



# Joint Informational Hearing of the Senate and Assembly Health Committees: *The Cost of Uncertainty: Health Coverage Access and Affordability Amid Federal Instability*

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# 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.

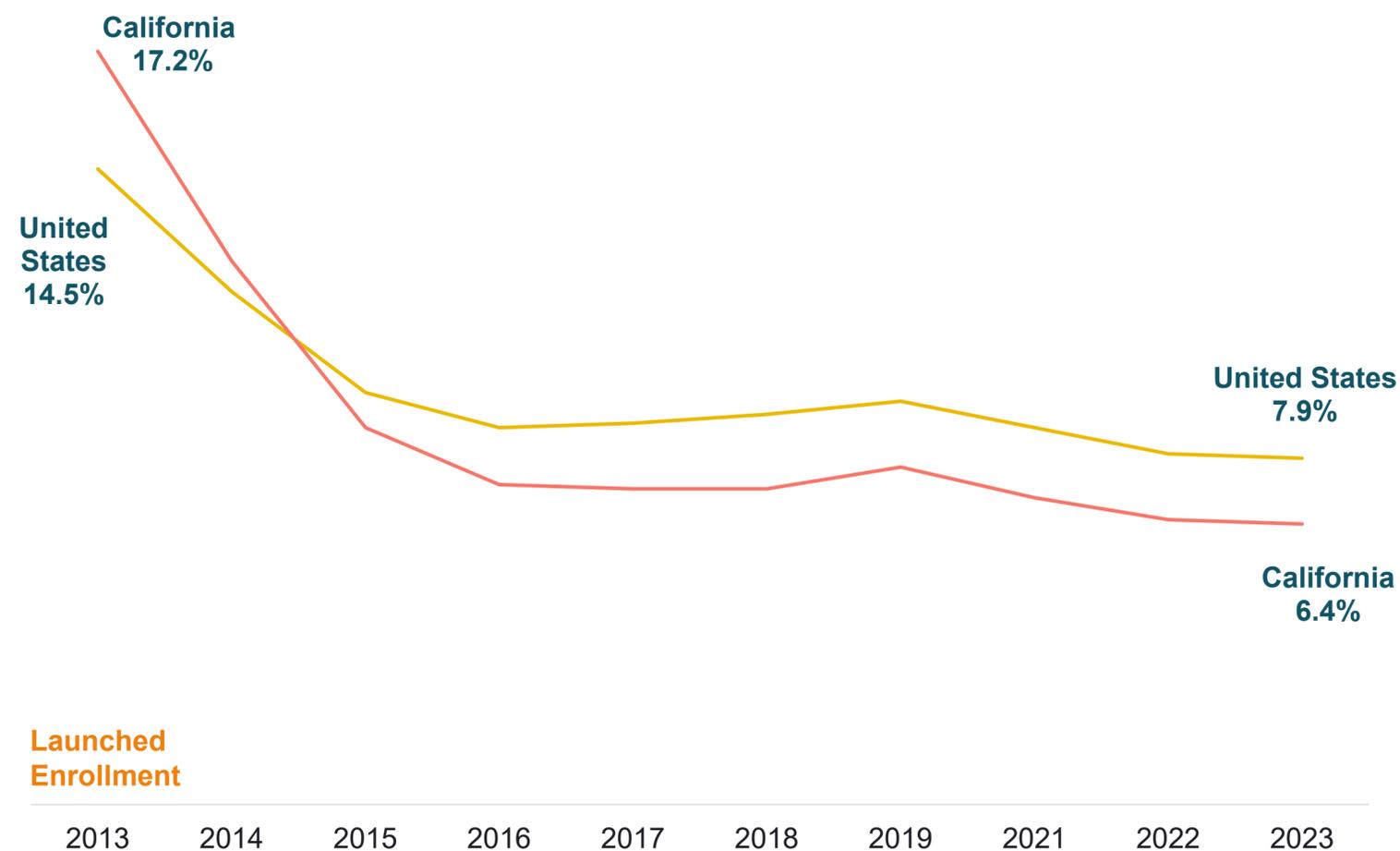
The **only** place where eligible Californians can receive federally-funded financial assistance to help pay for healthcare premiums.

