



Taking Away Enhanced Premium Tax Credits Substantially Undermines Affordable Coverage for Communities of Color

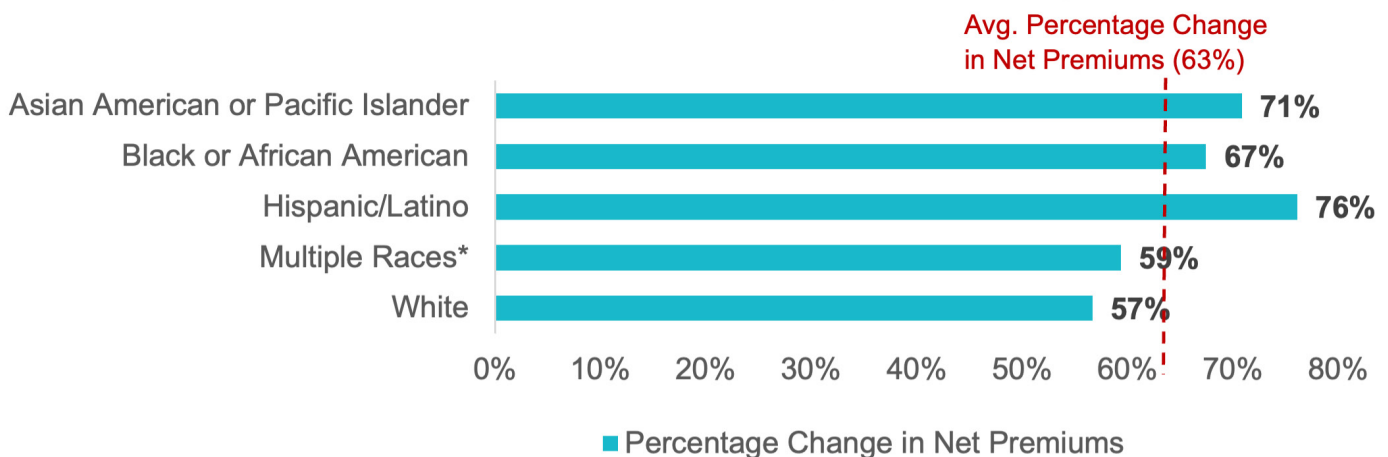
- **Communities of color have seen some of the largest increases in enrollment: Latino enrollment grew by 22% and Black/African American enrollment increased by 35% between 2020 and 2024.**
- **If enhanced tax credits are not extended beyond 2025, California’s marketplace premiums will increase by \$98 per month, an increase of 63%.**
- **Communities of color will be disproportionately impacted: premiums will increase by 76% for Latinos, 71% for Asians and 67% for Black/African Americans.**

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 (just over \$60,000 for individuals), who were previously ineligible for premium assistance.

Since the introduction of enhanced premium tax credits through the American Rescue Plan Act in 2021, marketplace enrollment has surged among communities of color in California. Between March 2020 and March 2024, enrollment among Latinos grew by 22% and enrollment among Black/African Americans grew by 35%, compared to the statewide growth rate of 20%.ⁱ

Percentage Change in Net Premiums Without Extension of Enhanced Premium Tax Credits - Enrollees by Race/Ethnicity

