



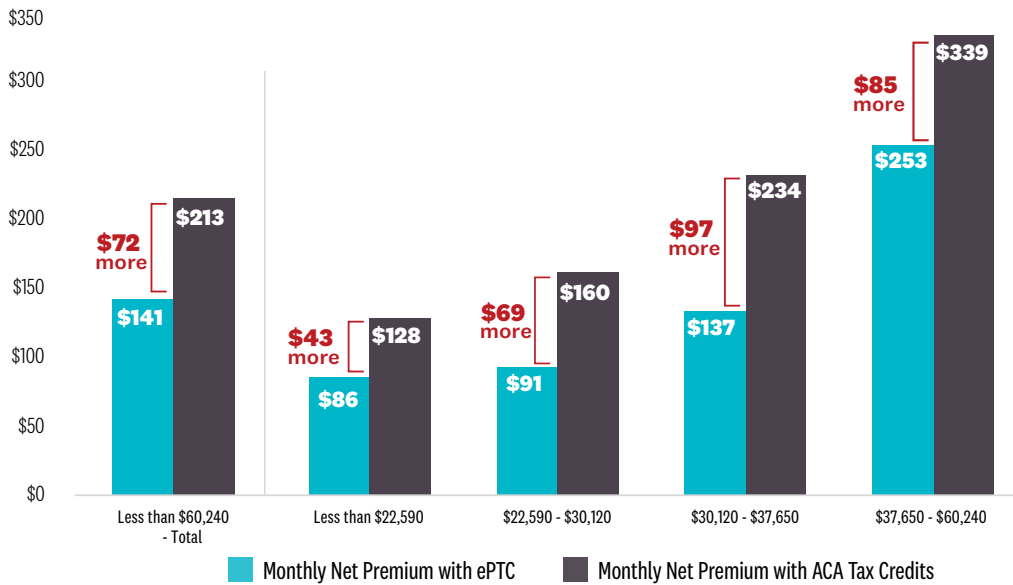
## Enhanced Premium Tax Credits Increase Health Coverage Affordability and Economic Opportunity for Self-Employed Consumers

- More than 1 in 4 Covered California enrollees are self-employed, and 9 in 10 self-employed members make less than 400% of the federal poverty level (\$60,240 per year for an individual.)
- 90% of self-employed members will see an increase in premiums if enhanced premium tax credits expire.
- Middle income members could see their premiums increase by 86% and pay up to 21% of their annual incomes on health insurance.

The Inflation Reduction Act of 2022 (IRA) substantially increased the 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 federal 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 who were previously ineligible for premium assistance.

Monthly Net Premiums Without the Extension of Enhanced Premium Tax Credits - Self-Employed Enrollees Under 400% FPL



Premiums shown are net of Affordable Care Act or Inflation Reduction Act tax credits, estimated based on Covered California 2025 rates and plan choice data.

FPL	Less than 400% FPL	Less than 150% FPL	150-200% FPL	200-250% FPL	250-400% FPL
<b>Annual Income for a Single Tax Filer at Bottom of Range</b>	-	\$21,597	\$22,590	\$30,120	\$37,650
<b>Number of Self-Employed Enrollees</b>	458,190	102,670	160,400	71,440	123,530
<b>Share of Self-Employed Enrollees</b>	90%	20%	32%	14%	24%


ACA marketplaces provide crucial access to affordable coverage for self-employed workers who need to buy health insurance for themselves rather than receiving it from an employer. Self-employed individuals represent approximately 10% of the total US labor force and work in a wide range of professions such as childcare, consulting and finance, ride-hailing services, food service, agriculture, construction, and other industries that do not necessarily provide employer sponsored insurance.<sup>i</sup>

Self-employed individuals are also more likely to enroll in marketplace coverage than the general population.<sup>ii</sup> The establishment of the ACA marketplaces resulted in the number of uninsured, self-employed workers falling by 1.3 million nationwide, with uninsured rates among self-employed workers dropping from 27.3 percent in 2013 to 16.4 percent in 2022.<sup>iii</sup> Overall, 28% (3.3 million) of ACA marketplace enrollees were self-employed or small business owners in 2022.<sup>iv</sup> By offering an affordable and reliable source of health insurance outside of employer-sponsored coverage, the ACA marketplaces reduce “job-lock”, when an individual remains in a job that they do not prefer in order to maintain health insurance coverage and encourage entrepreneurship.<sup>v</sup>

Enhanced premium tax credits are set to expire at the end of 2025, which would lead to substantial increases in monthly premium costs for marketplace enrollees, including self-employed members. Mirroring national trends, more than 1 in 4 Covered California enrollees are self-employed, and 90 percent of these Covered California members who are self-employed are expected to face higher premiums without the enhanced premium tax credits.<sup>vi</sup>

This brief outlines potential premium changes for self-employed consumers enrolled in Covered California, resulting from the expiration of enhanced premium tax credits.

