

# CAPITOL STREET

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## ACA Subsidy Extension Likely for 2026 as CMS Expands Catastrophic Plans

2026: 1-Year APTC Extension In Play (\$24 B/ Ten) for Passage in Sept Or Dec Timeframe

Relevant Companies



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### »» Our Take & Next Up

**We have said that a short-term (1-2 year) ACA subsidy patch is likely.** A bill introduced today would provide a simple extension for one year. Unlike OBBBA (reconciliation), the CR & extending Obamacare subsidies will require 60 Senate votes. AHIP and BCBSA are pushing for September passage (with FY26 budget), so that plans may refile '26 rates and provide reasonable premiums for shoppers once open enrollment starts (Nov 1, 2025). If EPTCs are patched in December (vs earlier like Sept) rate shock will lead to more healthy enrollees opting for no coverage, making the risk pool significantly worse in 2026. Timing matters. The bill introduced today may not be the final subsidy extension policy: we could see there being a subsidy limit for those, possibly above 400% (that also brings down the \$24 B/ten cost, here) for the Obamacare subsidy patch.

### »» Key Points

#### ACA SUBSIDIES LIKELY EXTENDED

**Yesterday, Rep. Kiggans (R-VA) and other House Republicans, along with two Democrats, introduced a bill to extend enhanced premium tax credits (\$24 B) for one calendar year.** Co-sponsors include more “vulnerable” members such as Reps. Fitzpatrick (R-PA), Bresnahan (R-PA), Gimenez (R-FL), Valadao (R-CA), Kim (R-CA), Hurd (R-CO), Kean (R-NJ) and Ciscomani (R-AZ) as well as Democratic Reps. Suozzi (D-NY) and Golden (D-ME). Republicans remain divided: some oppose extending EPTCs/APTCs due to deficit concerns, while others recognize that roughly 75% of Exchange enrollees are in red states, and with midterm elections approaching, support measures that provide healthcare cost relief.

**Will Congress extend APTCs in Sept or Dec?** That is the \$64,000 question. The Senate is taking the lead. It will be easier & cheaper to extend subsidies in September because rates will be locked in ahead of Open Enrollment (starts November 1, 2025). As a reminder, Advanced Premium Tax Credits (APTCs) expire December 31, 2025, and Marketplace premiums are projected to rise +18% in 2026. Health insurance unaffordability is a pocketbook issue and will play into the mid term elections. Waiting to extend credits until

December could skew the risk pool, as healthier individuals may opt out of the Marketplace if premiums are too high, leaving a concentration of higher-risk enrollees.

**We have said ([here](#), [here](#) and [here](#)) that an Obamacare subsidy extension is likely, on a short-term basis, but likely not at the same (current) generous levels.** We believe a creative mechanism will likely be used to extend the subsidies e.g., setting a 10% income threshold, for instance, instead of 8.5% for those 400% FPL+. This would be a method to retain the subsidies, while still preserving coverage and limiting premium spikes. The cost of expanding APTCs permanently is expensive ([\\$335 B/10](#)) and extremely unlikely to be extended as-is, over ten.

- America's Health Insurance Plans (AHIP) ([here](#)) states the expiration of existing subsidies would result in 4.2 M uninsured individuals, adding to the 10 M uninsured beneficiaries from OBBA.
- KFF and WSJ estimate that as a result of expiration, ACA enrollee premium payments may double for enrollees, with an expected increase of 18%+ for 2026, particularly for states with some of the largest ACA plans (Georgia, Rhode Island, Washington).

## CATASTROPHIC COVERAGE EXPANDED

**Separately, today CMS issued guidance expanding access to catastrophic plans on both Federal & State-based Exchanges, starting with the 2026 plan year, with new hardship exemptions (for those <100% FPL and >400% FPL).** The agency acknowledges steep projected premium increases in the Marketplace that may result in individuals not qualifying for subsidies and being left without coverage. In turn, CMS is widening access to purchase catastrophic health insurance plans for those below 100% FPL who do not qualify for subsidies and above 400% FPL for those who are cut off from enhanced credits. The agency eventually plans to include those above 250% FPL who do not qualify for CSRs. Applications open November 1, 2025.

**The catastrophic plan market is limited, and large dominant health insurers typically do not participate in this niche market.** This market remains small and fragmented, with some regional players (e.g. Florida Health Care, QCA, Altius) offering local options. Participating plans can be found [here](#).

**Catastrophic plans are a fallback option for consumers ineligible for ACA subsidies, and cover the same 10 essential health benefits (EHBs) as other exchange plans.** Per the OBBA, individuals with catastrophic plans in the Marketplace may contribute to a health savings account (HSA), starting January 1, 2026. With potential Marketplace premiums increases of +18% (without Congressional action), catastrophic plans may be especially important as they provide benefits and prevention with lower premiums (but higher deductibles) offering a financial safety net for those priced out of standard Marketplace coverage. The new CMS expansion gives some cushion to those that may be impacted next year.

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