



# The Impact of Recent Federal Policy Action on Covered California Consumers

February 20, 2026

# The Affordable Care Act & Covered California Background



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# The Affordable Care Act (ACA) and Covered California

The Patient Protection and Affordable Care Act (ACA) is a comprehensive reform law, enacted in 2010, that increases health insurance coverage for the uninsured and implements reforms to the health insurance market.

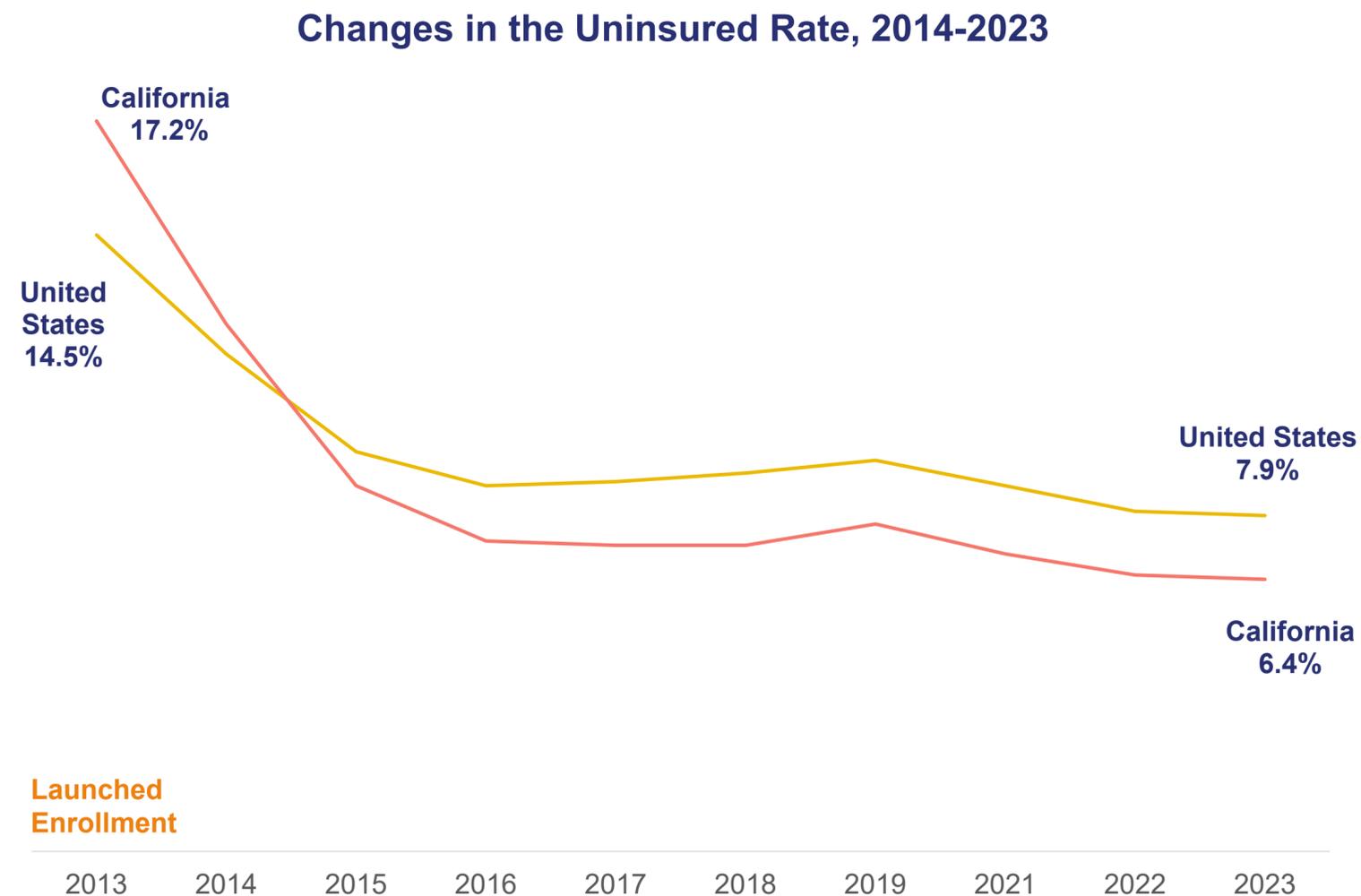
Covered California is the State-Based Marketplace under the Affordable Care Act where Californians can shop for health plans and access financial assistance, if they qualify for it.

The **only** place where eligible Californians can receive federally-funded financial assistance to help pay for healthcare premiums.

Financial assistance includes tax credits paid in advance to the health plans - also known as **Advanced Premium Tax Credits (APTC)** and cost-sharing reductions.

