



## Premium Tax Credit and Related Spending

### Premium Tax Credit

The premium tax credit was established under the Affordable Care Act (ACA) to lower the out-of-pocket cost of premiums for eligible people who obtain health insurance through the ACA marketplaces. The credit is calculated as the difference between the benchmark premium (that is, the premium for the second-lowest-cost silver plan available in a region) and a specified maximum contribution, which is a percentage of household income and is adjusted over time. Within a region, those premiums may vary based on family size and age (but by no more than a three-to-one ratio between older and younger adults). The credit is available in advance of filing income taxes, but individuals must reconcile that advanced credit with the credit they are entitled to when they file. Because the premium tax credit is refundable, the credit may exceed a filer's taxable liabilities. Enrollees must meet several conditions:

- They must not be eligible for public coverage, such as Medicaid.
- They must not have an affordable offer of employment-based coverage.
- They must be U.S. citizens, lawful permanent residents, people granted status as Cuban Haitian Entrants, or beneficiaries of the Compact of Freely Associated States.
- Their household income must generally fall between 100 percent and 400 percent of the federal poverty level (FPL).

### Related Spending

The federal government provides assistance to state governments that is designed to offer flexibility both in providing coverage for people who are eligible for the premium tax credit and for regulating the nongroup market:

- Section 1332 of the ACA allows states to apply for federal waivers for some of the act's rules governing insurance markets and to receive federal assistance in paying for programs that offer health insurance. To obtain a waiver, a state's proposal must be budget neutral and must provide insurance coverage that is comparable to coverage required by the ACA.
- The Basic Health Program allows states to establish a coverage program primarily for people whose income is between 138 percent and 200 percent of the FPL. The federal government provides states with funding equal to 95 percent of the amount in subsidies for which enrollees would otherwise have been eligible through a marketplace. Only the District of Columbia, Minnesota, and Oregon currently operate such programs.

As a way to stabilize premiums in the nongroup and small-group markets, the ACA established a risk adjustment program, which collects fees from insurers with enrollees who are relatively more healthy and makes roughly offsetting payments to insurers with enrollees who are relatively less healthy. That program is designed to be budget neutral.

**Premium Tax Credit and Related Spending**

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2031	2027-2036
<b>BUDGET INFORMATION</b>													
Billions of dollars, by fiscal year													
Premium Tax Credit and Related Spending													
Outlays for the premium tax credit <sup>a</sup>	88	69	66	70	77	86	92	95	101	108	116	367	878
Revenue reductions from the premium tax credit <sup>a</sup>	17	9	8	8	9	10	11	11	12	12	12	44	103
Outlays for ACA section 1332 waivers and the Basic Health Program <sup>b, c</sup>	12	11	11	11	12	12	13	14	15	15	16	57	131
Collections for risk adjustment <sup>d</sup>	-13	-12	-11	-12	-12	-14	-15	-16	-16	-17	-18	-61	-144
Payments for risk adjustment <sup>d</sup>	<u>12</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>61</u>	<u>142</u>
Total	117	90	85	89	97	108	116	120	127	135	144	468	1,110
<b>PARTICIPATION INFORMATION</b>													
Millions of people, on average in each month, by calendar year													
Enrollment Through ACA Marketplaces <sup>e</sup>													
Subsidized	13.4	10.3	9.7	10.0	10.3	11.1	11.4	11.3	11.5	11.6	11.7	n.a	n.a
Unsubsidized	<u>3.5</u>	<u>2.8</u>	<u>2.7</u>	<u>2.8</u>	<u>2.9</u>	<u>3.0</u>	<u>3.0</u>	<u>3.2</u>	<u>3.1</u>	<u>3.2</u>	<u>3.2</u>	n.a	n.a
Total, Enrollment Through ACA Marketplaces	16.9	13.1	12.5	12.8	13.3	14.1	14.4	14.5	14.6	14.8	14.9	n.a	n.a
Basic Health Program Enrollment <sup>c</sup>	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	n.a	n.a
<b>BENEFIT INFORMATION</b>													
Dollars, by calendar year													
Nationwide Average Annual Benchmark Premium for a 21-Year-Old ACA Marketplace Enrollee <sup>f</sup>	5,880	5,950	6,180	6,460	6,860	7,170	7,460	7,720	8,120	8,520	8,850	n.a	n.a
Average Premium Tax Credit per Subsidized ACA Marketplace Enrollee	7,060	7,230	7,550	7,930	8,440	8,830	9,170	9,440	9,920	10,480	11,050	n.a	n.a

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding; ACA = Affordable Care Act; n.a. = not applicable.

Estimates are for average monthly enrollments and include spouses and dependents covered under family policies.

a. Estimates are preliminary and subject to revision.

b. Section 1332 of the ACA allows states to apply for federal waivers for some of the act's rules governing insurance markets and to receive federal assistance in paying for programs that offer health insurance. To obtain a waiver, a state's proposal must be budget neutral and must provide insurance coverage that is comparable to coverage required by the ACA.

c. The Basic Health Program allows states to establish a coverage program primarily for people whose income is between 138 percent and 200 percent of the federal poverty level. The federal government provides states with funding equal to 95 percent of the amount in subsidies for which enrollees would otherwise have been eligible through a marketplace. Only the District of Columbia, Minnesota, and Oregon currently operate such programs. Estimates include enrollment in New York's Essential Plan, which is funded through a section 1332 waiver and mirrors the Basic Health Program, with eligibility up to 250 percent of the federal poverty level. New York's Essential Plan is anticipated to transition to the Basic Health Program in 2026.

d. The risk adjustment program is intended to stabilize premiums in the nongroup and small-group markets. The federal government collects fees from insurers with enrollees who are relatively more healthy and makes roughly offsetting payments to insurers with enrollees who are relatively less healthy.

e. The marketplaces established under the ACA are operated by the federal government, state governments, or partnerships between the two.

f. The premium for a 21-year-old is used in determining the maximum premium variation allowed by age. (Premiums for a 64-year-old may not exceed three times the premium for a 21-year-old.)