COVERED CALIFORNIA

Enhanced Premium Tax Credits Through the Inflation Reduction Act Ensure Access to Affordable Coverage for Rural Areas

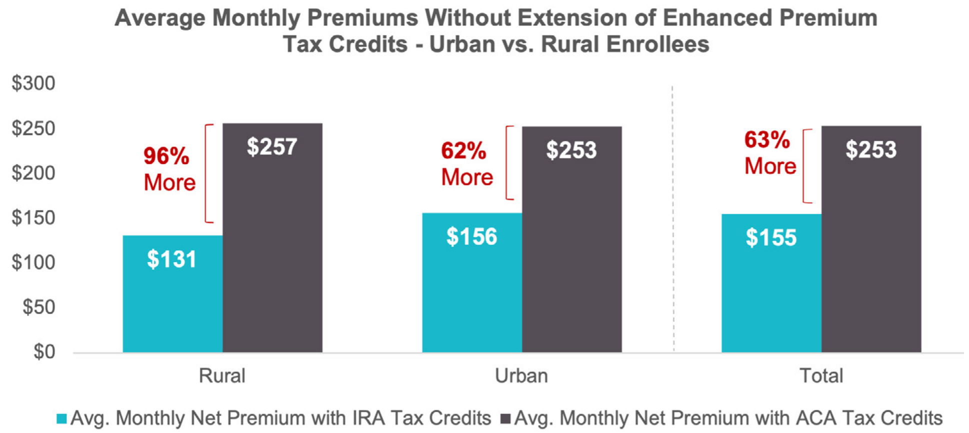
- **More than 85,000 Californians residing in rural areas receive premium tax credits to pay for their marketplace coverage.**
- **These enrollees will see monthly premiums increase by an average of $126 if the enhanced tax credits are not extended.**
- **Predominantly rural counties have seen a large increase in enrollment in California's marketplace (16%) and receive higher premium tax credits than non-rural counties.**

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 marketplace 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 tax credits through the American Rescue Plan Act of 2021, enrollment in the marketplaces nationwide has grown significantly, from 12 million enrollees in 2021 to 21.4 million enrollees in 2024.[i] Among Covered California enrollees, 6% or 85,230 members live in rural zip codes, a level proportional to the statewide population.[ii] Among California's 58 counties, 22 have 75% or more enrollees living in predominantly rural areas. Members in these counties receive much higher subsidies on average ($791) than counties that do not serve mostly rural areas ($504).[iii]

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.



	Rural	Urban	Total
Average Annual Household Income	$59,322	$54,328	$54,612
Subsidized Enrollees	85,230	1,415,890	1,501,120
Share of All Enrollees	6%	94%	100%

Set to expire at the end of 2025, the loss of the enhanced tax credits would lead to substantial increases in monthly premium costs for marketplace enrollees. The loss of extra savings disproportionally impacts enrollees residing in rural areas, affecting regions that already face more barriers to accessing care and higher pandemic and post-pandemic price increases.[iv, v, vi]

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.

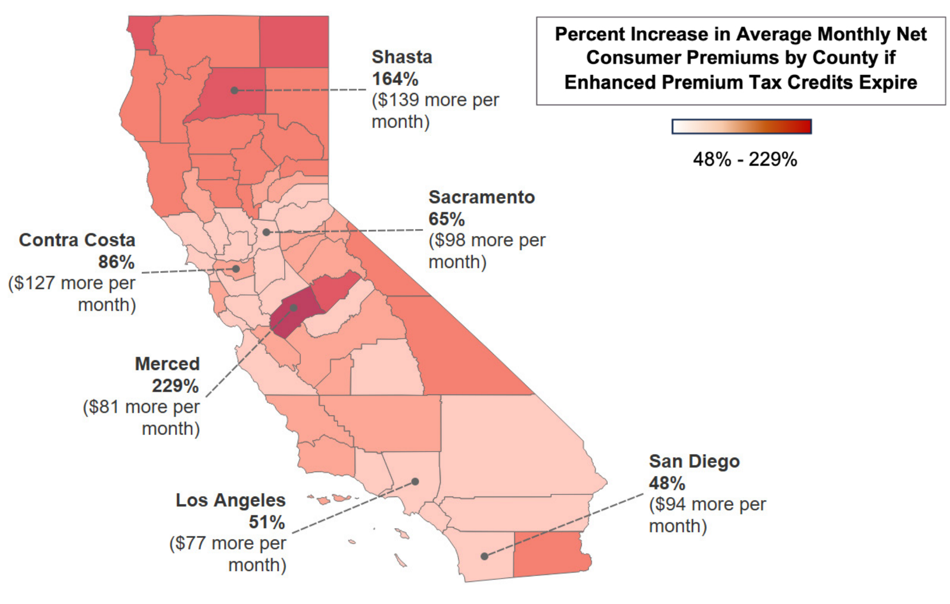
Premiums Will Increase Disproportionately for Rural Consumers

