



Changes to Covered California Under OBBBA and California Budget: Eligibility, Enrollment & Affordability

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H.R. 1, also known as the so-called “One Big Beautiful Bill” Act (OBBBA), cuts approximately \$1 trillion from Medicaid which will result in an estimated 10 million individuals and families losing health coverage across the nation.¹ OBBBA also imposes significant eligibility and enrollment changes to marketplaces across the country. In combination with the marketplace changes in the Marketplace Final Rule, and California’s finalized budget, there will be significant changes for Covered California applicants and enrollees.² By Covered California’s own estimations, roughly 660,000 Californians will lose marketplace coverage.³

Eliminates Automatic Re-enrollment in Marketplace Coverage

Beginning in plan year 2028, OBBBA requires that applicants for marketplace coverage submit information verifying their eligibility before their coverage with premium tax credits (PTCs) can take effect.⁴ Specifically, applicants must verify their household income, citizenship or immigration status, eligibility for other health coverage, place of residence, family size, and other information deemed necessary by the Treasury Secretary in consultation with the HHS Secretary.⁵ The HHS Secretary has the option to waive pre-enrollment verification only for individuals enrolling through a special enrollment period (SEP) due to a change in family size. Covered California is required to provide HHS a process for pre-enrollment verification no later than August 1, 2027.⁶ This provision effectively eliminates automatic re-enrollment, which roughly 73% of Covered California enrollees relied on in the 2025 coverage year.

Eliminates Subsidies for Immigrant Populations

Beginning plan year 2027, OBBBA limits PTC eligibility to lawful permanent residents (LPRs), certain Cuban and Haitian entrants, and citizens of Compact of Free Association (COFA) nations.⁷ This will eliminate PTC eligibility for refugees, asylees, victims of human trafficking and domestic violence, and those with work and student visas. These individuals will still be able to enroll in Covered California coverage without subsidies, but many likely will not enroll because the absence of financial assistance will make coverage prohibitively expensive. Covered California estimates that roughly 112,600 enrollees will lose PTC eligibility.

Disallows Premium Tax Credits During Periods of Medicaid Eligibility

Effective plan year 2026, OBBBA eliminates eligibility for PTCs for all lawfully present non-citizens with incomes below 100% FPL who are not eligible for Medicaid due to immigration status.⁸ Previously, low-income immigrants who were ineligible for Medicaid due to their immigration status could enroll in Marketplace plans with PTCs. These lawfully present immigrants can still enroll in Covered California coverage without PTCs but many may forego coverage because the absence of financial assistance will make coverage prohibitively expensive.

Restricts Access to Premium Tax Credits for Individuals Who Enroll Through Income-Based Special Enrollment Periods

Beginning plan year 2026, OBBBA eliminates eligibility for PTCs for individuals who newly apply for marketplace coverage through an income-based Special Enrollment Period (SEP).⁹ This provision is a continuation of the Marketplace Final Rule's provision that eliminates the 150% FPL SEP effective August 25, 2025 and through the 2026 plan year. New enrollees will have to enroll in coverage through the Open Enrollment Period (OEP) or a non-income based SEP in order to qualify for financial assistance to lower their premium costs.

Imposes a More Stringent "Failure to Reconcile" Period

Federal law requires Marketplace enrollees to file and reconcile the Advanced Premium Tax Credits (APTCs) they *actually* received with the APTCs they *should have* received and repay any excess APTCs to maintain eligibility for subsidized coverage.¹⁰ If they do not, they risk losing APTCs for their "failure to reconcile" (FTR). Current law provides Marketplace enrollees a two-year window – if they do not file and reconcile for two consecutive years, they risk losing their APTCs. The recent Marketplace Final Rule adopts a more stringent one-year FTR policy for 2026 only. OBBBA builds off the final rule to permanently adopt the one-year FTR policy beginning in 2028.¹¹

Eliminates the Caps on Financial Assistance Recoupment at Tax Time

Effective the 2026 plan year, OBBBA removes the APTC caps that individuals must repay if they received excess APTCs.¹² This means that individuals who underestimate their annual income and receive excess APTCs must repay the *entire* APTC overpayment. The one

exception is that there is a safe harbor for individuals whose actual income is below 100% FPL. Previously, repayment amounts were capped for individuals with income at or below 400% FPL. OBBBA's removal of repayment caps means that individuals may owe thousands of dollars at tax time.

The California Budget Funds Covered California's Subsidy Program

In addition to the changes imposed on Covered California by OBBBA, the 2025-26 enacted budget places \$25 million in the Health Care Affordability Reserve Fund. If federal enhanced premium subsidies (ePTCs) are not extended past 2025, Covered California premiums will increase on average 97% for subsidized enrollees.¹³ Covered California can use the \$190 million in the Health Care Affordability Reserve Fund for plan year 2026 to re-implement the California State Premium Subsidy Program and offset the coverage losses. The State Premium Subsidy Program will fund subsidies for individuals and families up to 165% FPL. This will ensure that individuals and families up to 150% FPL will have a zero percent contribution for their premiums. Still, since the loss of expiring (ePTCs) is worth about \$2.1 billion for Covered California enrollees, premiums are still expected to spike.¹⁴

¹ An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21 (2025) ["OBBBA"].

² Alicia Emanuel, *The Trump Administration Will Derail Covered California's Exchange and Californians Will Pay the Price*, Nat'l Health L. Prog. (July 31, 2025) <https://healthlaw.org/the-trump-administration-will-derail-covered-californias-exchange-and-californians-will-pay-the-price/>.

³ Covered California, Letter to Members of the California Congressional Delegation (July 1, 2025) <https://hbex.coveredca.com/pdfs/Covered%20CA%20-%20Budget%20Reconciliation%20-%20US%20House%20of%20Reps%207.1.25.pdf>.

⁴ OBBBA § 71303(b).

⁵ *Id.*

⁶ *Id.*

⁷ OBBBA § 71301.

⁸ OBBBA § 71302.

⁹ OBBBA § 71304.

¹⁰ 26 U.S.C. § 36B(f).

¹¹ OBBBA § 71303(a).

¹² OBBBA § 71305.

¹³ Covered California, Covered California Executive Director's Report (Aug. 21, 2015) https://board.coveredca.com/meetings/2025/August%2021,%202025/2025.08.21_ED_Report.pdf.

¹⁴ *Id.*