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New York's Individual Market is Headed for Disaster under the OBBBA

A recent Hochul administration analysis suggests that premium costs would rise by 38 percent for many consumers. The reality could be much worse.

Introduction

The Hochul administration released analysis last week showing that the "One Big Beautiful Bill Act" (OBBBA) – the federal budget that recently passed the U.S. House – would decrease Premium Tax Credit subsidies for those who purchase health insurance on the individual market, increasing costs by 38 percent on average for those receiving subsidies, or $2,736 per year for a married couple.[1] Separately, the Hochul administration projects that different provisions in the OBBBA could result in as many as 80,000 consumers leaving New York's already relatively small individual market, a decline in enrollment of over 30 percent.

These figures already paint a dire picture, and yet they understate the true threat to New York's individual market, which currently covers 225,000 New Yorkers. The *combined* impact of rising premiums and a shrinking marketplace, which the State's analysis does not examine, could result in an individual marketplace that is older and sicker – raising premiums dramatically for all enrollees, including those who do not receive subsidies. In a worst-case scenario, the individual market could enter a "death spiral," in which higher premiums lead to more people leaving the marketplace, which in turn leads to even higher premiums. The OBBBA could threaten one of the signature accomplishments of the ACA: Creating a viable individual insurance market in which middle-class people can purchase high-quality insurance at a reasonable price.

Background: New York's Unique Individual Market

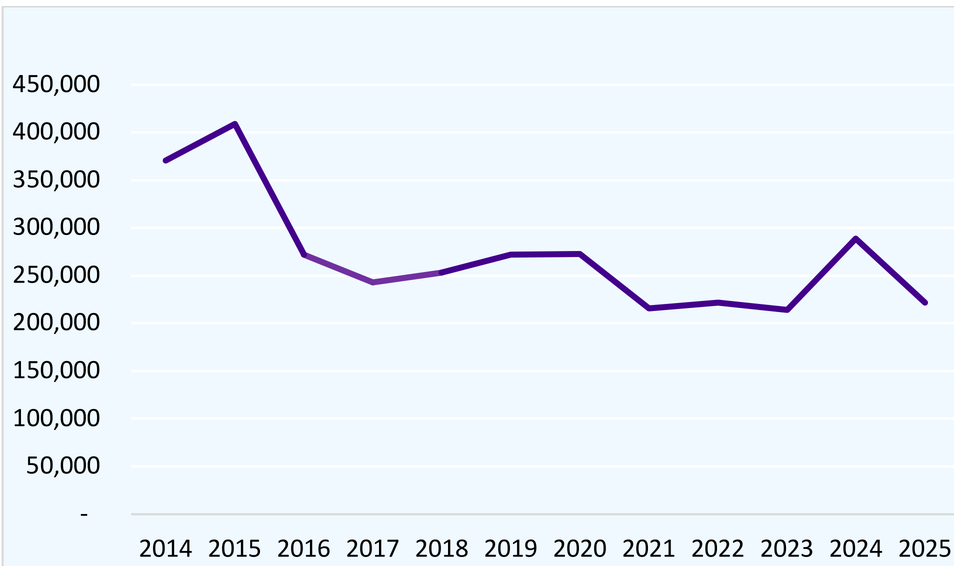
New York's ACA exchange works a bit differently than those of most states. In particular, it's much smaller, enrolling just 225,000 New Yorkers in 2025 so far – just over 1 percent of the state's

[1] https://www.governor.ny.gov/news/governor-hochul-unveils-new-data-showing-massive-increases-new-yorkers-monthly-health

population, compared with a national average of around 6 percent.[2] That's because New York has chosen to use the Essential Plan to cover many people who would in other states be enrolled in the exchange. (You can read a lot more about the Essential Plan in our recent issue brief.) In New York, people who earn below 250 precent of the poverty line (around $38,000 for a single individual and $64,550 for a family of three) and aren't eligible for Medicaid can enroll in the Essential Plan. In other states, those people would be on the ACA exchange – and those relatively low-income people make up the bulk of the exchange population nationally.

The Essential Plan is smart policy: New York uses the same revenue stream as the exchange, but offers lower-cost, higher-quality coverage. But it may make New York's exchange more vulnerable to federal efforts to roll back the ACA, as we shall see.

Figure 1. New York State Individual Market Enrollment, 2014-2025.



The small size of the New York exchange shouldn't lead us to underestimate its importance. The exchange is a key source of coverage for working- and middle-class New Yorkers who don't have employer-sponsored coverage – ranging from small business employees to freelancers to gig economy workers. Before the ACA, those groups would have been forced to pay far more for less robust coverage, and if they got sick they might have found themselves unable to buy coverage at all.