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.

Changes in the Uninsured Rate, 2014-2023



\*Source: American Community Survey, 2022: [American Community Survey Accuracy of the Data \(2022\)](https://www.census.gov/data/tables/2022/acs/2022-acs-accuracy.html) (census.gov). The rates for uninsured are shown for populations of all ages.

A woman with dark hair, wearing a grey jacket over a dark top, is smiling broadly while holding two stacked cardboard boxes. She is standing in a warehouse or industrial setting with shelves and equipment in the background. The boxes are yellow and have text printed on them: "EQ", "White Film", "HDPE Plastic Bags", "MADE IN INDIA", "1/2 Size 2.25 MI", and "12"x4"x22" 200/CASE".

## 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.

The Anthem logo features the word "Anthem" in a blue sans-serif font, followed by a blue cross icon with a white caduceus symbol inside.The "blue california" logo consists of the word "blue" in a lowercase blue font, with "california" in a smaller lowercase blue font below it. To the right is a blue shield icon containing a white caduceus.The Kaiser Permanente logo features a blue icon of three stylized human figures. To the right, the words "KAISER PERMANENTE" are written in a blue, uppercase, sans-serif font.The "Balance by CCHP" logo includes the word "Balance" in a blue font, with "by CCHP" in a smaller blue font below it. To the right is a blue circular icon with a white grid pattern.The IEHP logo features the letters "IEHP" in a bold, black, uppercase font, with a red heart icon between the "E" and "H". Below it, the words "Inland Empire Health Plan" are written in a smaller black font.The "health net" logo features a colorful, multi-colored circular icon composed of small dots. Below it, the words "health net" are written in a lowercase, black, sans-serif font.The L.A. Care logo features a blue square icon with a yellow sunburst and a red heart. Below it, the words "L.A. Care" are written in a bold, black, uppercase font, with "HEALTH PLAN" in a smaller black font below.The Molina Healthcare logo features a blue icon of three stylized human figures. To the right, the words "MOLINA HEALTHCARE" are written in a blue, uppercase, sans-serif font.The SHARP Health Plan logo features the word "SHARP" in a bold, black, uppercase font, with a yellow horizontal line above it. To the right, the words "Health Plan" are written in a blue, sans-serif font.The VHP logo features a blue icon of a stylized "V" shape. To the right, the words "VHP Valley Health Plan" are written in a blue, sans-serif font.The western health logo features a green and yellow icon of a stylized human figure. To the right, the words "western health" are written in a green, lowercase, sans-serif font.

# 2026 Covered California Rates by Region

## Rating Region

Rating Region	Avg. Rate Change
Region 1 Northern Counties	11.10%
Region 2 North Bay Area	8.80%
Region 3 Greater Sacramento Area	7.40%
Region 4 San Francisco	9.00%
Region 5 Contra Costa	7.70%
Region 6 Alameda	7.90%
Region 7 Santa Clara	12.40%
Region 8 San Mateo	8.20%
Region 9 Monterey, San Benito and Santa Cruz	10.80%
Region 10 Central Valley	11.40%
Region 11 Fresno, Kings and Madera	12.90%
Region 12 Central Counties	8.50%
Region 13 Eastern Counties	12.90%
Region 14 Kern	10.20%
Region 15 Los Angeles East	10.50%
Region 16 Los Angeles West	10.00%
Region 17 San Bernardino and Riverside	12.50%
Region 18 Orange	10.40%
Region 19 San Diego	11.80%



The weighted average across all regions: **10.3%**

### Causes:

- Rising health care and pharmacy costs are major contributors to the proposed rate change.
- Broader industry challenges are also influencing higher rates.
- Risk of enhanced premium tax credit expiration.