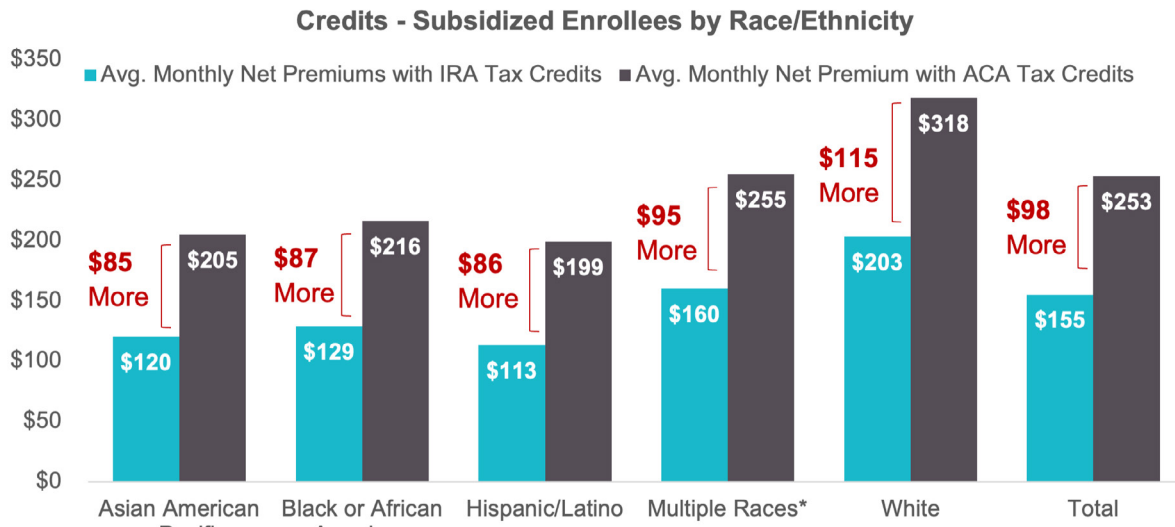


This growth in enrollment has corresponded with a further decline in the uninsured rates in the state which had held relatively steady since 2016. After the passage of enhanced premium tax credits through the American Rescue Plan Act, the uninsured rate in California dropped to a record low of 6.5% in 2022. Many communities of color, with higher uninsured rates than the overall population, saw some of the largest reductions in the uninsured.

Expiration of enhanced premium tax credits threaten to eliminate the coverage gains made possible with increased affordability, particularly impacting vulnerable populations. This brief is part of a series outlining the premium changes that would result from the expiration of enhanced premium tax credits for California’s marketplace enrollees. All briefs in the series, in addition to a datasheet with a more comprehensive breakdown of premium changes, are available on [Covered California’s website](#).

Communities of Color Face Largest Increases in Premiums

Overall, Covered California enrollees currently receiving subsidies will see their monthly premiums increase by 63% if enhanced premium tax credits expire at the end of 2025. However, many racial and ethnic groups will be disproportionately impacted: premiums will increase by 76% for Latino enrollees, 67% for Black/African Americans, and 71% for Asian enrollees. As a consequence, communities that had some of the highest gains in enrollment since 2020 will have the greatest threats to affordable coverage without the enhanced tax credits.



*Multiple Races include enrollees who identify as American Indian/Alaska Native, Multiple Races, or Other.

Premiums shown are net of Affordable Care Act or Inflation Reduction Act tax credits, estimated based on Covered California 2024 rates and plan choice data.

Race/Ethnicity ⁱⁱⁱ	Asian American or Pacific Islander	Black or African American	Hispanic/Latino	Multiple Races	White	Total
Average Annual Household Income	\$51,521	\$42,665	\$50,321	\$56,499	\$58,486	\$54,612
Subsidized Enrollees	309,920	31,140	354,900	126,580	393,310	1,501,120
Share of All Enrollees	21%	2%	24%	8%	26%	100%

Renewing Federal Enhanced Premium Tax Credits Will Support Coverage Affordability for Historically Marginalized Communities

The enhanced premium tax credits have had a dramatic impact on coverage affordability across the nation and in California, leading to large enrollment increases across all communities and particularly among groups with higher than average uninsured rates. Without extension of these enhanced tax credits beyond 2025, access to affordable health coverage and care will be at risk for communities of color that have historically had limited access to healthcare.

Endnotes

- i. Covered California. (2024). Active Member Profiles [March 2020-2024]. Retrieved August 14, 2024 from <https://hbex.coveredca.com/data-research/active-member-profiles/>.
- ii. Covered California. (2023, November 1). *Record Financial Assistance Helps “Bridge the Gap” as Covered California Launches 2024 Open-Enrollment Campaign*. https://www.coveredca.com/newsroom/news-releases/2023/11/01/record-financial-assistance-helps-bridge-the-gap-as-covered-california-launches-2024-open-enrollment-campaign/#_ftn1.
- iii. Nonrespondents were excluded from visualizations but make up 19% of the Covered California population (285,280 enrollees).