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Will Essential Plan Enrollees Find Employer-Sponsored Coverage? Don't Bet On It.



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New Yorkers need solutions, not nostalgia for a broken model of coverage.

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Key findings

Most of the 450,000 New Yorkers set to lose Essential Plan coverage this July are unlikely to find alternative coverage through the individual market or employers—contrary to claims by Governor Hochul.

Prior to the Essential Plan expansion, only 70,000 people in the expansion group were enrolled in the individual market, indicating that only 16% of current EP enrollees are likely to enroll in individual market coverage.

	No one who is eligible for employer-sponsored coverage can enroll in the Essential Plan, so EP enrollees do not have employer-sponsored coverage to fall back on.
	EP enrollees are unlikely to receive new offers of employer-sponsored coverage given that premiums in New York State's dysfunctional small business insurance market have increased by 35 percent since 2020 and an individual plan in New York City's small business market costs $15,000 per year.
Recommendation	The legislature must implement legislation (S9589/A10926) to keep this population on the Essential Plan.

This July, four hundred fifty thousand New Yorkers who are enrolled in the Essential Plan (EP) will lose their current health insurance. Hundreds of thousands will become uninsured. As the Fiscal Policy Institute and other advocates have repeatedly shown, New York State can and should step in to prevent this healthcare catastrophe—but Governor Hochul's Executive Budget fails to propose this. Instead, the Executive Budget briefing book[a] states that "these individuals will need to move to other coverage options, which may include Qualified Health Plans [i.e. individual market plans] and employer-based coverage." As a proposed fix for the Essential Plan coverage cliff has moved to the center of the state budget debate, the idea that those who lose EP will find alternative coverage has become a key talking point[b] among those who oppose extending coverage. The State has repeatedly claimed that the majority of those set to lose coverage—as many as three hundred thousand—will get alternative insurance through the marketplace or an employer.

But the State has not provided data to back up its claims, and there is little reason to believe them. EP enrollees, by definition, do not have access to employer coverage—if they had an offer of employer-sponsored health insurance they wouldn't be eligible for the Essential Plan. And while many will be eligible for Premium Tax Credits (PTC) in the individual market, most will find that coverage unaffordable. The vast majority of those who lose EP coverage this July are likely to become uninsured—and the lucky few who do find alternative coverage will suffer tremendous financial hardship, since alternative coverage is dramatically more expensive and less comprehensive than EP.

The Individual Market

The population set to lose EP coverage this July is low-income, earning between just 200 percent and 250 percent of the Federal Poverty Line (FPL). That works out to between $32,000 and $40,000 a year for a single individual, or $66,000 to $80,000 for a family of four. Most (over 80 percent) are US citizens or Green Card holders, meaning that most—but not all—will be eligible for Premium Tax Credits in the individual insurance market if they lose EP coverage.

The individual market is no panacea, however. Premiums are high and rising[c] in New York and across the US—currently over $9,800 for a benchmark Silver Plan. EP enrollees who are not eligible for Premium Tax Credits due to immigration status will have no chance of purchasing such plans.

Even for those EP enrollees who *are* eligible for PTC, marketplace plans will be mostly out of reach. EP enrollees currently benefit from free, comprehensive insurance with very low copays —whereas a marketplace plan will cost $220 per month on average for a standard Silver plan, even with PTC. Their out-of-pocket costs will skyrocket too, as deductibles will cost thousands of dollars and out-of-pocket limits reach above $10,000.[1] For people earning less than $40,000 a year, those expenses will add up fast. Families with major healthcare needs will bite the bullet and enroll anyway, adding thousands of dollars in healthcare costs to their already limited family budgets. Healthier people, and those who just cannot afford the extra cost, will likely become uninsured. That dynamic will weaken the individual market risk pool and raise prices for everyone.

Estimating the number of former EP enrollees who will actually enroll in individual coverage is difficult, but we have a straightforward baseline: In 2023, before EP coverage was available to individuals between 200 percent and 250 percent of FPL, only seventy thousand people in this income range enrolled[d] in the individual market. Individual market insurance has only become more expensive in the meantime, as premiums rise and federal Enhanced Premium Tax Credits expired. It is plausible that even fewer people will choose to enroll next year.

The switch from EP to marketplace coverage will represent a financial disaster, even for those who do find marketplace coverage. Premium increases alone will cost enrollees an extra $2,600 per year for an individual plan—equivalent to over 8 percent of pre-tax income for a single individual earning 200 percent of FPL. Higher deductibles mean this group could face thousands of dollars in additional healthcare costs. The switch from EP to marketplace coverage will have an impact on this population far larger than the expiration of enhanced Premium Tax Credits has had on the individual market population overall—and that impact was seen as so unacceptable that Senate Democrats endured a weeks-long government shutdown in an attempt to prevent it. In a year when "affordability" is the buzzword in Albany, it is striking that Governor Hochul and legislative leaders are willing to contemplate such a dramatic increase in healthcare costs for hundreds of thousands of working-class New Yorkers.

EP Enrollees and Employer-Sponsored Insurance

The Governor estimates that as many as three hundred thousand[e] of the disenrolled will find alternative insurance through either marketplace or employer-sponsored plans. However, only a small minority of EP enrollees—likely fewer than seventy thousand—will find alternative coverage in the individual market, as is clear from the pre-EP expansion data above. Thus, the State appears to be assuming that hundreds of thousands will find alternative coverage through their employers.