The Multiple Threats to New York's Individual Market

New York's exchange has worked well in the decade since the implementation of the Affordable Care Act – but that could soon change. Congressional Republicans have proposed several policies in the current federal budget reconciliation process that will make coverage on the individual market more

[2] Throughout this piece, the "individual market" refers to consumers who purchase individual insurance policies through New York State's exchange, New York State of Health. A relatively small number of consumers choose to purchase individual policies "off-exchange"; these consumers, too, will be impacted by the changes described below, but less data is available on them.

expensive and harder to obtain. Taken separately, each of these policies would raise costs and decrease coverage. Taken together, as we shall see, they could spell disaster.

Threat 1: Expiration of Enhanced Premium Tax Credits

Most consumers who purchase health insurance on the exchange – in New York and nationally – receive a federal subsidy to do so via a federal Premium Tax Credit (PTC). That's crucial, because the average annual cost of an individual market health plan is nearly $7,500 nationally and nearly $9,500 in New York; without subsidy, few consumers could afford to purchase one.[3] PTCs are crucial to the structure of the ACA, but the original law offered relatively skimpy premium tax credits which left many consumers struggling to pay for insurance. The original PTCs were also subject to a "benefit cliff" for those earning 400 percent of the federal poverty level (around $60,000 for a single individual in 2025); anyone above this level received no PTC at all. This type of steep drop-off in benefit can mean that people abruptly lose benefits as there earnings marginally increase.

In 2021, the Biden Administration's American Rescue Plan Act significantly expanded the PTC – making them more generous for those already receiving them and expanding PTC eligibility to those with higher incomes. The impact was significant, in New York and nationally. Today, 140,000 of New York's 225,000 exchange enrollees receive PTCs, and consumers save on average more than $1,200 a year.[4] Those savings have led to record individual market enrollment nationally.

But this "enhanced" PTC expires at the end of 2025, and Congressional Republicans have so far shown little interest in extending the program. Nationally, the Congressional Budget Office has estimated that higher prices could cause 5 million Americans to lose health insurance. In New York, the state Department of Health estimates that 140,000 New Yorkers currently benefit from the enhanced PTCs, and those consumers could see their premiums spike by 38% or over $1,200 per year, potentially putting the cost of insurance out of reach.[5]

Threat 2: The OBBBA's Changes to ACA Eligibility and Enrollment

The OBBBA makes dozens of changes to the ACA enrollment process, all of which are designed to make it more difficult to get coverage and stay covered through the individual market. The bill:

- dramatically shortens the "open enrollment period" for individual market coverage;
- restricts the circumstances in which people can get covered outside the open enrollment period;
- bans the automatic re-enrollment of consumers whose coverage is about to expire; and
- requires increased verification and paperwork to demonstrate eligibility.[6]

These changes to the enrollment process would cause a very large loss of coverage in the individual market, both in New York and nationally. A Kaiser Family Foundation analysis of CBO estimates puts the losses in New York at 69,000, which would be a 30.1 percent decrease in New York's

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3 https://www.kff.org/affordable-care-act/state-indicator/marketplace-average-premiums-and-average-advanced-premium-tax-credit-aptc/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Average%20Premium%22,%22sort%22:%22desc%22%7D
4 https://info.nystateofhealth.ny.gov/sites/default/files/2025%20Congressional%20District%20Fact%20Sheets.pdf
5 https://info.nystateofhealth.ny.gov/sites/default/files/2025%20Congressional%20District%20Fact%20Sheets.pdf
6 https://www.kff.org/tracking-the-affordable-care-act-provisions-in-the-2025-budget-bill/

exchange population.[7] That estimate *does not include* losses due to the rollback of the expansion of Premium Tax Credits.

Threat 3: The Reconciliation Bill's Changes to Immigrant Eligibility for PTC

The OBBBA also eliminates PTC eligibility for many lawfully present immigrants. This population includes those present on student or work visas, asylum-seekers, those with Temporary Protected Status and a variety of other immigration statuses. While most immigrants in these categories receive coverage through the Essential Plan, some immigrants with moderate incomes enroll in the individual market with PTCs. This group would lose PTCs entirely under the reconciliation bill and would likely be forced out of the marketplace.

Threat 4: Attacks on the Essential Plan's Individual Market Cross-Subsidy

An additional, underappreciated threat to New York's individual market is a knock-on effect from the House reconciliation bill's defunding of the Essential Plan. As FPI has shown elsewhere, the reconciliation bill would decrease Essential Plan funding by 57 percent, threatening health insurance for 1.6 million EP enrollees. Currently, New York uses some Essential Plan funding to improve affordability on the individual market through "cost-sharing reductions" (CSRs). In effect, the State has used some of its savings from the EP to make insurance more affordable for non-EP individual market enrollees. The State estimated last year that this subsidy would amount to $277 million in 2025.[8]

With the Essential Plan set to experience a catastrophic loss of funding beginning as soon as January 1, 2026, if the reconciliation bill passes, that funding would likely be cut, further raising premiums and decreasing quality of coverage for everyone.

