

June 12, 2025

Senator John Fetterman
142 Russell Senate Office Building
Washington, DC 20510

Senator Dave McCormick
702 Hart Senate Office Building
Washington, DC 20510

Re: The Impact of H.R. 1 Marketplace Provisions and Expiration of Tax Credits

Dear Senator Fetterman and Senator McCormick,

Since its bipartisan and unanimous passage into state law by the Pennsylvania General Assembly in 2019, Pennie has served as PA's health insurance marketplace for affordable and high-quality health coverage. Pennie provides coverage to a record 500,000 Pennsylvanians including entrepreneurs, small business owners, farmers, gig workers, and other working individuals without health coverage from another source including their job, Medicaid, or Medicare. Pennie operates as an independent state agency, governed by a Board of Directors. We are operated by Pennsylvanians, for Pennsylvanians.

The changes in H.R. 1 create significant barriers to affordable and accessible health coverage, while restricting Pennie's ability to navigate complex challenges and meet local market needs. Many changes claim to address alleged waste, fraud, and abuse; however, even the federal government's own data show that PA has avoided the program integrity issues seen in the federal marketplace. Thus, H.R. 1 would result in significant cost increases and enrollment barriers, with no policy gain. Further, many of the program integrity issues in other states could be addressed through targeted operational and technological changes and do not necessitate nationwide restrictions.

The cost savings generated from the marketplace provisions: **1)** directly shift health care costs to hard-working, eligible Pennsylvanians who will need to drop coverage or pull money from their savings and small businesses to absorb them; **2)** create barriers so large that the federal savings simply assume that many eligible individuals will not be able to navigate the new bureaucratic webs; and, **3)** do not account for downstream costs that come from higher uninsured rates.

Due to the collective impact of cost increases and enrollment barriers from H.R. 1, Pennie anticipates that 270,000 Pennsylvanians who rely on marketplace coverage will lose their access to affordable and high-quality private health insurance. In collective terms, Pennsylvanians will lose \$1.255 billion annually in tax credits to directly reduce the cost of health care. An increased uninsured rate will not only impede the ability of Pennsylvanians to get life-saving medical care, but it will have far-reaching impacts on the health care system, local economies, and other government programs.

More Expensive Private Health Coverage

H.R. 1 drastically increases costs for low- and middle-income Pennsylvanians in three ways.

First, the legislation fails to extend the enhanced premium tax credits (EPTCs) that have made affordable health coverage a reality for many Pennsylvanians. Since EPTCs started in 2021, Pennie's enrollment has increased nearly 50%. EPTCs expire at the end of 2025 under current law. Without Congressional action, average premiums will increase 82%; those who are older, in rural areas, and make over \$60,000 will see

costs up to four times greater. Take a 60-year-old couple in York County making a combined \$82,000 a year. Their premiums will increase from around \$7,000 a year to over \$35,000 a year – comprising 44% of their total income. Almost 375,000 current enrollees have only experienced coverage with lower costs due to EPTCs and will face significant sticker shock with such major increases. For more information about EPTCs and to hear stories from Pennie enrollees, visit pennie.com/affordability.

Second, H.R. 1 alters how cost-sharing reductions are funded for the 2026 coverage year – a timeline that is too fast to avoid significant market disruption and the large cost increases to enrollees. While funding the cost-sharing reductions will result in lower premiums, it will also create a one-year drastic reduction in premium tax credits on top of the EPTC cost increases. This disruption could be somewhat mitigated with a longer implementation time.

Third, H.R. 1 uses outdated data as to adjust annual inflation factors to the maximum extent – raising premiums by an additional 4.5% and out-of-pocket costs by 15%. Using more applicable and recent data would reduce these impacts, but H.R. 1 selects data that results in the highest cost shifting to enrollees.

Pennie has heard time and again that costs are the primary concern for enrollees. Some Pennsylvanians may be able to absorb the cost increases, but at a cost to other areas. Take for instance, Andrew and Mary, dairy farmers in Lancaster County who shared, “the health insurance costs are too high. You cannot go insurance free. This is real for us. We need Pennie.” They are one of many small business owners enrolled through Pennie who described the direct trade-off between health care costs and their small businesses – the higher the former, the less they have for the latter. Other Pennsylvanian families will not be able to absorb the costs and will go uninsured, with impacts to the health care system and more.

