CA Coverage Snapshots: Covered California Changes

By Alicia Emanuel

Two of California's main health care programs, Medi-Cal and Covered California, are facing **significant changes over the next several years** that will impact eligibility and access to benefits. These changes are a result of federal actions, including H.R. 1 (also known as the so-called "One Big Beautiful Bill Act"), and state-level changes under the state budget. This fact sheet breaks down the changes related to California's marketplace, Covered California.

H.R. 1 Takes Hits at Covered California

H.R. 1 made several key marketplace changes that are already in effect and restrict Covered California affordability. First, effective January 1, 2026, H.R. 1 eliminated financial assistance for people who enroll through an income-based special enrollment period (SEP).[1] This is a continuation of the federal **Marketplace Final Rule's** elimination of the 150% FPL SEP as of August 2025 and through Plan Year (PY) 2026, further restricting pathways to enroll in affordable Covered California coverage. Second, beginning in tax year 2026, H.R. 1 eliminated the cap on Advanced Premium Tax Credit (APTC) recoupments. If an individual's actual income exceeds their projected income, they will have to repay the *full* excess of APTCs from PY 2026 when filing their 2026 taxes in 2027.[2] Time will tell how many individuals will owe steep tax reconciliation payments.

H.R. 1 also imposes several marketplace changes in 2028 that make it harder to enroll in, and retain, affordable coverage. First, beginning in PY 2028, H.R. 1 requires that applicants for marketplace coverage submit information verifying their eligibility before their coverage with Premium Tax Credits (PTCs) takes effect.[3] Applicants must verify their household income, immigration status, eligibilty for other health coverage, place of residence, family size, and other information deemed necessary by the Treasury Secretary in consultation with the HHS

[1] H.R. 1 § 71304 (codified at 26 U.S.C. § 36B(c)(3)(A)(iii)).
[2] The one exception is that individuals with income below 100% FPL still do not have to pay back excess APTCs.
[3] H.R. 1 § 71303(b) (codified at 26 U.S.C. § 36B(c)(3)(A)(ii)).

Secretary.[4] Marketplaces, including Covered California, must provide HHS a process for pre-enrollment verification no later than August 1, 2027.[5] Practically, this will eliminate automatic re-enrollment which is known to ease access to continued coverage for enrollees.

Federal law requires Marketplace enrollees to file a tax return and "reconcile" the APTCs they *actually* received with the APTCs they *should have* received and repay any excess APTCs to maintain eligibility for subsidized coverage.[6] If enrollees do not reconcile their APTCs at tax time, they risk losing APTC eligibility for their "failure to reconcile" (FTR). Until recently, enrollees were given a two-year window to reconcile their APTCs. H.R. 1 imposes a more stringent one-year FTR window beginning in 2028.[7] The **2027 Notice of Benefits and Payment Parameters** (NBPP) final rule codified this one-year FTR window beginning in PY 2028, with PY 2027 being optional. But current litigation stayed the one and two-year FTR provisions so for now, marketplaces have been **instructed by CMS** to stop removing or denying APTC based on FTR through PY 2027, (and previous guidance on a two-year FTR policy is no longer valid).

H.R. 1 Restricts Immigrant Access to Marketplace Financial Assistance

H.R. 1 targets immigrant populations and restricts their access to affordable coverage. Effective January 1, 2026, H.R. 1 eliminated PTCs for lawfully present immigrants with income below 100% FPL who are ineligible for Medicaid due to immigration status.[8]

Beginning January 1, 2027, HR1 **limits** PTC eligibility for immigrants to lawful permanent residents (green card holders), Cuban and Haitian entrants, and citizens of COFA nations.[9] This means that people granted asylum, refugees, survivors of trafficking (T-visa holders), people with Temporary Protected Status, and people with work and student visas will no longer be eligible for financial help. Although these immigrants can still enroll in Covered California coverage, the lack of financial assistance will likely make coverage prohibitively expensive. Approximately **140,000** Californians will lose financial help due to this federal change. The marketplace has developed helpful **consumer materials** to inform the public about this upcoming change.

---

[4] HR1 § 71303(b) (codified at 26 U.S.C. § 36B(c)(3)(A)(ii)).
[5] *Id.*
[6] 26 U.S.C. § 36B(f).
[7] HR1 § 71303(a) (codified at 26 U.S.C. § 36B(c)(6)).
[8] HR1 § 71302.
[9] HR1 § 71301.

Relatedly, in August 2025, the federal Marketplace Final Rule rescinded Marketplace coverage altogether for DACA recipients, continuing the administration's attack on immigrants.

Congress Failed to Extend Federal Enhanced Premium Subsidies Past 2025

Congress' inaction to extend federal enhanced premium subsidies (ePTCs) past 2025, which reduced premiums for low and moderate-income families, has greatly affected marketplace affordability. Covered California's 2026 open enrollment period (OEP) saw a **32% decline** in new enrollments, and a **marked shift from Silver to Bronze** plans. This means that in 2026, more consumers are paying higher out-of-pocket costs when accessing medical care; in some cases, consumers are paying double. In large part due to the loss of ePTCs and rising costs, terminating Covered California members are **twice as likely to report being uninsured in 2026** compared to prior years.

California was able to lessen the harm of lost ePTCs by **allocating $300 million** in the Health Care Affordability Reserve Fund to support the state premium subsidy program for low-income Covered California consumers. However, this in no way fills the gap left by expired ePTCs, which would have allocated between $1.7 to $2.5 billion to Covered California.

Impact of Ongoing Litigation on Covered California

Ongoing litigation ultimately impacts the extent of harm federal action will have on Covered California's marketplace. In *California v. Kennedy* (California I), a federal district court vacated the essential health benefit (EHB) provision that excluded coverage for certain gender-affirming care. A prior ruling in *City of Columbus v. Kennedy (City of Columbus I)* struck down several other major provisions of the Marketplace Final Rule. As a result, in 2027, Covered California will continue with a longer open enrollment period, running from November 1 through January 31. And in *City of Columbus v. Kennedy (City of Columbus II)*, a separate lawsuit challenging provisions of the 2027 Notice of Benefit and Payment Parameters final rule, a federal district court **granted a stay of all eight contested provisions** pending resolution of the litigation.

Conclusion

The full impact of these federal changes on Covered California is still unfolding but it is clear that they have destabilized the marketplace and **forced many Californians to make concessions to stay covered**. The eligibility restrictions coupled with crushing cost hikes leave some Californians in a perilous situation – forced to make to make challenging decisions between health care, housing, and food. NHeLP will continue to provide updates on Covered California's marketplace.