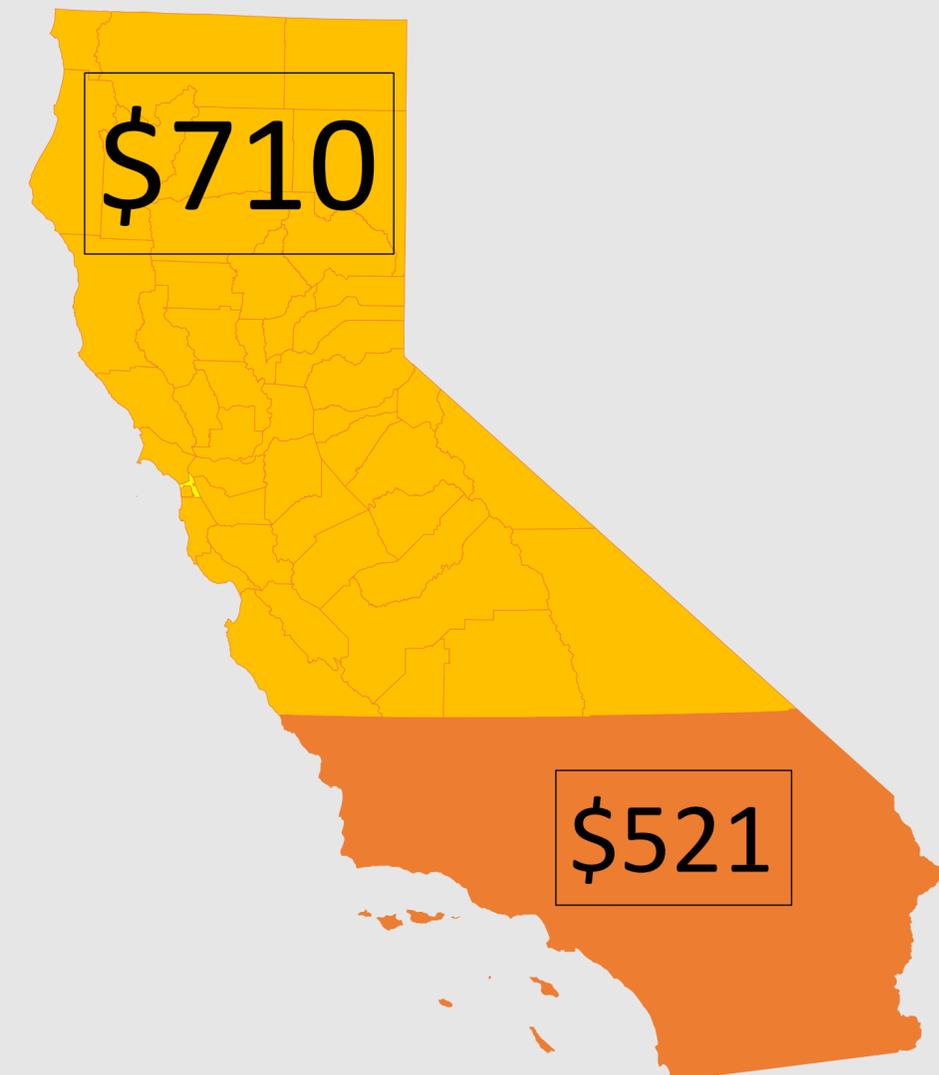
# Regional Variation in Premiums

Provider Concentration and other regional factors remain important drivers of why premiums vary dramatically depending on where a consumer lives and receives care.

In California, this regional variation in cost is apparent between Northern and Southern California, with costs **27 percent higher** in the north.

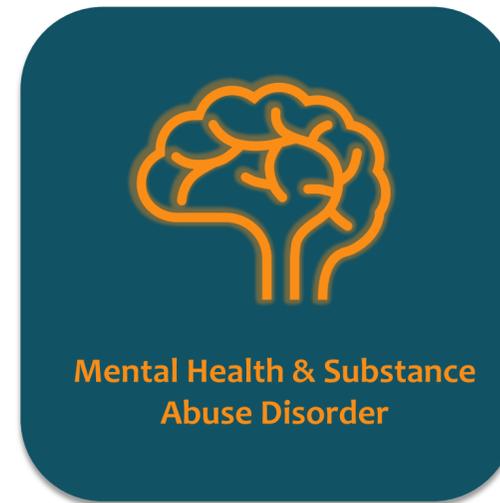
This regional variance is not unique to Covered California; it is also evident with other large purchasers of health care, such as CalPERS.