Together, these provisions significantly increase what Pennsylvanians pay in monthly costs as well as deductibles and copays. Due to cost increases from EPTC expiration alone, Pennie is projecting that around 150,000 Pennsylvanians will drop coverage after losing \$600 million annually in cost reductions across PA. The other two cost increases will further erode enrollment above that number.

More Barriers to Private Health Coverage

Not only will costs increase significantly under H.R. 1, but it will be harder for current Pennie enrollees to keep their coverage and for uninsured Pennsylvanians to enroll.

One of the most concerning provisions in H.R. 1 is the requirement that all enrollees manually verify eligibility information, such as income, household size, and other eligibility information. Currently, Pennie verifies this eligibility data in real time using trusted federal data sources. Requiring individuals to provide information directly outside of these data sources replaces an effective process with a redundant and more difficult one and increases the risk of errors and fraud. Pennie annually checks eligibility and automatically renews coverage, as is standard practice for the private insurance industry and other similar government programs. The proposed process effectively prohibits automatic renewals in the marketplace – an outlier approach impeding continuity of coverage and care.

Additionally, H.R. 1 restricts state flexibility in unprecedented ways. One example is limiting the Open Enrollment Period (OEP) to only 6 weeks, ending December 15th. Pennie has always operated Open Enrollment until January 15. Our approach strikes the right balance of having an established and consistent enrollment period with ensuring we can provide the level of support Pennsylvanians have said they are looking for. Ending January 15th has also allowed us to increase awareness in PA-tailored ways – for example, to reach broad audiences before the deadline, Pennie conducts major outreach

efforts at the PA Farm Show. Under the new rules, this important awareness-building venue - especially for rural residents that are disproportionately uninsured – would be cut off. Further, around 40% of new enrollees sign up between December 16th, and January 15th and they tend to be younger, adding necessary healthy risk to the insurance pool. H.R. 1 includes a range of other mandates that limit Pennie's ability to tailor our program to PA needs.

The impact of these new requirements will be felt by both enrollees and state-based marketplaces. Pennie estimates that these new policies will add nearly \$5.5M in annual operational costs, an 8.4% increase. Pennie will struggle to bear these new costs, as our enrollment-based revenue that is assessed through insurer fees will decrease alongside enrollment decreases.

Pennie estimates an additional 120,000 Pennsylvanians will go uninsured due to the consumer barriers imposed by H.R. 1, resulting in the loss of \$680 million annually in premium tax credits for PA.

Broader Impacts

As noted by the National Association of Insurance Commissioners, the Academy of Actuaries, and the State Marketplace Network, the individuals most likely to drop coverage in the face of cost and enrollment barriers are younger, healthier individuals who expect to use their coverage the least. These enrollees improve the risk pool and keep premiums down for everyone else. However, the H.R. 1 provisions will mean unaffordable coverage, a sicker working population, increased medical bankruptcies, and more uncompensated care, which will further strain hospitals, especially in rural areas.

The impacts will extend further as more Pennsylvanians become uninsured due to H.R. 1. To stay covered, the dairy farmers in Lancaster may need to increase the cost of their products, increasing food prices and harming the local economy. For older Pennsylvanians under age 65 (the largest cohort of Pennie enrollees) that go uninsured, their undiagnosed and unaddressed medical conditions will cost the federal government more to treat when they enroll in Medicare. And those uninsured individuals who lose limbs due to lack of ongoing diabetes care will go from productive working members of society to being on permanent disability, adding more costs to the federal government. The "savings" in H.R. 1 do not account for these downstream costs.

In addition to cost for enrollees, the expiration of EPTCs will reduce the ability of Pennsylvania's reinsurance program to slow cost growth across the individual market. H.R. 1 will reduce the funds available for reinsurance, minimizing its impact on the reduction of premiums by half and making coverage less affordable.

Pennie hears from Pennsylvanians every day who are overwhelmed with relief when they find affordable health coverage. They know coverage allows them to get life-saving care when they need it while protecting their hard-earned dollars from medical bankruptcy in the event of an emergency. On their behalf, we raise these significant concerns with the marketplace provisions included in H.R. 1.

Sincerely,



Devon Trolley
Executive Director
PA Health Insurance Exchange Authority (Pennie)



Michael Humphreys
Commissioner
PA Health Insurance Department