setting higher premiums to compensate.

That's not the only thing that's going on. There's also increases in underlying health care costs that may even be the larger factor. But part of why sticker premiums are rising is linked to the, these risk pull effects from the disappearance of the subsidies.

DEWS: Well, so just so I understand, I mean, health care costs rise every year. Our insurance rates go up every year as do prices for everything. So is this period that we're facing now kind of an unusual happenstance just because of what Congress did in 2021, because these premium subsidies are expiring at the end of this year in particular?

[2:54]

FIEDLER: So we've never seen something quite like this, at least in the ACA marketplaces. You know, as I alluded to a little bit before, for people who receive subsidies, they're pretty insulated from year to year swings in premium costs, because when premiums go up, the amount of the subsidy goes up and the amount that the enrollee pays stays the same.

So for subsidized enrollees, what really matters is when policymakers change the underlying subsidy formula. So when the subsidies were expanded in 2021, we saw enrollees see big reductions in what they paid. And we're now about to see that go into reverse with subsidy shrinking and enrollees seeing big increases in what they're expected to pay.

The changes in sticker premiums, which again matter for what unsubsidized enrollees pay and matter for the federal government's costs, those increases are on the high side of what we've seen historically, but not wholly out of line with what we've seen historically. We saw some pretty big increases in 2017 and 2018 as insurers adjusted both to the initial implementation of the ACA and then some policy changes made during the first Trump administration. But in terms of what's happening to subsidize enrollees, we, we've never really seen something like this before.

DEWS: We talked about Congress passing the expanded subsidies in 2021, but it's been out of session until this week, mid-November. So what could Congress do now?

[4:11]

FIEDLER: That's right. There's a timing dimension of this, that if Congress was going to extend the subsidies it would've been better, frankly, to do it many months ago because then insurers would've assumed that they're going to retain the healthier risk pool they have today in setting their premiums for 2026, and that would've translated into lower cost for unsubsidized enrollees; that would've translated into lower subsidy costs for the federal government.

And now we're also in a dimension where, you know, each day that passes more people are seeing what their premiums will be if the subsidies expire. Some of those

people, if Congress subsequently acted, would probably come back to the market later. But some of them may conclude coverage is no longer affordable for me, drop out of the market.

And so insofar as part of what policymakers would be trying to achieve through an extension is ensuring that the people who are covered today remain covered. The scope to do that sort of shrinks with each passing day.

DEWS: And so we're talking about the looming premium subsidy expiration, but the so-called One Big Beautiful Bill Act that passed into law over this past summer also included some big health policy changes. How would those changes affect coverage?

[5:15]

FIEDLER: So that legislation made a whole bunch of different changes to Medicaid in the marketplaces. Most of them are either narrowing who's eligible for coverage through Medicaid, and for subsidized coverage through the marketplaces, or they're changing the enrollment process in ways that are likely to cause some number of people, in many cases people who are clearly eligible for the program, to fall off the program.

The Congressional Budget Office estimated that taking together the provisions in the Beautiful Bill would reduce the number of people with health insurance by around 10 million people in the long run. If you put that together with various administrative actions taken by the Trump administration and the expiration of the premium subsidies we were just talking about, you're talking probably talking about a reduction in insurance coverage of around 15 million people.

That sounds like a big number, but it's also large in terms of the swings of insurance coverage we've seen in historical context. So, if that comes to pass, the increase in the uninsured rate we're likely to see over the next decade or so is enough to wipe out about three quarters of the fairly large decline we saw in the uninsured rate from the implementation of the Affordable Care Act, through 2024.

DEWS: So, people health care coverage, premium subsidies, expiring Affordable Care Act marketplaces perhaps shrinking, what about the impacts that all these changes are going to have on people who get their health coverage not through the Affordable Care Act marketplaces, but, say, through their private employer?

[6:36]

FIEDLER: So the effects on people who don't get coverage through the marketplaces, my suspicion, will not actually be that large. What is certainly the case is that people who no longer have marketplace coverage, they're likely to use less care and in some cases, you know, they're still going to show up at the emergency room. And hospitals are required by law to treat people when they seek emergency care. And so hospitals are going to deliver care and not be compensated for that care.