This is a puzzling assumption, to say the least.

As noted, Essential Plan enrollees do not, by definition, currently have an employer-sponsored health insurance option. Only people who do not have an ACA-compliant offer of coverage from an employer are eligible for the Essential Plan. (Longtime readers will recall that this is why the Consumer Directed Personal Assistance Program [CDPAP] transition was such a catastrophe[f] for home care worker health coverage: The State's new CDPAP fiscal intermediary, PPL, offered health insurance to all full-time CDPAP workers, which made them ineligible for EP coverage.) EP enrollees, like many low-income people across the country, have jobs that do not currently offer health insurance. They may be freelance or gig workers,

they may work part-time, or their employers may be small businesses with fewer than fifty employees, which are not required to offer health insurance even to full-time workers under the ACA.

Secondary heading test

Why, then, does the State assume that these New Yorkers will be able to access employer coverage if they lose EP?

It is difficult to say. It may be that the State believes that some small businesses dropped coverage *because* EP was available, and that they will be inspired to restore coverage once EP is no longer an option for their workers. On this theory, EP enrollees don't *currently* have employer-sponsored insurance access, but if the state removes their existing coverage such insurance will reappear.

Relying on small businesses that employ low-wage workers to pick up the cost of the EP cliff would be extremely unwise, however. As FPI showed last summer, New York's small business insurance market is in catastrophic condition[g]; small business premiums in New York City recently hit $15,000 per year for an individual plan, and they continue to rise; premiums increased by 35 percent between 2020 and 2024 alone. Small business insurance is poorly regulated in New York. Cost increases are abetted by the continued failure of the State to regulate either hospital prices, which drive costs, or unscrupulous actors, such as Professional Employer Organizations (PEOs), which undermine Affordable Care Act market regulations and distort the small business risk pool. As a result, small businesses across the state have struggled to continue to offer coverage.

It is certainly possible that the availability of EP allowed some small businesses in New York to give up the struggle to continue employer-sponsored coverage. If so, however, these businesses would have been following a long-term, national trend[h]: Only 59 percent of firms with between ten and two hundred workers offer health insurance today, down from 81 percent in 1999. Smaller firms and those with lower-income workforces are, predictably, least able to offer coverage.

If the State is predicting that the Essential Plan cliff will suddenly reverse this decades-old trend, it is likely to be disappointed. The idea that small businesses employing low-wage workers will suddenly begin offering health insurance is simply not credible. For a law firm that pays its associates $200,000 a year, a $15,000 fringe benefit may be manageable. But for employers of low-wage workers in New York it's a different story. The population threatened with loss of EP coverage earns less than 250 percent of the federal poverty line—around $40,000 for a single individual, or around $20 per hour for a full-time worker. For that worker's employer, offering health insurance at a premium of, say, $10,000 would represent a 25 percent increase in labor costs, equivalent to a $5 per hour raise. And costs will only continue to rise: Premiums have grown 6 percent per year on average in recent decades, far more quickly[i] than wages and inflation.

The idea that small businesses will be willing to (or indeed can afford to) replace Essential Plan coverage for hundreds of thousands of workers does not stand up to scrutiny. And of course, for the gig workers and freelancers who rely on Essential Plan insurance, there is no employer to offer coverage.

Most EP enrollees won't have the option of moving from EP to employer-sponsored coverage—but the coming cliff will be a disaster even for those who do. Employees in employer-sponsored health plans pay on average 20 percent of the premium out of their own wages—for an

employee with an individual plan at the average firm in New York State, that is likely to represent $2,000 per year in lost wages; among workers at downstate small businesses, which face much higher premiums, it could total over $3,000. And even once premiums are covered, the average employer-sponsored plan deductible is nearly $1900 nationally, meaning that workers—particularly those with major health problems or chronic conditions—could face thousands of dollars in out-of-pocket costs before their insurance kicks in.

The Essential Plan is a Better Solution

It is ironic that New York policymakers are proposing private insurance as an alternative to EP, given that they have taken no action to address the private health insurance affordability crisis. As FPI has shown, New York State private health insurance premiums have been rising for decades[j], driven by an increasingly corporatized healthcare sector and unregulated and inflationary provider prices. The suggestion that low-income New Yorkers kicked off the Essential Plan can find alternative coverage in a private insurance market—where costs have outpaced inflation for decades—is simply not a credible solution.

Luckily, a better proposal exists. Researchers at the Community Service Society have demonstrated that the State could extend EP coverage to the population set to lose it for as little as $400 million a year[b]. That plan is now embodied in legislation (S9589/A10926) sponsored by Senator Gustavo Rivera and Assemblymember Amy Paulin. EP is high-quality coverage, and due to a favorable risk pool and regulated provider prices, it is also a far more efficient way to deliver coverage; the state could cover each EP enrollee for less than $6,000 annually, compared to private insurance premiums of nearly $10,000 per year. While private health insurance for low-income workers is a notable policy failure in New York, EP is a tremendous success story. Legislators should step up to protect it.

Notes

1 Author's review of Silver plans on New York State of Health, nystateofhealth.ny.gov

Links

a https://www.budget.ny.gov/pubs/archive/fy27/ex/book/briefingbook.pdf/
b https://www.cssny.org/news/entry/css-report-examines-proposals-to-mitigate-heath-care-coverage-losses-under-
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