Enrollees residing in rural areas will be more impacted by the expiration of enhanced tax credits than consumers residing in urban areas. Overall, more than 85,000 individuals living in rural areas will see monthly premiums increase by an average of $126 (or 96%), compared to increases of $97 (or 62%) for individuals living in urban areas.

Largest Increase in Premiums Concentrated in Northern Counties

Northern and Eastern California regions are expected to see average monthly premium increases of 133% and 132% respectively if enhanced tax credits expire, more than double the state average of 63%.[vii] The counties with the highest percentage increases in premiums also have higher rural enrollee populations: on average, 50% of enrollees in these counties live in rural areas compared to the state average of 6%. For instance, nearly all Covered California enrollees in Humboldt County live in rural areas. An older couple, both aged 55, living in Humboldt County and jointly earning $80,000 annually would see monthly premiums increase from $570 to $2,500 for the benchmark Silver plan. This represents monthly increases of $1,930 to pay for coverage, or $23,160 more per year. The same couple living in Los Angeles County would see premiums increase from $570 to $1,320—$1,180 less for the second-lowest cost silver plan when compared to Humboldt County.

Premiums shown are net of tax credits, estimated based on Covered California 2024 rates and plan choice data.



Renewing Federal Subsidies Will Support Coverage Affordability for Financially Vulnerable Communities

The enhanced subsidies have had a dramatic impact on coverage affordability across the nation and in California, leading to higher enrollment increases in rural communities. Without extension of these subsidies beyond 2025, access to affordable health coverage and care will be at risk for communities that are already financially vulnerable.

Endnotes

i. 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

ii. Johnson, H., & Mejia, M. C. (2024, March). *Rural California*. Public Policy Institute of California.
https://www.ppic.org/publication/rural-california/.

iii. Urban and rural designations were taken from the Centers for Medicare & Medicaid Services Rural-Urban Index. Per capita income estimates were taken from 2022 Bureau of Economic Analysis personal income data:

Centers for Medicare & Medicaid Services. (2024). Fee Schedules - General Information.
https://www.cms.gov/medicare/payment/fee-schedules.

Bureau of Economic Analysis. (2024). Personal Income by County and Metropolitan Area, 2022.
https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas.

iv. Turrini, G. et al. (2021, July 9). *Access to Affordable Care in Rural America*: *Current Trends and Key Challenges*. Assistant Secretary for Planning and Evaluation, Office of Health Policy.
https://aspe.hhs.gov/sites/default/files/2021-07/rural-health-rr.pdf.

v. Congressional Budget Office. (2022, January 31). *Price and Wage Growth in Rural Areas* [Letter to Congressional Committee on the Budget].
https://www.cbo.gov/system/files/2022-01/57794-Smith.pdf.

vi. California Health Care Foundation. (2021, March 5). *California Health Care Almanac*: *California Physicians*: *A Portrait of Practice*.
https://www.chcf.org/wp-content/uploads/2021/03/PhysiciansAlmanac2021.pdf.

vii. A map of counties included in the Northern and Eastern rating regions can be found below. Northern Counties refers to rating region 1 and Eastern Counties are in rating region 13:
https://www.coveredca.com/pdfs/2024_CCSB_Network_Summary_QHP_QDP_Plan_Offerings.pdf.