



2020-2021 California State Premium Subsidy Program

Covered California was the first state in the nation to provide subsidies for individuals with income over the federal subsidy cliff (400% FPL -600% FPL) with the implementation of the California State Premium Subsidy beginning plan year 2020.^{1,2} The American Rescue Plan (passed March 11, 2021), along with the Inflation Reduction Act of 2022, provides greater federal subsidies than the California State Premium Subsidy, and eliminated the need for the California State Premium Subsidy. This policy explainer provides insight on how Covered California administered the California State Premium Subsidy program.

Background

The California Premium Subsidy, also referred to as the "state subsidy" and the California Premium Assistance Subsidy Program, established state funding for premium assistance³ for individuals with household incomes at or below 138% of the Federal Poverty Level (FPL) and above 200% FPL and at or below 600% FPL. Covered California is responsible for determining eligibility rules and contribution levels every year in a program design document.^{4,5} The state subsidy was only in effect until the end of 2021 due to the enhanced federal subsidies available under the American Rescue Plan.

Policy and Implementation Activities

The state subsidy used the federal method for calculating advanced premium tax credits (APTC). This determined the amount of APTC by taking the difference between the consumer's benchmark plan premium and the amount consumers were required to pay for their plan based on the federally defined required contribution percentage.^{6,7} The state subsidy reduced the federally defined required contribution percentages for those at or below 138% FPL and above 200% FPL to at or below 400% FPL (See Table below). For those who were at 400% FPL and at or below 600% FPL the state subsidy extended the federal cliff for APTC.

Eligibility Requirements

A consumer must have met all eligibility requirements for APTC to receive a state subsidy. The FPL requirements as shown were the exception.

2021 Percent of Household Income Paid for Covered California Benchmark Silver Premium			
Percent of Federal Poverty Level (FPL)	Affordable Care Act	California State Subsidy Program	American Rescue Plan
Under 138%*	2.07%	0.0%	0.0%
138% – 150%**	3.10% – 4.14%	N/A	0.0%
150% – 200%	4.14% – 6.52%	N/A	0.0% – 2.0%
200% – 250%	6.52% – 8.33%	6.24% – 7.80%	2.0% – 4.0%
250% – 300%	8.33% – 9.83%	7.80% – 8.90%	4.0% – 6.0%
300% – 400%	9.83%	8.90% – 9.68%	6.0% – 8.5%
Over 400%	Not eligible for subsidies	9.68% – 18.0%***	8.5%

NOTES:

*Individuals with income at or below 138% of the federal poverty level are generally eligible for Medi-Cal, California's Medicaid program. In certain limited circumstances, however, they are eligible for the federal premium tax credit and the California state subsidy program.

** Under the American Rescue Plan, Covered California enrollees receiving Unemployment Insurance (UI) in 2021 are treated as though their income is no more than 138.1% of the federal poverty level for the purposes of the federal premium tax credit and cost-sharing reduction, meaning their required contribution for a benchmark plan will be 0% and they will be eligible for an Enhanced Silver 94 plan.

*** Eligibility for the California state subsidy program ends at 600% of the federal poverty level.

Reconciliation

Similar to APTC, the state subsidy was a tax-reconcilable amount based on actual income when a consumer filed their state taxes. The consumer reconciled the state subsidy received in advance with the state subsidy they should have received with the California Franchise Tax Board (FTB). Reconciliation caps and other rules surrounding reconciliation were set by Covered California in consultation with FTB every year in the program design document.

For the state subsidy program, individuals who projected a household income above 400% FPL for the year to Covered California but reported their actual income on their tax return as below 400% FPL did not have the caps apply to their state subsidy repayment to FTB. This was due to these individuals being able to claim premium tax credit from the IRS.

Endnotes:

1 Covered California, Press Release. July 19, 2019.

[California's Initiatives Will Lead to Hundreds of Thousands Gaining Health Care Coverage With Lower Premiums and New Financial Help](#)

2 Covered California, Press Release. February 18, 2020.

[New California Policies Make Huge Difference, Increasing New Signups During Covered California's Open Enrollment by 41 Percent](#)

3 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=

4 Covered California. January 16, 2020.

[2020 Covered California State Subsidy Program Design](#)

5 Covered California. June 25, 2020.

[2021 Covered California State Subsidy Program Design](#)

6 Internal Revenue Service.

[Internal Revenue Service Revenue Procedure 2019-29](#)

7 Internal Revenue Service.

[Internal Revenue Service Revenue Procedure 2020-36](#)