# Connecting Californians with Coverage

- More than 6.3 million, or nearly 1 in 6, Californians have enrolled in marketplace coverage since Covered California launched in 2014.
- This represents the nation's largest drop in the number of remaining uninsured.
- The marketplaces serve many different consumer groups who do not have other sources of affordable coverage, including those losing Medicaid, self-employed individuals without employer coverage, or early retirees not yet eligible for Medicare.



\*Source: American Community Survey, 2022: [American Community Survey Accuracy of the Data \(2022\) \(census.gov\)](#). The rates for uninsured are shown for populations of all ages.

A woman with dark hair, wearing a light-colored jacket, is smiling and looking upwards. She is holding two stacked cardboard boxes. The boxes are labeled with 'EQ' and 'HDPE Plastic Bags MADE IN INDIA'. The top box is labeled '1/2 Size 2.25 MI' and '12"x4"x22" 200/CASE'. The bottom box is labeled '1/4 Size 2.25 MI' and '12"x4"x22" 200/CASE'. The background is a warehouse with shelves and lights.

## Who We Serve: Covered California Consumer Snapshot

An estimated **1 in 6 Californians** has, at some point, been covered by a plan purchased through **Covered California**. These are small business owners and employees, gig workers, early retirees, and other low- and middle-income Californians from all corners of the state who have no other source of coverage.

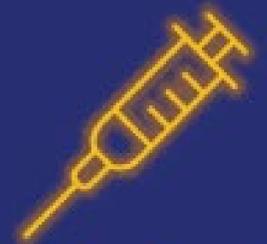
# 2026 Covered California Health Plan Offerings

- Covered California provides quality health coverage from private health insurance companies.
- These **11** companies meet all the state and federal requirements for health plans, plus additional contractual requirements set by Covered California.
- Health companies offer one or more of these products: PPO, HMO, and/or EPO; and a wide variety of doctors and hospitals.



# Marketplace Benefits

The Affordable Care Act (ACA) requires that products sold in the individual market cover **10 essential health benefit categories\***.



Laboratory Services



Emergency Services



Prescription Drugs



Mental Health & Substance Abuse Disorder



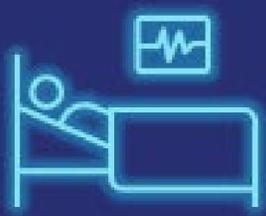
Preventive & Wellness Services



Pediatric Services



Rehabilitative Services



Ambulatory Patient Services

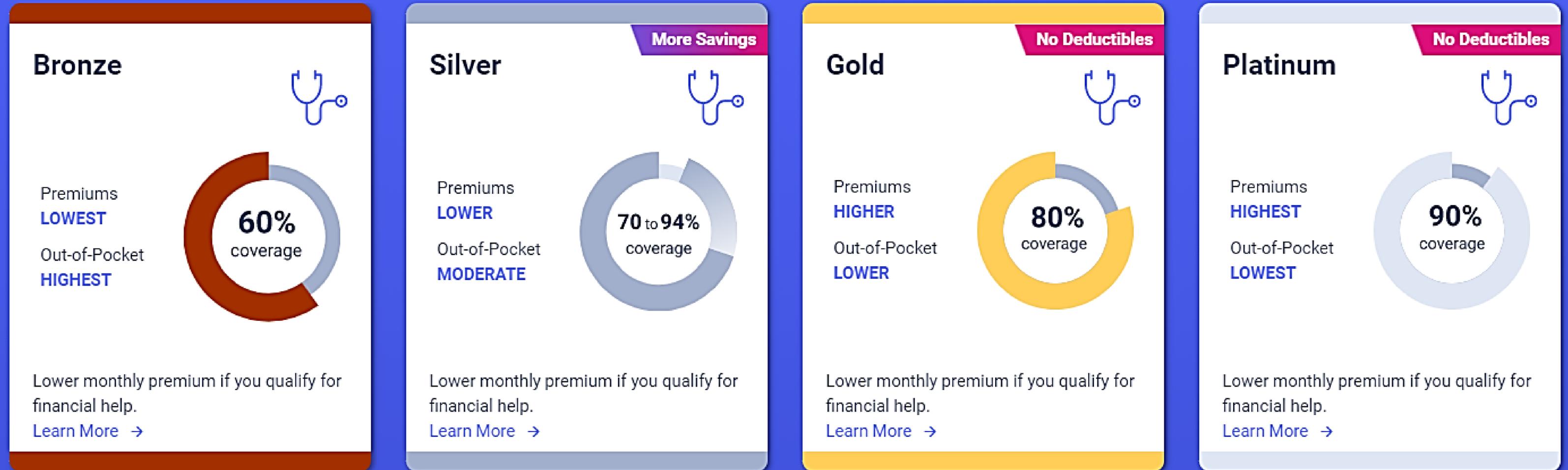


Maternity & Newborn care



Hospitalization

# Health Plan Coverage Level: Metal Tiers



- A plan with a lower premium results in a larger copayment with higher deductibles and maximum out-of-pocket expense.
- Minimum coverage plans are also available to people who meet certain requirements, although these plans are not eligible for financial help.

