COVERED CALIFORNIA

Consumer Premiums Will Spike And Insurance Enrollment Gains Will Be Reversed If Enhanced Premium Tax Credits Are Allowed to Expire

- **Nearly 1.7 million Californians are enrolled in subsidized coverage receiving enhanced premium tax credits.**
- **With the enhanced premium tax credits, Covered California consumers save an average of $650 on their monthly premiums.**
- **If enhanced premium tax credits expire at the end of 2025, premiums could increase by $125 per month (a 97% increase).**
- **The enhanced premium tax credit would account for $2.5 billion of potential savings, in addition to the $10.5 billion that consumers are projected to receive in 2026.**

The Inflation Reduction Act of 2022 (IRA) substantially increased affordability of coverage available through the health insurance marketplaces created under the Patient and Protection Affordable Care Act (ACA). Passage of the Inflation Reduction Act resulted in record enrollment by:

- Increasing the amount of premium assistance for all consumers eligible to receive advanced premium tax credits (APTC),
- Offering high-value plans with $0 net premiums for the marketplace's lowest income consumers, and
- Eliminating the "subsidy cliff" for middle-income consumers above 400 percent of the federal poverty level (FPL), who were previously ineligible for premium assistance.

Since the introduction of enhanced premium tax credits through the American Rescue Plan Act of 2021 and their extension through the Inflation Reduction Act, enrollment in the marketplaces nationwide has grown significantly, from 12 million enrollees in 2021 to 24 million enrollees in 2025.[1,2] In California, marketplace enrollment has steadily grown, with a record 1.98 million plan selections for the 2025 Open Enrollment cycle. Californians are estimated to receive nearly $10.5 billion in savings for their monthly premiums in 2026, but would receive an additional $2.5 billion if the enhanced premium tax credits were extended.[3] These increases in take-up and enhanced premium tax credits have contributed to California achieving the lowest uninsured rate on record.[4]

"I need to have the coverage that I have. I really like [my plan] and I really like my doctors, and I have to be able to keep that, especially because I have a pre-existing condition. There isn't going to be something else cheaper for us [than our plan through Covered California]. We fall into an income bracket where we're not [receiving free care], but money is not no object."

-Amanda, a self-employed Covered California enrollee from Los Angeles County. Without the enhanced tax credits, Amanda could see her premium payments increase by $140 per month.

Set to expire at the end of 2025, the loss of enhanced premium tax credits would lead to substantial increases in monthly premium costs for marketplace enrollees. More than 160,000 middle-income consumers in California and 1.6 million nationwide would no longer be eligible for subsidized coverage,[5] while most other consumers would experience large increases in their monthly premium costs. Approximately 399,000 fewer Californians are projected to have subsidized marketplace plans if the enhanced premium tax credits expire, a decrease of approximately 25%.[6]

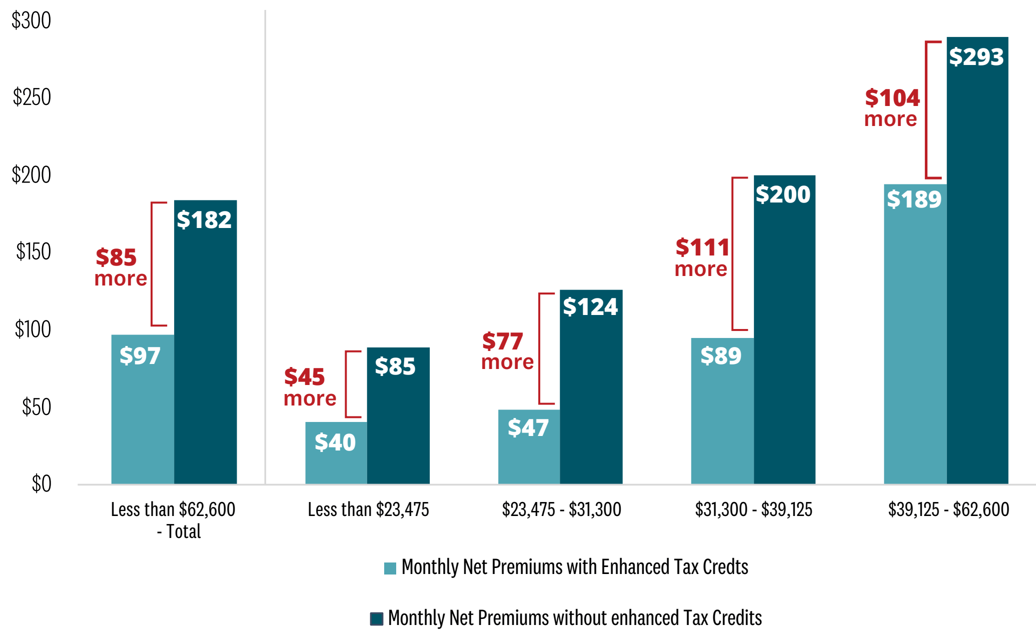
This brief outlines the premium changes that would result from the expiration of enhanced premium tax credits for California's marketplace enrollees. A datasheet with a more comprehensive breakdown of premium changes, is available on Covered California's website.