A datasheet with a more comprehensive breakdown of premium changes is available on [Covered California’s website](#).<sup>vii</sup>



“Health insurance was definitely the #1 thing that made it hard to decide whether or not I wanted to be self-employed. Knowing it existed out there where I could research everything in one place was really helpful. Otherwise, it felt very daunting to try to look up what these coverage plans are across so many different options in California. Having health insurance is important to me because you never know what’s going to happen.”

*-Kara, a Covered California enrollee and self-employed photographer, from Yolo County. If the enhanced tax credits expire, Kara could lose eligibility for financial assistance entirely.*

## More than 1 in 4 Marketplace Enrollees are Self-Employed

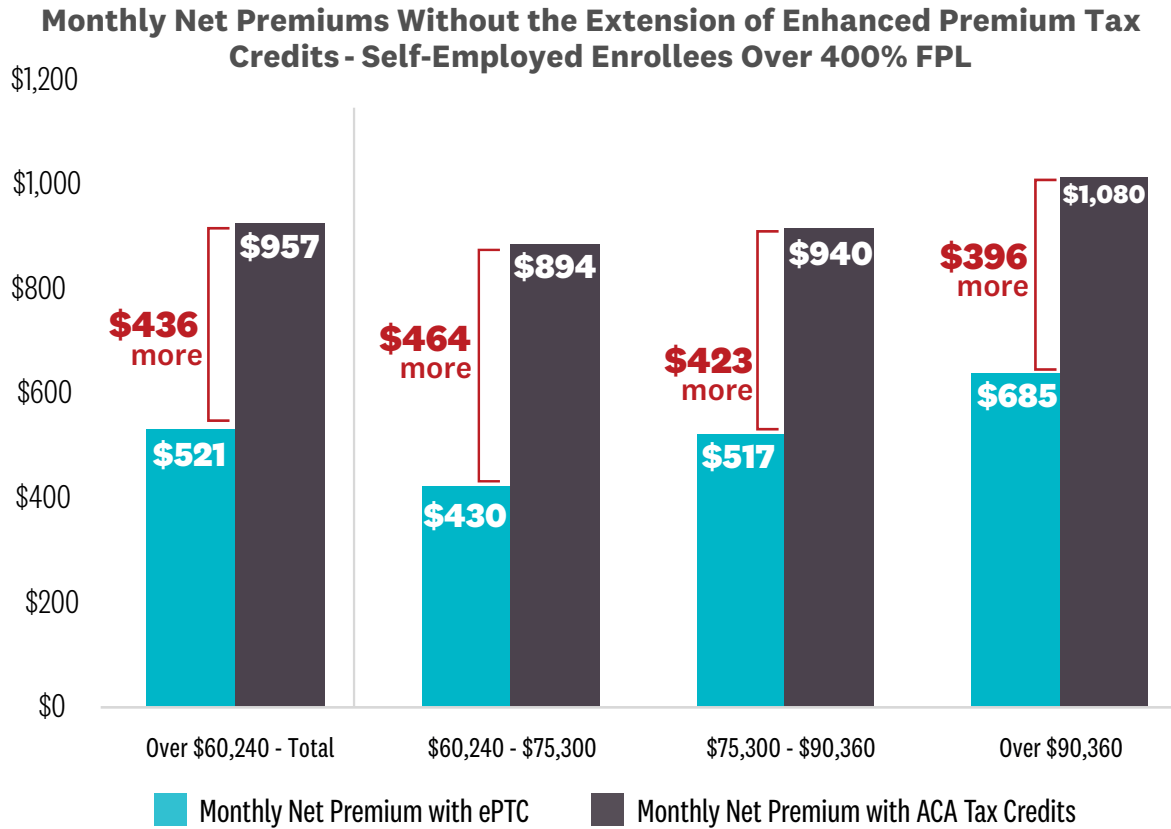
Among Covered California’s subsidized enrollees in 2025, 505,840 (29%) are self-employed. Nine in ten self-employed enrollees have incomes below 400 percent of FPL, earning less than \$60,240 annually for an individual in 2025, and are projected to see their monthly premiums increase by 51% to \$213 per month if enhanced premium tax credits expire. For example, a 25-year-old gig worker living in San Francisco and earning approximately \$30,000 annually would see monthly premiums increase from \$51 to \$153 for the second-lowest cost Silver plan, an increase of almost 200%.