# Federal Impacts on Consumer Access and Affordability



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# Federal Update: Recent Actions Impacting Marketplaces

In late June and early July, Congress and the administration took multiple actions that will have sweeping impacts to Covered California and our enrollees:

- On June 25, 2025, the Centers for Medicare & Medicaid Services (CMS) issued the **Marketplace Integrity and Affordability Final Rule**.
  - \*On August 22nd, a district court issued a preliminary injunction on several of the provisions contained in the rule.
- On July 4, 2025, President Trump signed the federal reconciliation bill, **H.R. 1 titled the One Big Beautiful Bill Act**, into law.

The combined impact of these policies, alongside the expiration of the enhanced premium tax credits at the end of 2025—which neither action addressed—is projected to lead to substantial declines in Marketplace coverage and a rise in the number of uninsured individuals.

# MAJOR MARKETPLACE IMPACTS OF H.R. 1

As many as 660,000 Covered California enrollees could go uninsured, all Covered California enrollees will see significantly higher costs, and there will be burdensome red tape making it harder for Californians to get and stay covered.

## Limiting Enrollment Opportunities & Imposing New Administrative Requirements

Imposes pre-enrollment verification and ending automatic re-enrollment

Eliminates income-based Special Enrollment Period (SEP)

## Restricting Eligibility for Immigrant Groups

Limits Premium Tax Credit (PTC) eligibility to certain immigrant groups

Ends Premium Tax Credit for low-income lawfully present immigrants

## Affordability and Coverage Changes

Removes caps on repayment of excess Advance Premium Tax Credit

Denies Advance Premium Tax Credit to consumers who lose Medi-Cal due to work requirements.

**Fails to extend the Enhanced Premium Tax Credits: Absent Congressional action, these enhanced tax credits expired at the end of the year and can significantly reduce the affordability of Marketplace coverage.**

This final rule adopts policy changes CMS believes will strengthen consumer protections, ensure Marketplace integrity, and address improper enrollments. Though several harmful provisions from the proposed rule were modified to allow for delayed implementation, sunseting timeframes, and increased state flexibility, deeply concerning provisions remain.

## Limited Enrollment & Narrow Eligibility

Shortening the open enrollment period to nine weeks, beginning with the 2027 coverage year.

Excluding DACA recipients from Marketplace eligibility, effective 2025.

Eliminating the monthly special enrollment period (SEP) for individuals below 150% of the federal poverty level (FPL), effective 2025.

Prohibiting coverage of gender-affirming care as part of essential health benefits, effective 2026.

## Stricter Verification & Reconciliation



Tightening income verification requirements, effective 2025 and sunseting after 2026.

Eliminating the automatic 60-day extension for resolving income inconsistencies, effective 2025.



Reducing the Failure to Reconcile period for advanced premium tax credits (APTC) to one year, effective for 2026 and reverting to two years for 2027.

## Reduced Affordability



Allowing issuers to require consumers pay past-due premiums before enrolling in new coverage, effective 2025.

Requiring consumers to pay at least 95% of premiums owed, effective 2025 and sunseting after 2026.



Updating premiums and plan design requirements, effective for 2026.



Indicates implementation of provision was stayed by a federal court on 8/22/25.

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## Federal Update: Another Key Development

Adding to this evolving legal landscape, on February 9, CMS released its annual **proposed Notice of Benefit and Payment Parameters for 2027**. This proposed rule sets out wide-ranging policy and operational changes for ACA Marketplaces and related insurance reforms. At a high level, the proposed rule would:

- Implement elements of H.R. 1;
- Revisit portions of the Marketplace Integrity Rule (including provisions stayed in litigation), making some permanent;
- Roll back several Biden-era policies; and
- Introduce other new changes.

Covered California is closely reviewing the proposed rule and coordinating with partners to understand its potential impacts. With comments due March 13 and a final rule expected in the following months that may diverge from the proposal, we will continue to monitor and assess implications as CMS's work progresses.