Premiums Will Increase Substantially for Low-Income Consumers

Low-income Covered California enrollees will still be eligible for premium tax credits but will see premiums increase by 88% if the enhanced premium tax credits sunset at the end of 2025. Average net premiums are projected to increase to $182 dollars per month for more than 1.5 million enrollees making less than 400% of FPL, or $62,600 per year in 2026 for an individual. More than 2 in 5 of these enrollees will see their premiums double or more. A 25-year-old living in San Bernardino County and earning approximately $31,000 annually would see monthly premiums increase from $53 to $174 for the second-lowest cost Silver plan, an increase of 228%.

Premium increases resulting from the loss of enhanced premium tax credits will exacerbate the significant financial insecurity already faced by these members. In 2024, nearly half of Covered California enrollees felt that they couldn't afford basic needs, with 15% worrying about food insecurity and 12% concerned about having stable housing.[7] Two in five Americans with incomes under $40,000 per year say they would not be able to pay for an unexpected $500 medical bill, even with insurance, while an additional 39% would need to go into debt to pay it.[8] As many of these consumers already face concerns about their financial security, average annual premium increases of $1,020 will impose a substantial hardship for those who may already struggle to afford care.

Monthly Net Premiums Without Extension of Enhanced Premium Tax Credits
Subsidized Enrollees Earning Less than $62,600



Premiums shown are net of tax credits, estimated based on Covered California 2025 rates and plan choice data.

Federal Poverty Level (FPL)	Less Than 400% FPL	Less than 150% FPL	150-200% FPL	200-250% FPL	250-400% FPL
Annual Income for a Single Tax Filer at Bottom of Range	-	Less than $23,475	$23,475	$31,300	$39,125
Number of Enrollees	1,509,760	274,740	499,160	273,540	462,320
Share of Covered California Enrollees	90%	16%	30%	16%	28%

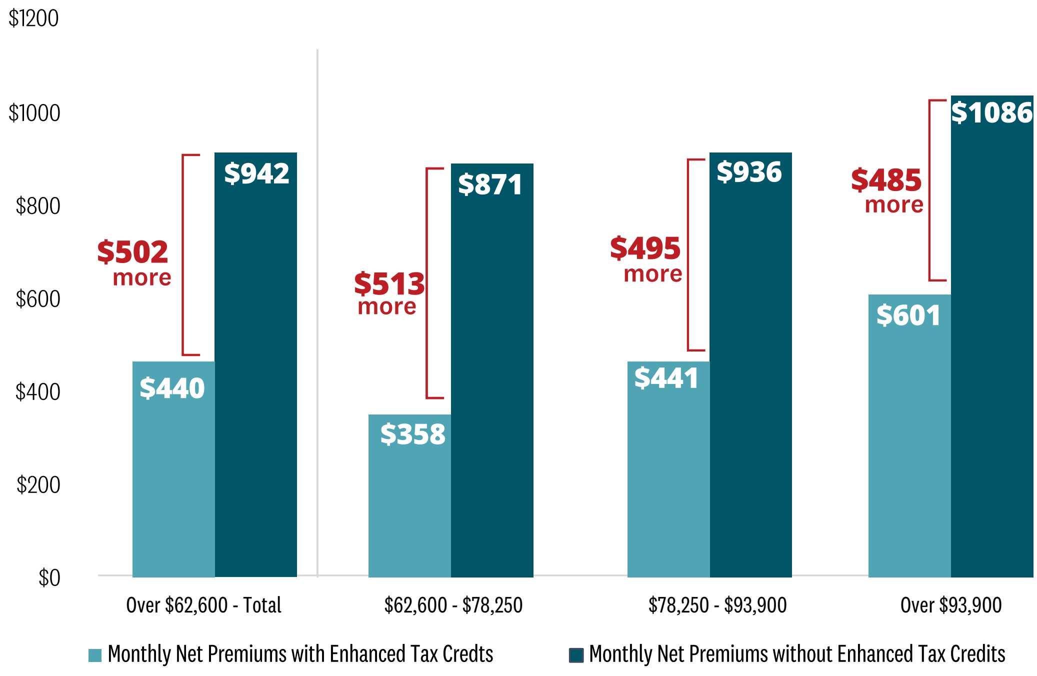
Middle-Income Enrollees Will Lose Eligibility for Subsidized Coverage Entirely

The 161,000 middle-income consumers with incomes at or above 400% of FPL (starting at $62,600 for an individual) will lose eligibility for subsidies entirely and will have to pay the full cost of their monthly premium. These consumers are projected to face an average monthly premium of $942, a 114% increase over the average subsidized premium members pay today. The increase in monthly costs means that these middle-income consumers will spend an average of 21% of their income on premiums, with more than 4 in 10 facing premiums costing more than 20% of their incomes—figures that do not include deductibles, copays and other costs that enrollees face when they use care.