## Middle-Income Self-Employed Enrollees Will Lose Eligibility for Enhanced Premium Tax Credits Entirely

Ten percent (over 47,000) of subsidized, self-employed enrollees will no longer be subsidy eligible if enhanced premium tax credits expire. Self-employed enrollees earning over \$60,240 are projected to pay \$957 in monthly premiums on average, a 83% increase. A self-employed enrollee with income just over the “subsidy cliff” threshold would see the largest average increase in premiums amounting to 21% of their annual income. By comparison, the Affordable Care Act deems the premium cost of employer coverage unaffordable if it exceeds 9.02% of an individual’s income in 2025.<sup>viii</sup>

*Premiums shown are net of Affordable Care Act or Inflation Reduction Act tax credits, estimated based on Covered California 2025 rates and plan choice data.*

FPL	Over 400% FPL	400-500% FPL	500-600% FPL	Over 600% FPL
<b>Annual Income for a Single Tax Filer at Bottom of Range</b>	-	\$60,240	\$75,300	\$90,360
<b>Number of Enrollees</b>	47,650	23,170	11,210	13,270
<b>Share of Covered California Enrollees</b>	10%	5%	2%	3%



## Renewing Federal Subsidies Will Protect Affordability of Coverage for the Self-Employed

The enhanced premium tax credits have had a dramatic impact on coverage affordability across the nation and in California, ensuring access to affordable coverage and helping reduce the uninsured rate to historic lows.<sup>ix</sup> Without extension of these premium tax credits beyond 2025, access to affordable health coverage and care will be at risk for many self-employed consumers without access to the tax advantage of employer-based health coverage. As a result, many self-employed consumers will go without coverage, while others will no longer find self-employment viable and be forced to leave their self-run business to secure employment that provides coverage.



“[Leaving ESI coverage] was one of the biggest risk categories in starting our business in knowing that we’re on our own with health insurance. I have a disease I can’t get rid of, a pre-existing condition I can’t cure myself of that. You don’t usually get healthier as you get older. So yeah, it added to the risk profile significantly. [...]the subsidies are significant.”

-Tom, a self-employed Covered California enrollee from Santa Clara County. Without the enhanced tax credits, Tom could see his premium payments increase by more than \$100 per month.

## Endnotes

- i. Williamson, M.W. (2023, September 21). Understanding the Self-Employed in the United States. Center for American Progress. <https://www.americanprogress.org/article/understanding-the-self-employed-in-the-united-states/>.
- ii. Office of Tax Analysis. (September 20, 2024). Affordable Care Act Marketplace Coverage for the Self-Employed and Small Business Owners. U.S. Department of the Treasury. <https://home.treasury.gov/system/files/131/ACA-Mkt-Coverage-Self-Employed-Small-Business-Owners-09232024.pdf>.
- iii. Lukens, G. (2024, July 17). ACA Drove Record Coverage Gains for Small-Business and Self-Employed Workers. Center on Budget and Policy Priorities. <https://www.cbpp.org/blog/aca-drove-record-coverage-gains-for-small-business-and-self-employed-workers>.
- iv. Office of Tax Analysis. (September 20, 2024). Affordable Care Act Marketplace Coverage for the Self-Employed and Small Business Owners. U.S. Department of the Treasury. <https://home.treasury.gov/system/files/131/ACA-Mkt-Coverage-Self-Employed-Small-Business-Owners-09232024.pdf>.
- v. Blumberg LJ, Corlette S, Lucia K. (2023 May). The Affordable Care Act: Improving Incentives for Entrepreneurship and Self-Employment. The Urban Institute. <https://www.urban.org/sites/default/files/publication/23661/412830-The-Affordable-Care-Act-Improving-Incentives-for-Entrepreneurship-and-Self-Employment.PDF>
- vi. Individuals are considered self-employed if they report self-employment income on their application for coverage.
- vii. Covered California. (2025). Impact of Enhanced Inflation Reduction Act Subsidies for Covered California Enrollees - January 2025. [https://hbex.coveredca.com/data-research/library/CC\\_IRA\\_Subsidy\\_Impact\\_20250225.xlsx](https://hbex.coveredca.com/data-research/library/CC_IRA_Subsidy_Impact_20250225.xlsx).
- viii. Internal Revenue Service. (2024). 26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability (Also Part 1, §§ 36B, 1.36B-2, 1.36B-3). <https://www.irs.gov/pub/irs-drop/rp-24-35.pdf>.
- ix. 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>