THIRD WAY

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Extending ACA Tax Credits Needs to Happen Sooner Than You Think

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Millions of Americans are about to get a rude awakening about the cost of their health insurance unless Congress acts quickly. Tax credits that bring down the cost of health care premiums expire at the end of this year, but there's a catch: the deadline for action is much sooner. Congress needs to extend the cap on premiums for Affordable Care Act (ACA) coverage by August 13—the deadline for health insurers to file their final rates for health plans offered on ACA exchanges in 2026. If they don't, 24 million Americans who rely on ACA coverage will see premiums spike in late summer and early fall when they receive their renewal notices.

Below, we outline the current situation with the ACA tax credits, the timeline for action, and what inaction would mean for millions of individuals and families.

The Situation

Since 2021, annual premiums for health care coverage through ACA marketplaces have been capped at 8.5% or less of the enrollee's income through what are called *enhanced premium tax credits*. However, these tax credits will expire at the end of this year without Congressional action, and Congressional Republicans did not include an extension in their One Big Beautiful Bill.

Republican reluctance disregards a broad spectrum of consumer and industry advocates fighting for the extension. Democratic Congressional leaders have urged action, and some Congressional Republicans support it as well. Voters across the political spectrum strongly support the extension.

Timeline for Action

While the tax credit technically expires on December 31, action needs to happen much sooner. As early as August, consumers will receive renewal notices with insurance rates for next year. These will include drastically increased premiums as plans compensate for the expected expiration of enhanced premium tax credits. Health insurance plans are also anticipating price increases because of President Trump's tariffs, which will drive up the cost of many prescription drugs, medical devices, and other health care services.

The latest Congress has ever acted to change the terms for open enrollment is August 16, through the 2022 Inflation Reduction Act, which was almost too late that year. Though rushed, that was widely anticipated by plans and regulators, which allowed them to make last minute changes just in time. As a result, enrollment in ACA coverage increased the following year.

Here's how the timeline breaks down and why Congress is already behind schedule to hit a late summer deadline:

- **In many cases, insurers have *already* submitted their initial rates**. In May and June, insurers submit their proposed rates to state-based marketplaces and to the Centers for Medicare & Medicaid Services (CMS) for inclusion on the federally facilitated exchanges.

- **The deadline for insurers to submit final plan rates is just around the corner**. By August 13, insurers are required to submit their final rates to CMS, marking a line in the sand for congressional action. In states that operate their own marketplaces, insurers may be required to submit their final rates as early as July. Once plans submit final rates, it becomes much less likely that plans and regulators will be able to jump through the operational hurdles necessary to adjust plan rates quickly enough in response to a late extension.

- **By early fall, consumers will receive renewal notices with higher premiums**. In September and October, CMS will send rolling renewal notices to 2025 ACA enrollees to notify them of the upcoming open enrollment period. State-based marketplaces may start these notifications as early as August.

- Without action from Congress, consumers will see the spike in their premiums in those renewal notices. Many consumers, especially younger, healthier, or lower-income enrollees, may decide that renewing their coverage is now not worth it. Bringing them back to marketplaces to enroll in coverage if Congress ultimately does extend the credits will be difficult.

- **Once open enrollment begins, the damage becomes hard to reverse.** Open Enrollment begins on November 1. Even if Congress acts toward the end of the year, state and federal regulators will not be able to immediately adjust the eligibility criteria for enrollees.

Consequences of Inaction

Since enhanced premium tax credits were first implemented in 2021, premium costs have dropped significantly for families, and enrollment in ACA Marketplace coverage has doubled—with more than 24 million Americans signing up for coverage. If Congress lets the enhanced tax credits expire, 4.2 million people will lose their health care, reversing that progress. And this is on top of millions more who are expected to lose coverage from other provisions in the Republican's One Big Beautiful Bill that will make it harder for families to enroll in ACA coverage. Higher costs for insurance will especially discourage younger and healthier individuals from renewing their coverage. With fewer healthier people enrolled in ACA coverage, plans will raise their premiums and costs will increase for everyone by 4% to 6% next year. The increase could be as much as 12% when combined with the stricter eligibility and more stringent enrollment requirements for ACA coverage in the Republican's budget bill.

Conclusion

A two-year extension of the premium tax credits would cost an estimated $55 billion ($23 billion in 2026 and $32 billion in 2027). The cost of extension could be offset by other commonsense reforms, such as lowering Medicare's reimbursement rates for outpatient services provided at hospital-owned clinics.

If Congress waits to extend the ACA's enhanced tax credits, it will be too little too late. Millions will have already decided to go without coverage. It's time to extend the premium tax credits.