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THE VOICE FOR HEALTH CARE CONSUMERS

HEALTH ACCESS CALIFORNIA

The Importance of Premium Tax Credits: Affording Health Insurance in California

Currently, nearly 20 million people across the United States get help paying for their health coverage through premium tax credits (also known as advance premium tax credits, or APTCs), which they can use to purchase a plan through the health insurance marketplaces. These tax credits are a lifeline for people who would otherwise not be able to afford their health coverage or access health care. But if Congress does not act, this assistance will be cut, and millions of people will face losing their health insurance, delaying or skipping needed health care, or taking on medical debt they cannot afford.

20 MILLION

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Federal premium assistance in the U.S.

Today, Americans seeking to purchase health insurance may qualify for financial help if their household income is at least $14,580 for an individual or $30,000 for a family of four, they buy a plan offered on healthcare.gov or a state marketplace like Covered California, and they do not have other options for affordable health coverage.[1] In light of the ongoing U.S. health care affordability crisis, and particularly in the wake of the COVID-19 pandemic, Congress has acted to bolster the amount of assistance available to people in recent years, increasing the premium tax credit amounts under the American Rescue Plan Act and extending those enhancements under the Inflation Reduction Act. These actions have saved individuals and families money in insurance premiums and enabled many to cut their deductibles in half.[2] But those enhancements are set to expire at the end of 2025, leaving many Americans at risk for significant losses.

IMPACT ON CALIFORNIA

In 2024, 1.5 million Californians receive advance premium tax credits.[3] The average monthly premium cost per member for Covered California plans is $656, but after federal premium subsides, the average monthly premium is $155.[4] Right now, all Americans have a government guarantee that they do not have to spend more than 8.5% of their income for a typical health plan, and less for those with lower incomes, on a sliding scale. Yet if this additional affordability assistance expires, middle-income families, especially older Americans, will see price spikes and have to pay 20%, 30% or 40% of their income for coverage.

$155 → **$656**

AVERAGE MONTHLY PREMIUM **WITH APTCs** → AVERAGE MONTHLY PREMIUM **WITHOUT APTCs**

- The amount that people currently pay for premiums varies by age and income, **but premiums for most families and individuals will increase significantly if the enhanced premium tax credits are allowed to expire.**[5]
- Single individuals in their mid-40s making $30,000 annually would see their premiums **increase by $1,350 per year**.
- Couples in their early 60s earning $80,000 annually would see their premiums **increase by about $17,050 per year**.

HOW TAX CREDITS HELP REAL PEOPLE: JENNY'S STORY

Jenny[6] is 64 years old and lives in Boyerstown, PA. When her husband retired, Jenny was left without health insurance. A plan at full price was out of their price range but through the ACA marketplace and the enhanced subsidies, she has now enrolled in a plan with premium tax credits that costs her $500 per month. About 18 months ago, she suffered a stroke. She is thankful for the ACA and subsidies that allowed her to get the care she needed to recover. When she had the stroke, she was hospitalized for a month and had to have two brain surgeries. The hospital bill came to over $1 million dollars which would have bankrupted Jenny and her husband. It would have taken all their savings and the value of their house to pay for the care she needed. Because of the ACA, she's been able to focus on her recovery which is going very well.

In addition, Californians have benefited from state cost-sharing investments that zeroed-out hospital deductibles and lowered copays for 650,000 Californians making under 250% of the federal poverty level (about $36,000 per year or less as an individual and $75,000 per year for a family of four).[i] If federal subsidies are not renewed, this state funding would need to be diverted to premium assistance, spiking deductibles to over $5,000 and increasing the cost of doctor visits, prescription drugs and more. State funding would only backfill less than 20% of the affordability assistance that would be lost, which means California families would see both their cost-sharing and their health coverage premiums increase.

[i] Calculated from the previous year.

CALL TO ACTION

Families cannot be left wondering if this critical assistance will be available to them the next time they need to renew their health insurance.

CONGRESS MUST ACT QUICKLY TO PERMANENTLY EXTEND APTC ENHANCEMENTS.

To find your elected officials, click here: https://www.usa.gov/elected-officials.

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