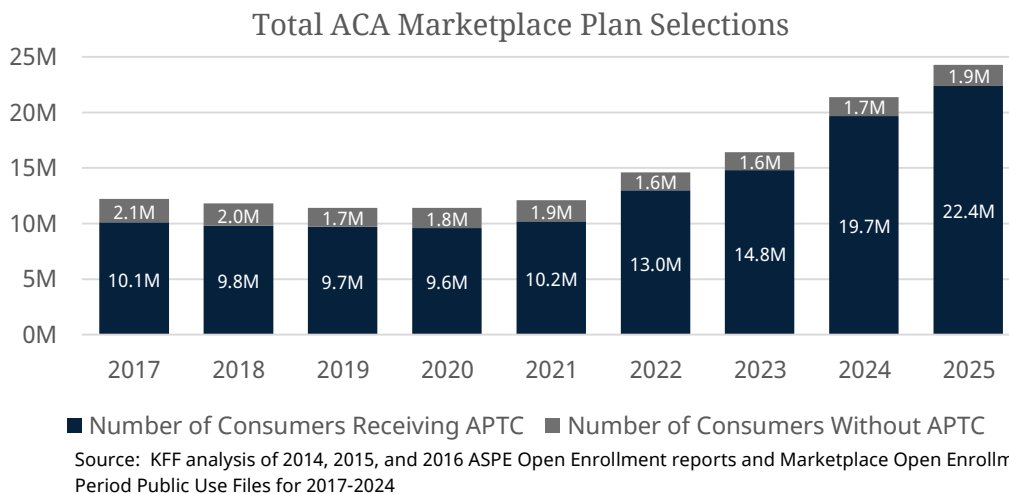


# ACA Subsidies Overview

An Affordable Care Act (ACA) subsidy is a premium tax credit (PTC) that helps eligible individuals and families with low to moderate income afford health insurance purchased through the Health Insurance Marketplace, also known as the ACA exchange. The PTC first became available in 2014. During the COVID-19 pandemic, Congress passed the American Rescue Plan (ARPA) (P.L. 117-2) to expand eligibility for the PTC and increase subsidy amounts for 2021 and 2022. In 2022, the Inflation Reduction Act (IRA) (P.L. 117-169) extended these subsidies until the end of 2025. These subsidies are now at risk of expiration if Congress does not pass legislation to extend them by December 31, 2025. Permanently extending the subsidies is the main point of contention during the current government shutdown.

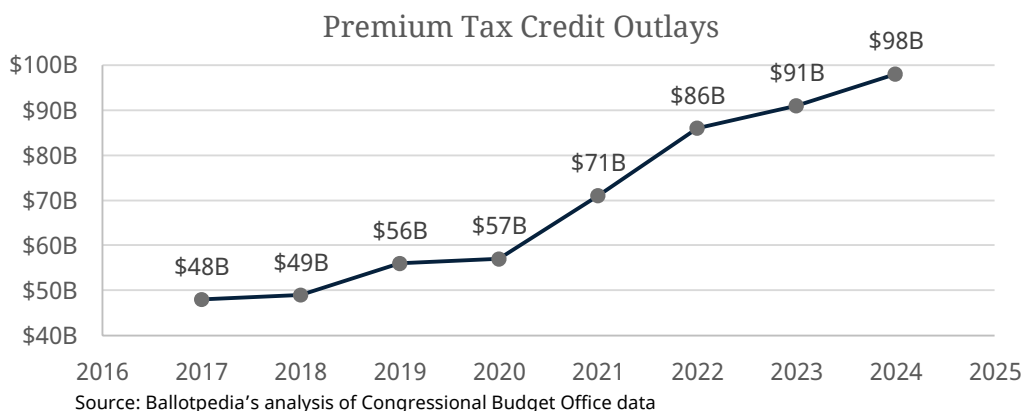
## EFFECTS OF CHANGES IN ELIGIBILITY

Individuals must meet income criteria to be eligible for the PTC. Under the ACA, income eligibility was limited to households whose annual incomes were at or above 100% of the federal poverty level (FPL) but not more than 400% of FPL. As part of relief legislation during the pandemic, ARPA temporarily eliminated the maximum income limit. The law also increased the amount of financial assistance for people with lower incomes. With the passage of ARPA, the number of people with ACA Marketplace coverage has grown by 96% from 11.4 million in 2020 to 22.4 million in 2025.



## TOTAL COST TO GOVERNMENT

Spending on the PTC program has risen as eligibility has expanded and enrollment has grown. The Congressional Budget Office (CBO) estimated that in 2017, outlays for the PTC were \$49 billion. In 2021, the first year of the expanded PTC, outlays increased to \$71 billion. As of 2024, the program's costs reached \$98 billion. According to CBO estimates, extending the PTC permanently would raise the deficit by an estimated \$350 billion between 2026 and 2035.



## POTENTIAL OFFRAMPS

### Premium Tax Credit Extension Act

Representatives Jen Kiggans (R-VA) and Tom Suozzi (D-NJ) introduced a bill that would extend the PTC for one year. The legislation currently has 14 Republican cosponsors and 13 Democratic cosponsors.

### GOP Senate Proposal

Several Republican Senators have been working to craft a potential proposal to address the expiring healthcare subsidies. Some considerations include income caps for who can claim the enhanced tax credits, new minimum amounts for out-of-pocket premiums, and guardrails to restrict the subsidies from plans that cover abortion services.

### Healthcare Affordability Act

Democrats in both the House and Senate have introduced legislation to permanently extend ACA subsidies and expand affordability provisions.