# Impacts of Enhanced Premium Tax Credits Expiration



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# Enhanced Premium Tax Credits Expand Affordability and Access to Coverage

The federal enhanced premium tax credit, in place between 2021 and 2025, **dramatically increased affordability for marketplace consumers by:**

- **Increasing the amount of financial help** for all consumers eligible to receive the advanced premium tax credit.
- **Providing two free Silver plan options** for consumers with incomes below 150% FPL (\$23,475 for an individual and \$48,225 for a family of four).
- **Eliminating the “cliff” for middle-income consumers** above 400% FPL who were previously ineligible for advance premium tax credits (\$62,600 for an individual and \$128,600 for a family of four).
- In 2025, Covered California **reached an all-time record enrollment of nearly 2 million enrollees and a 6.4% uninsured rate.**

# The Enhanced Premium Tax Credit Provided Consumers an Additional \$2.5 Billion in Annual Premium Savings

The enhanced premium tax credit was projected to account for about **\$2.5 billion** of potential savings for consumers, in addition to the \$10.5 billion that consumers are projected to receive in 2026.

Enrollee Income (by Federal Poverty Level)	Number of Enrollees	Annual Value of Enhanced Premium Tax Credit
0-150% FPL	275,000	\$148 million
150-200% FPL	499,000	\$461 million
200-250% FPL	274,000	\$363 million
250-400% FPL	462,000	\$576 million
>400% FPL	161,000	\$969 million
<b>Total</b>	<b>1,671,000</b>	<b>\$2.5 billion</b>

Source: Snapshot of July 2025 Covered California enrollees receiving monthly APTC. Income levels reflect relevant program FPL cutoffs for the 2026 plan year.

# Consumer Impacts of Enhanced Premium Tax Credit Expiration

The enhanced premium tax credit expired on **December 31, 2025**.

Due to the expiration, starting in 2026:

- Many enrollees will experience, on average, a **97% increase** in monthly premium costs.
- This translates to, on average, **\$125 more** consumers will pay each month for their coverage.
- Estimates indicate that **400,000 Californians** could drop marketplace coverage due to lack of affordability.

# Navigating Uncertainty and Supporting Consumers



# State-funded Financial Assistance for Covered California Enrollees in Plan Year 2026

- California is taking steps to protect the most vulnerable enrollees from increased costs. The Governor and Legislature appropriated \$190 million to provide state premium assistance for enrollees earning up to approximately \$26,000 per year.
- While these funds cannot backfill the potential \$2.5 billion loss of the enhanced premium tax credit, they will provide meaningful support for lower income enrollees.
- Thus far, 390,000 enrollees under 165% FPL are benefitting from the California Premium Tax Credit program.

# Open Enrollment 2026 Plan Selections

Open enrollment for the 2026 plan year ended on January 31st. As of January 31<sup>st</sup>, Covered California has 1,927,371 enrollees, which is a 3% decrease compared to last year. This includes 235,055 new sign-ups (a 32% decrease from last year) and 1,692,316 renewing consumers (a 4% increase from last year).

	2024	2025	2026	Difference	
Net Plan Selections	(Count)	(Count)	(Count)	(2026 v 2025)	
New Enrollment	306,382	345,711	235,055	-110,656	-32%
Renewals	1,478,271	1,633,781	1,692,316	58,535	4%
Total Plan Selections	1,784,653	1,979,492	1,927,371	-52,121	-3%

# Early 2026 Enrollment Data Indicate Impact of ePTC Expiration - Renewal Numbers Still Pending

With 2025 renewing consumers still in their 3-month premium payment grace period, it is too early to see the full effects of the expiration of the enhanced tax credits on enrollment. But, there are some key warning signs we are watching closely:

- New enrollment (consumers who were not enrolled in 2025 coming in to enroll for 2026) is down 32% from the same time last year and at its lowest level in years. During open enrollment for 2026, Covered California saw 110,656 fewer new sign ups for 2026 compared to 2025.
- Of these consumers, more than 1 in 3 opted for a bronze plan with a higher deductible and lower monthly premium, compared to fewer than 1 in 4 new enrollees electing bronze plans at the same time last year.
- Similarly, of renewing enrollees who actively switched plan tier, the majority (73%) have moved to bronze. This is roughly 130,000 enrollees compared to 28,000 in 2025 (28% of active tier switchers).
- 14% (267,700) of our renewing enrollees have cancelled their plans. This is up from the same time last year at 11% (201,640). However, among middle income consumers (400% FPL and up) who are losing access to all premium subsidies, we are currently tracking a 2026 termination rate that is nearly double what it was in 2025 (22 percent of all renewals with incomes over 400% of FPL in 2026, compared to 11 percent in 2025).
- Enrollment has dropped since the end of January. As of February 17<sup>th</sup>, 1,861,260 individuals are enrolled. More coverage cancellations are expected as renewing consumers exhaust their premium payment grace period.

# Questions



# Contact us

For any questions, please contact the External Affairs and Community Engagement Division at [externalaffairs@covered.ca.gov](mailto:externalaffairs@covered.ca.gov) or Kelly Green at (916) 539-5097.

# Thank You