## Northern vs. Southern California Average Benchmark Rates



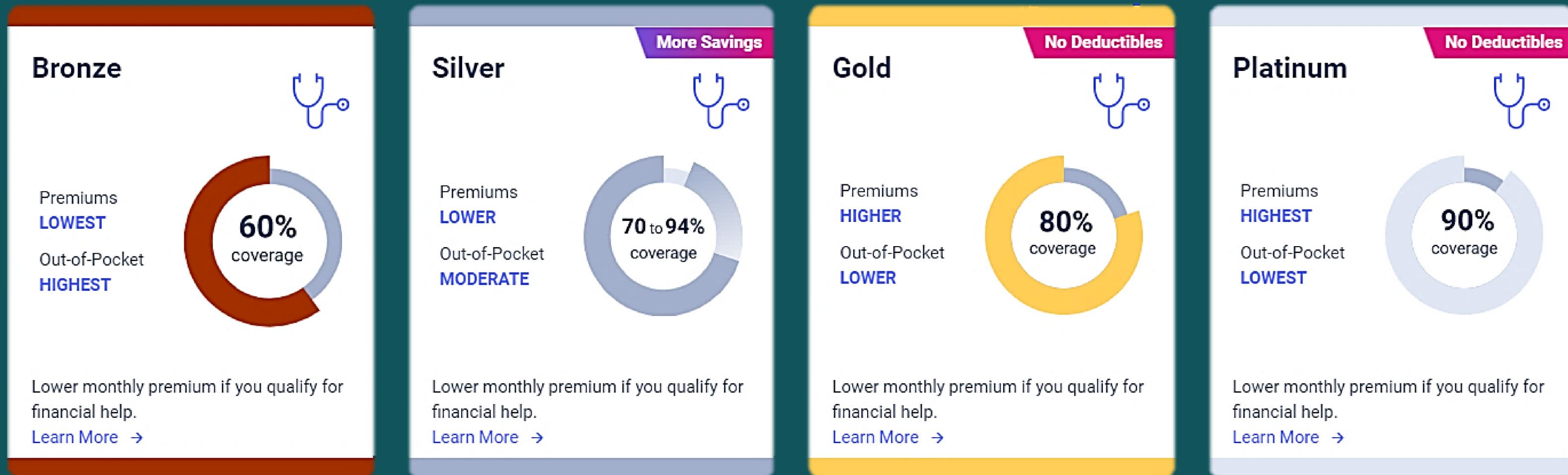
# Marketplace Benefits and Coverage Levels

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



\*Copays and deductibles may apply to these services

# 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, 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, 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 impending 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, effective 2028.

Eliminates income-based Special Enrollment Period (SEP), effective 2026.

## Restricting Eligibility for Immigrant Groups

Limits Premium Tax Credit (PTC) eligibility to certain immigrant groups, effective 2027.

Ends Premium Tax Credit for low-income lawfully present immigrants, effective 2026.

## Affordability and Coverage Changes

Removes caps on repayment of excess Advance Premium Tax Credit, effective 2026.

Denies Advance Premium Tax Credit to consumers who lose Medi-Cal due to work requirements, effective 2027.

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

# FEDERAL UPDATE: CMS FINAL RULE

The 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.

# Enhanced Premium Tax Credit Expiration



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## Enhanced Premium Tax Credits Expand Affordability and Access to Coverage

- The federal enhanced premium tax credit, in place since 2021, has **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).
- The result is record enrollment across the country. 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 Would Have Provided Consumers an Additional \$2.5 Billion in Annual Premium Savings

The enhanced premium tax credit was projected to account for **\$2.5 billion** of potential savings, 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.

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# 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



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# State Funding for 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 if enhanced premium tax credits expire, 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

- As of January 31<sup>st</sup>, more than 1.92 million Californians selected Covered California plans for 2026, a 3% decrease compared to last year.
- New sign-ups decreased by 32% compared to last year.
- Among renewals, 32% made an active plan selection compared to 28% 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

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).