"If the enhanced premium tax credits expire at the end of this year and my premium increases, it would be devastating. I spent years building a nonprofit and earning very little income, and the subsidies are what make it possible for me to keep my coverage. I'm now a working therapist earning enough to afford health care, but If prices go up, I honestly don't know if I could afford insurance. I'd have to seriously consider just paying the penalty for not having it."

-Megan, a Covered California enrollee from Los Angeles County. Without the enhanced tax credits, Megan could see her premium payments increase by $94 per month.

Monthly Net Premium Without the Extension of Enhanced Premium Tax Credits (ePTCs) for Subsidized Enrollees Earning More than $62,600 Annually



Premiums shown are net of tax credits, estimated based on Covered California 2025 rates and plan choice data.

Federal Poverty Level (FPL)	Over 400% FPL	400-500% FPL	500-600% FPL	Over 600% FPL
Annual Income for a Single Tax Filer at Bottom of Range	-	$62,600	$78,250	$93,900
Number of Enrollees	160,860	81,580	37,820	41,450
Share of Covered California Enrollees	10%	5%	2%	2.5%

For many middle-income enrollees, a return of the subsidy cliff will put coverage out of reach once again. For instance, a two-person couple earning just over 400% FPL (roughly $84,600) would pay about $1,864 in average monthly premiums without enhanced premium tax credits. This is nearly as much as the median monthly rent in California ($1,870). A couple in this scenario would spend over half of their income on housing and health insurance premiums.[9] This financial burden of increased premiums will disproportionately impact older, middle-income enrollees who do not yet qualify for Medicare and enrollees with high health care needs who cannot forgo coverage. For instance, an older couple, both aged 55, living in Sacramento County jointly earning $84,600 annually would see monthly premiums increase from $601 to $2,224 for the benchmark Silver plan. This represents monthly increases of $1,623 to pay for coverage, or $19,476 more per year.

Renewing Federal Subsidies Will Provide Substantial Relief for Consumers

Enhanced premium tax credits have had a dramatic impact across the nation and in California, ensuring access to affordable coverage and helping reduce the uninsured rate to historic lows.[10] These federal tax credits help ensure that nearly 1.7 million Californians can afford health coverage, including more than 1 in 3 enrollees who currently pay $10 a month or less in monthly premiums. Keeping enhanced premium tax credits in place will provide critical finanical support to preserve coverage gains and prevent premium increases that would push monthly premiums above $100 per month for more than 2 in 3 enrollees.

Endnotes

1 Centers for Medicare & Medicaid Services, Assistant Secretary for Planning and Evaluation, Office of Health Policy. (2024). Health Insurance Marketplace: 10 Years of Affordable Private Plan Options. https://aspe.hhs.gov/sites/default/files/documents/00d1eccb776ac4abde9979aa793e2c7a/aspe-10-years-of-marketplace.pdf.

2 Centers for Medicare & Medicaid Services. (2025). Marketplace 2025 Open Enrollment Period Report: National Snapshot. https://www.cms.gov/newsroom/fact-sheets/marketplace-2025-open-enrollment-period-report-national-snapshot-2.

3 Estimated savings are projected based on annual 2025 Covered California receiving APTC, assuming 12 months enrollment. See Covered California's Executive Director's Report (August 2025). https://board.coveredca.com/meetings/2025/August 21, 2025/2025.08.21_ED_Report.pdf

4 Ramos-Yamamoto, A. (2024). Universal Health Coverage in California: Progress and Key Policy Actions. California Budget & Policy Center. https://calbudgetcenter.org/resources/universal-health-coverage-in-california-progress-and-key-policy-actions/

5 Centers for Medicare & Medicaid Services. (2025). 2025 Marketplace Open Enrollment Period Public Use Files. https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2025-marketplace-open-enrollment-period-public-use-files

6 Urban Institute. (2024, November 14). Who Would Lose Coverage If Enhanced Premium Tax Credits Expire? https://www.urban.org/data-tools/health-insurance-premium-tax-credit

7 The California Health Coverage Survey ("Member Survey") is an annual probability-based representative survey conducted by NORC at the University of Chicago for Covered California immediately following Open Enrollment. Results from the 2024 survey were used in this paper.

8 Sparks, G., Lopes, L., Montero, A., Presiado, M., Hamel, L. (2025, July 11). Americans' Challenges with Health Care Costs. Kaiser Family Foundation. https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/.

9 Median rent is estimated as of 2022,and has likely risen since. See McGhee, E., Mejia, M. C., & Johnson, H. (2024, February 27). California's Renters. Public Policy Institute of California. https://www.ppic.org/blog/californias-renters/.

10 Centers for Medicare & Medicaid Services, Assistant Secretary for Planning and Evaluation, Office of Health Policy. (2024). Improving Access to Affordable and Equitable Health Coverage: A Review from 2010 to 2024. https://aspe.hhs.gov/sites/default/files/documents/9376755db2480ad7288aaa5ec38f3d8c/improving-access-to-coverage.pdf.