Dramatic Premium Increases Ahead in New York's Individual Market

Each of these threats is dire enough on its own. But in combination, the results could be far worse: A dramatically shrinking market insuring an older, sicker population could threaten coverage not only for those who depend on PTCs but for everyone. That's because of a unique feature of health insurance markets: A shrinking market raises prices for everyone.

To see why, consider the impact of allowing enhanced PTCs to expire, which will increase insurance costs by 38 percent on average for 140,000 people. When rates increase, some consumers who currently purchase insurance in the individual market will decide they just can't afford it; rather than pay far more, they'd rather take the risk of becoming uninsured. And it's not hard to predict *which* consumers will make this choice: They'll be the youngest, healthiest consumers, the ones who don't expect to use much healthcare. People with chronic conditions like diabetes, who know they'll have healthcare costs if they're uninsured, will scrimp and save to stay in the marketplace even if it's barely affordable, but healthier consumers won't.

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7 https://www.kff.org/affordable-care-act/issue-brief/how-will-the-2025-reconciliation-bill-affect-the-uninsured-rate-in-each-state-allocating-cbos-estimates-of-coverage-loss/

8 https://info.nystateofhealth.ny.gov/sites/default/files/NYS%201332%20Waiver%20Term%20Alignment%20Request%2012-11-24%20final%20updated.pdf Table E4

As a result, the individual market in 2026 will be not only smaller but older and sicker than the current one – and an older, sicker risk pool means healthcare is more expensive for the average enrollee and thus premiums are higher for everyone. The higher premiums will impact *everyone* – not only the relatively low-income consumers who get PTCs, but also the relatively high-income consumers who don't.

The same logic applies to the OBBBA's other proposed changes to the individual market – which, again, are projected to reduce enrollment by 30 percent, even without the expiration of enhanced PTCs. A shorter enrollment window, more paperwork, and the end of auto-enrollment, for example, will cause many people to lose coverage accidentally – because they missed a deadline or a letter, for instance. Some people with serious health problems will lose coverage due to these obstacles – but the obstacles will disproportionately affect relatively young and healthy consumers, who spend less time thinking about healthcare and are less likely to triple-check that they've filled out the paperwork correctly, call to make sure it went through, mark the open enrollment deadline in their calendars. The result, again, will be a smaller, older, sicker risk pool – and higher premiums for everyone.

Likewise, rendering lawfully present immigrants ineligible for tax credits will raise premiums for everyone. Immigrants tend to be younger and healthier than the average exchange enrollee, so their presence on the exchange effectively subsidizes coverage for non-immigrants. When the OBBBA strips them of health insurance, premiums will go up for everyone.

Worst of all, these effects can easily become a vicious circle: Rising premiums cause more people to leave the exchange, which leaves a smaller, sicker, more expensive group of consumers in the market, which causes premiums to go up even more, which causes more people to leave. In a worst-case scenario, this could result in an insurance market "death spiral," destroying New York's individual market and leaving those who currently rely on it unable to get insurance at any price.

Back to the Future

New York has been here before. Prior to the advent of the ACA, New York's individual market was a cautionary tale nationally – small, expensive and requiring extensive state backstops to avoid a death spiral. The ACA changed that, providing the framework of subsidy and regulation required to allow all consumers (even older and sicker people) to rely on a healthy individual market where they could purchase insurance at reasonable rates. But the OBBBA would alter many of the policies that have allowed the individual market to thrive.

Even if these changes don't provoke a death spiral in the individual market, they will certainly raise premiums for everyone who relies on it – including the middle-class taxpayers who stand to benefit from tax cuts in the bill. While Congressional Republicans have justified healthcare cuts as necessary to pay for tax cuts, middle-class families who rely on the individual market may see any tax cuts they receive eaten up by higher healthcare costs.

While it's hard to estimate how high premiums could go, one thing about the OBBBA is obvious: It will reverse much of the progress New York has made in insurance coverage since the passage of the ACA. In 2011, New York's uninsured rate was nearly 11 percent; today, we've cut that by more than half, to under 5 percent. But the combined effects of the OBBBA changes to the individual market, Medicaid and the Essential Plan are projected to leave 1.5 million New Yorkers uninsured – a level not seen since the passage of the ACA.