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# Planning for Expiration and Supporting Consumers

Covered California is taking a comprehensive, enterprise-wide approach to navigate uncertainty surrounding the expiration of enhanced premium tax credits, including:

- **Organization-wide retention efforts** designed to inform and support enrollees as they face higher costs in 2026.
- **Direct communications** to keep enrollees informed of potential changes to the amount of financial help they will receive in 2026 and empowering them with information on how they can keep their coverage and seek assistance with questions and concerns.

# Enrollment Support

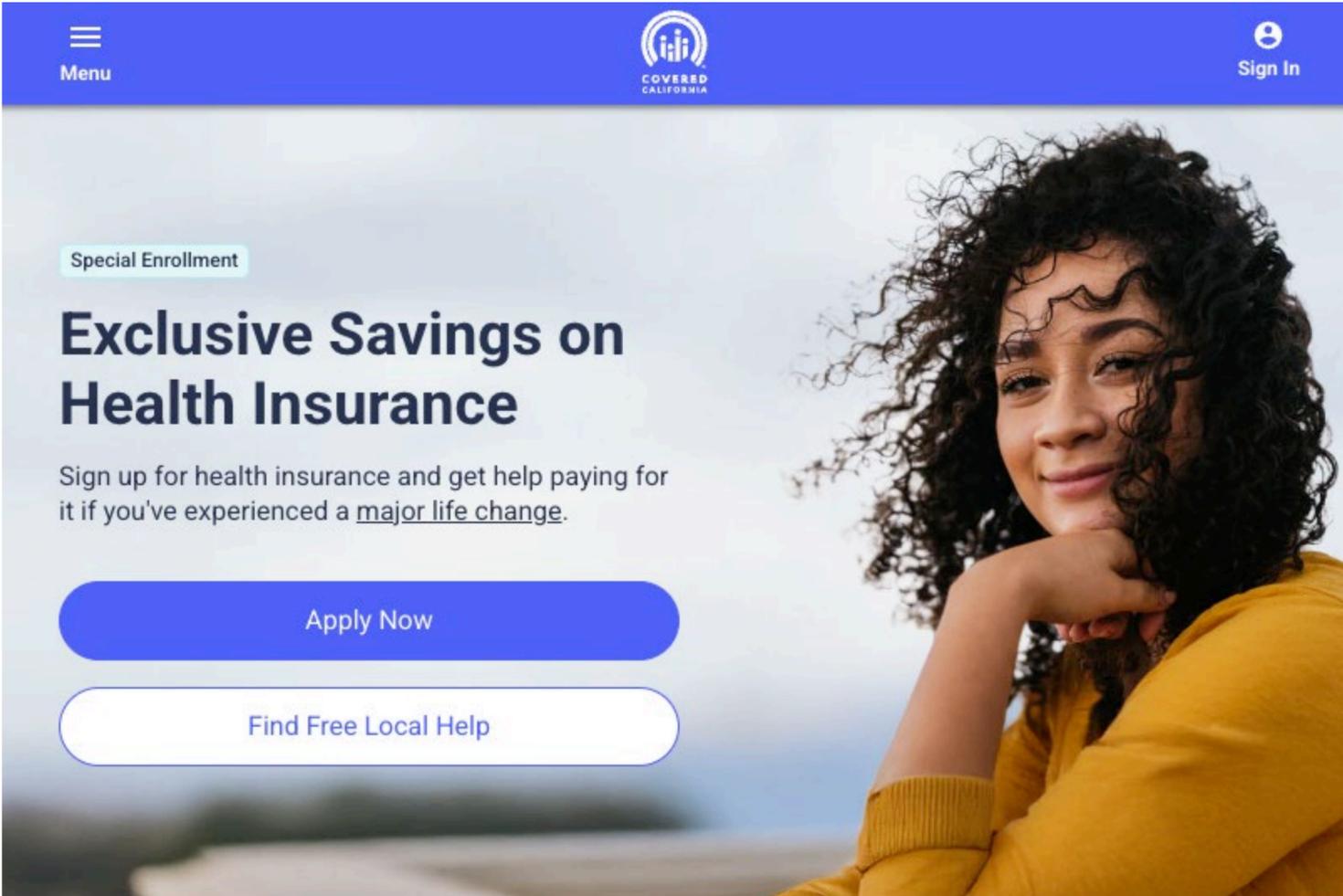
How to Get Help Applying for a Covered California Plan



# How to Apply

There are several ways to apply. Each option is free and confidential.