So what that means is, you know, there will be consequences of this reduction in insurance coverage for health care providers. They're going to be under financial strain. But we don't have a lot of evidence that that necessarily spills over in a substantial way to the broader population. It doesn't seem like health care providers are able to raise prices for people in other forms of coverage when they're under financial pressure.

And while that does mean they're probably going to need to make some cutbacks of various kinds, in some cases that may be, you know, reducing labor costs or reducing other operating costs. And in principle, those things could have consequences for quality of care. And in extreme cases, you could see providers have to actually close their doors. My suspicion is that, you know, those types of effects are not going to be particularly large.

So the first, in my view, at least, the first order effect of what we're likely to see, both of the premium subsidy expiration and with the changes in this year's reconciliation legislation is that we will see a lot of people become uninsured. Those people will have more trouble accessing care. That'll have negative consequences for their health, for their financial security. But the spillover effects to the rest of the health care system may not be as large as people sometimes think they are.

DEWS: Well, I want to pick up on that point you made about spillover effects. What are the other kinds of longer term downstream effects that that you're looking at, that you're concerned about?

[8:24]

FIEDLER: The evidence is pretty clear that people, when they're uninsured, they access less health care. I think that's fairly intuitive, but the evidence shows that pretty clearly. I think one of the things we've gotten a better picture of over the last several years is that it really does have downstream consequences for their health outcomes.

And specifically the one that's actually in many cases easiest to measure from a data perspective is we can look at mortality, and it does seem like when people become uninsured, they become more likely to die.

That also may seem a little bit like common sense. The truth is the evidence for that was actually fairly thin until the last several years. And in fact, there's been a lot of research enabled by the implementation of the Affordable Care Act. There were a lot of natural experiments created there that I think have given us a much sharper picture of what really is the linkage between being uninsured and people's health outcomes.

You know, I think when we think about the downstream consequences of being uninsured, we often focus in the first instance on people's ability to access care and their health outcomes. But health insurance is also of course supposed to be a source of financial protection, that in many cases, even when people are uninsured, they still end up, they have emergencies, they access care in other ways, and they're facing very large bills out of pocket.

And so I think the other thing we do have quite a bit of evidence of is that, you know, health insurance does quite a lot to improve financial security because it, it, it means that, you know, people are able to meet their other needs, their other financial needs even when they do end up experiencing a large health shock.

DEWS: So here, in late 2025, as the premium subsidies are set to expire, what are you in the Center on Health Policy looking at going forward in terms of of health care for 2026 and beyond?

[9:59]

FIEDLER: I'll say, I don't think the issues we've been talking about this year are going away. I think even if the expanded subsidies do expire on schedule, I think we'll see future Democratic efforts to reinstate them. And you know, likewise, I think implementing this year's reconciliation legislation is going to be a multi-year process, and I think there's going to be a very active debate about should we be delaying some of these changes? Should we be modifying them in some way? Should we be reversing them entirely?

So I, I think in some sense, I think what's coming down the pike, at least in this slice of the health policy world, there's a lot of continuity with what we're talking about right now. And I, I honestly, you know, on the theme of continuity, I think there's a sense in which current debates are just the next stage in the debate over the Affordable Care Act that we've been having since 2010. You know, the expanded subsidies were basically a Democratic effort to build on the policy framework that was established in the ACA to make further progress in reducing uninsurance. And I think we've seen sort of predictable Republican opposition to that.

Likewise, I think, you know, the the health components of the Beautiful Bill mostly target the ACA's Medicaid expansion and its marketplaces. And I think we can, you know, think about them as a Republican effort to make progress in paring back the ACA without necessarily taking on all the baggage associated with ACA repeal as such.

That basic push and pull is pretty likely to continue. I, I think we're likely to see Democrats continue to try to sort of use the policy framework established in the ACA to make more progress toward universal coverage with a sort of long-term goal of really getting everyone covered. And I think we're likely to see Republicans look for more ideas like the ones that made it across the finish line in the reconciliation bill this year that can allow them to make sort of progress towards ACA repeal without necessarily, you know, undertaking a full frontal assault on the law.

DEWS: Well, Matt, we have to leave it there. I want to thank you for sharing your time and expertise to help us understand some of this today.

FIEDLER: Thanks for having me.

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DEWS: You can learn more about Matt Fiedler and his research on our website, Brookings dot edu.