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Blue States' Fight for Affordable Health Care

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The battle over the fate of the Affordable Care Act isn't just being fought in the halls of Congress—states are getting in the fight too. As ACA tax credits expire, premiums are slated to more than double for working- and middle-class Americans. Democratic-led states are already preparing to cushion the blow for their residents. Republican states? Not so much.

In this memo, we explore how Democrats across the country are working to protect their constituents from the impact of Republican inaction. We also show how inaction will hurt people in red states more than others.

Blue State Action

Democratic governors and state legislatures are enacting a series of tax credits for their own residents in 2026 to get ahead of Republican inaction on health care costs at the federal level. While

the responsibility to cover premium costs should not fall on states, Republicans have inflicted a self-made health care crisis that Democrats at all levels are working to stop.

California

In March 2025, California allocated \$190 million for the 2026 plan year for tax credits that would cover those up to 150% of the poverty line (individuals who make around \$24,000 annually) and provide additional financial assistance to those up to 165% of the poverty line (\$25,820 annually). In addition, the state increased the amount available for their enhanced cost-sharing reduction program to \$165 million. This funding will help more working-class Californians enroll into coverage with lower out-of-pocket costs.

While these measures will help the most vulnerable Californians, the State is still facing a \$12 billion hole from the federal government with the expiration of these tax credits.

Colorado

In August 2025, the Colorado State Legislature passed a law that would allocate funds to the Health Insurance Affordability Enterprise program should Republicans not extend the tax credits by December 31, 2025. In this case, the program will receive \$100 million to reduce the cost of premiums for those with the most expensive plans. It also allows the program to utilize an additional \$20 million in reserves and \$5 million from another state fund for these purposes.

Colorado is facing a \$1.2 billion loss of federal funding with the expiring tax credits, so even with these funds, hundreds of thousands of their residents will face steep premium increases in 2026.

Maryland

In May 2025, the state legislature created a new state tax credit for residents making under 200% of the poverty line, and a reduced (50%) tax credit for those between 200% and 400%. This would cover the expiring tax credits for those making less than 200% of the poverty line. Those above 200% would be partially exposed to increases, and those above 400% of the poverty line would face steep premium increases.

Much like the other states, Maryland faces a \$9 million loss in federal funding with expiring tax credits, but the Democratic leaders are still working to find the funding to protect the most vulnerable in their state.

Massachusetts

In July 2025, Massachusetts included provisions in the Fiscal Year 2026 budget that extended their Connector Care Pilot program to the beginning of 2027. This program provides tax credits for residents purchasing plans through their Marketplace that make up to 500% of the poverty line.

Massachusetts is set to lose \$1.5 billion in federal funding from Republican failure to extend the ACA tax credits.

New Mexico

In August 2025, the New Mexico Office of the Superintendent of Insurance announced that they will cover the tax credits for families under 400% of the poverty line for the 2026 plan year through funding by the Health Care Affordability Fund. While this plan is more extensive than other states, it still leaves residents who make above the 400% of the threshold vulnerable to steep premium hikes.

New Mexico is facing nearly \$5 million loss in federal tax credits.

Red State Pain

The irony is that people in red states benefit more from the ACA, as 77% of enrollees live in states that President Trump won in 2024. In fact, they are three times more likely to benefit from the tax credits. And yet, none of these states have contingency plans in place to help their constituents afford their premiums.

Conclusion

After creating a national health care crisis, President Trump and Congressional Republicans are now perpetuating it by letting the ACA tax credits expire. Meanwhile, Democrats in Congress and at the state level are fighting to protect affordable care for all Americans. Democratic-led states are working to help ease the blow that the sunseting tax credits will have on hard working Americans by finding funding streams to institute state-level tax credits for premiums.

While this responsibility should not fall on states, especially as they prepare for substantial cuts to their Medicaid programs, Democratic-led states have the opportunity to help save affordable coverage for their constituents and show voters across the country which party is working to help the American people.

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