

2026 California State Premium Subsidy Program

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The California Premium Subsidy program was originally implemented under Senate Bill 78 beginning in plan year (PY) 2020. The program was paused in 2021 when the federal enhanced premium tax credit (ePTC) under the American Rescue Plan Act (ARPA) was established. To provide further financial help, the Inflation Reduction Act (IRA) of 2022 extended these benefits. The ARPA/IRA enhanced subsidies expired at the end of PY 2025, leading to California reinstating the premium subsidy program for individuals with household income at or below 165% Federal Poverty Level (FPL) for PY 2026. This policy explainer provides insight on the 2026 California State Premium Subsidy program.

Background

The California State Fiscal Year 2025-26 budget appropriated \$190 million from the Health Care Affordability Reserve Fund (HCARF) to support a program of financial assistance for Covered California enrollees for 2026. Under California law, Covered California is responsible for adopting a program design for this financial assistance.¹

The 2026 financial assistance program provides premium assistance for individuals with household incomes at or below 165% FPL.² This assistance, referred to as the California Premium Subsidy, will partially offset the loss of the federal enhanced premium tax credit, which expired at the end of 2025.³

Eligibility for the 2026 California Premium Subsidy Program

The 2026 California Premium Subsidy preserves IRA-level premium subsidies for the lowest-income Covered California enrollees up to 150% FPL and lowers federally-required premiums for individuals between 150 and 165% FPL. To receive the California Premium Subsidy, individuals must be otherwise eligible for the federal advanced premium tax credits (APTC) and apply on Covered California's subsidized application.⁴

The California Premium Subsidy Program uses the federal method for calculating APTC. The APTC amount is calculated by taking the difference between the consumer's benchmark plan premium and the percentage of income consumers

are required to pay for their plan based on the federally defined applicable percentages.⁵ The state subsidy reduces the federally defined applicable percentages for those at or below 165% FPL (See Table 1 below).

The IRA column shows the applicable percentages that were in effect from 2021 through 2025. The 2026 Affordable Care Act (ACA) column shows the applicable percentages published by the Internal Revenue Service (IRS) for PY 2026. The 2026 California Premium Subsidy column shows the reduced applicable percentage for individuals at or below 165% FPL from the 2026 State Subsidy Program Design relative to the ACA. The California Premium Subsidy percentages are denoted by (*). ACA percentages will be used to calculate APTC for individuals with household income above 165% FPL.

Table 1. Applicable Percentages			
Percent of FPL	IRA	2026 Affordable Care Act	2026 California Premium Subsidy Program
Under 138%	0%	2.10%	0.0%*
138% – Under 150%	0%	3.14% – 4.19%	0.0%*
150% – At or Below 165%	0% – 0.6%	4.19% – 4.91%	3.19% – 3.91%*
Above 165% FPL, there is no additional state premium help, resulting in 2026 ACA percentages only			
Above 165% – Under 200%	0.6% – 2.0%	4.91% – 6.6%	N/A
200% – Under 250%	2.0% – 4.0%	6.6% – 8.44%	N/A
250% – Under 300%	4.0% – 6.0%	8.44% – 9.96%	N/A
300% – 400%	6.0% – 8.5%	9.96%	N/A
Over 400%	8.5%	Not eligible for federal APTC	N/A
NOTES:			
<ul style="list-style-type: none"> Individuals with income at or below 138% of the federal poverty level are generally eligible for Medi-Cal, California's Medicaid program. Individuals eligible for Medi-Cal do not receive federal APTC or the state subsidy, since Medi-Cal counts as minimum essential coverage under federal law (ACA/ 26 U.S.C. § 36B). 			

California Premium Subsidy Reconciliation

Similar to APTC, the consumers must reconcile the state subsidy they receive in advance with the state subsidy they are eligible for based on their actual income when they file their state income tax return with the California Franchise Tax Board (FTB). Consumer repayment is capped based on income. Reconciliation repayment caps are set by Covered California in the program design document.

¹ California Legislative Information. Government Code, § 100800 et seq. Title 25. Individual Market Assistance [100800- 100825].

https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=&title=25.&part=&chapter=&article=

² Covered California July 28, 2025

[2026 Covered California State Subsidy Program Design](#)

³ The California Premium Subsidy program was first offered in [2020](#). It was paused in 2021 because the ARPA – and later the IRA – provided an enhanced premium tax credit that was more generous than the California Premium Subsidy. HCARF funding was later used to provide the California Enhanced Cost Sharing Reduction program, which was operational in [2024](#) and [2025](#).

⁴ For APTC eligibility, individuals must not qualify for full-scope Medicaid, the Children’s Health Insurance Program (CHIP), Medicare or coverage through an employer. Note that while eligibility for Covered California begins for most people at 138 % FPL, certain lawfully present immigrants are eligible for APTC between 0 and 138 % FPL if they are not eligible for fullscope Medi-Cal, are over age 21, or are not pregnant. In addition, APTC eligibility for lawfully present immigrants under 100% FPL who are ineligible for Medi-Cal due to immigration status is scheduled to end after December 31, 2025, per H.R. 1, for PY 2026.

⁵ APTC is calculated based on the following formula: Monthly premium for the applicable benchmark plan (second lowest silver) minus household income multiplied by the applicable percentage for the year divided by 12.