- Consumers can go to [CoveredCA.com](https://CoveredCA.com) to Shop and Compare Plans, get a quote, and find information about how plans, financial help, what is needed for enroll in a plan.
- When you apply online, you will be screened for both Covered California and Medi-Cal.



**Get a quick quote.**  
Browse plans and find one that's best for your life and budget.  
[Shop and Compare Plans →](#)

**New federal rules could affect your coverage.**  
More details are coming, but here's what we know.  
[See What May Change →](#)



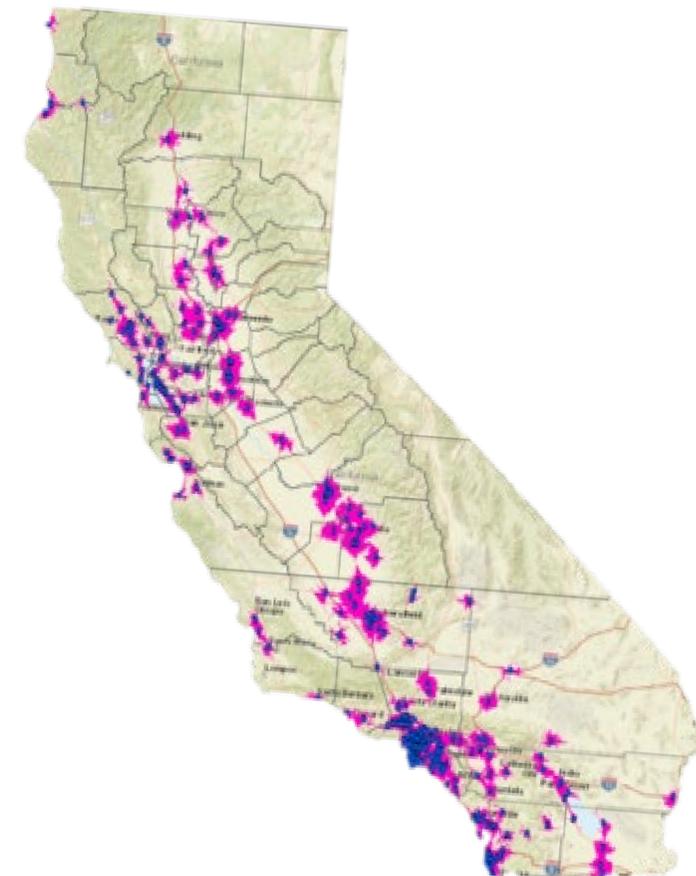
# Covered California Enrollment Partners— Agents and Navigators

## Agent Channel

- More than 11,000 insurance agents have been trained to sell Covered California products and are consistently the largest channel for enrollment.
- Consumers can get free and confidential enrollment assistance in 16 languages from Covered California licensed insurance agents.
- Consumers can go to [this site](#) to find insurance agents licensed by Covered California.

## Navigator Channel

- Covered California's Navigator Program awards up to \$11.3 million annually to support community organizations who have experience reaching California's diverse populations and have proven success enrolling consumers in health programs.



[Find Help](#) near you - 95% of all Californians are within a 15-minute drive from one of Covered California's [storefront locations](#).

# Additional Enrollment Help

Help on Demand	Local Medi-Cal Offices	Covered California Service Center
<p><u>Have a certified enroller call you.</u> Most calls are returned in under 15 minutes.</p>	<p>For those who want to apply for <u>Medi-Cal</u> health coverage.</p>	<p>Speak with a service center representative during regular business hours.</p> <p>(800) 300-1506</p>

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# Questions?

If you have questions about this presentation, how to enroll, or general information about Covered California, please reach out to:

**[ExternalAffairs@covered.ca.gov](mailto:ExternalAffairs@covered.ca.gov)**

# Thank You

