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CalSIM

California Simulation of Insurance Markets

The California Simulation of Insurance Markets (CalSIM) model is designed to estimate the impacts of various federal and state policies on individual decisions to obtain insurance coverage and employer decisions to offer coverage in California. It was developed by the UC Berkeley Center for Labor Research and Education and the UCLA Center for Health Policy Research.

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All 2.37 million Californians in the individual market will face higher premiums if Congress does not act by 2025

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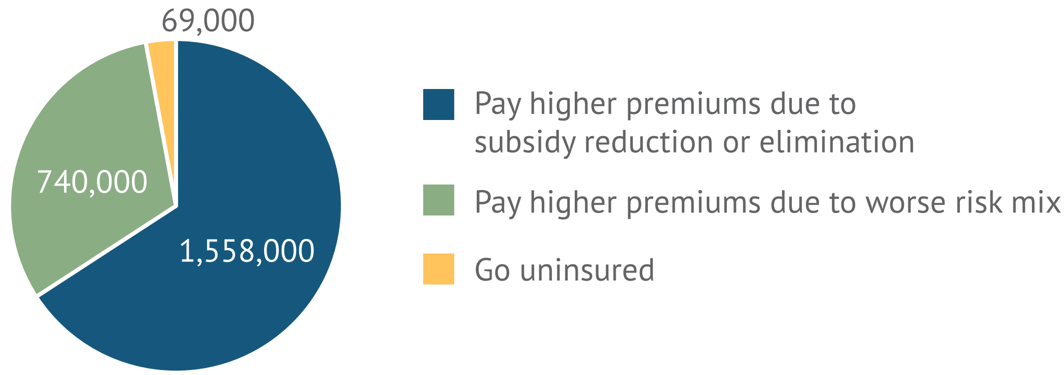
The Inflation Reduction Act of 2022 (IRA) included additional federal subsidies to make health insurance more affordable in the individual market, but these expire at the end of 2025. If Congress does not extend the expanded subsidies and levels revert to those in the original Affordable Care Act, **all 2.37 million Californians in the individual market—including those not receiving subsidies—would face higher health insurance premiums** and be forced to choose between more expensive coverage, less generous coverage, or forgoing coverage altogether and going uninsured. Under this scenario, we project that in 2026:

- **1,558,000 Californians would pay an average of $967 more per year**[1] but maintain coverage despite having their subsidies reduced or eliminated;
- **740,000 Californians enrolled in unsubsidized coverage would pay an average of $253 more per year** due to the worse risk-mix of the individual market if the IRA subsidies were eliminated;
- **69,000 additional Californians would become uninsured.**

Exhibit 1. Projected choices made by Californians otherwise enrolled in the individual market if IRA subsidies were eliminated, 2026



Source: CalSIM version 3.54, analysis of IRA vs. ACA scenario

The Affordable Care Act has been a big deal for California

Starting in 2014 the federal Affordable Care Act (ACA) made individual market health care coverage available to citizens and lawfully present immigrants regardless of pre-existing conditions. The ACA also provided financial assistance based on income for those not eligible for Medicaid and without an affordable offer of job-based coverage whose income was at or below 400% of the federal poverty line ($60,240 for a single person in 2024, or $124,800 for a family of four).

California took steps to effectively implement the ACA and maximize enrollment by creating a state marketplace, Covered California; standardizing benefits and plan designs; and investing in strong marketing and outreach.[2] By 2019, 1.2 million Californians were enrolled in Covered California insurance with ACA subsidies, including many self-employed workers and workers who lack coverage between jobs. However, in spite of the premium subsidies and other improvements under the ACA, concerns about the affordability of health coverage remained.[3] California policymakers passed legislation effective in 2020 that provided temporary state-funded premium subsidies and established a state tax penalty for those without insurance, which encouraged relatively healthier Californians to stay enrolled and in this way helped keep premiums down.

After the Covid-19 pandemic hit in 2020, federal legislation increased subsidies in the ACA marketplaces, supplanting California's state premium subsidies, first under the American Rescue Plan Act (2021), and then under the IRA (2022).

New federal laws made made the ACA more robust

The additional subsidies provided through the American Rescue Plan, and then the Inflation Reduction Act, lowered premiums for those already receiving subsidies and, for the first time, provided federal subsidies for families with incomes over 400% FPL, capping contributions for a benchmark silver-level plan[4] at 8.5% of income (see Appendix A). California has benefited enormously from the increased federal subsidies, which have brought in approximately $1.7 billion additional dollars per year.[5]

Federal administrative changes expanded who was eligible for subsidies

In addition to legislative changes, the Biden administration made administrative changes to increase eligibility for subsidies in the individual market. In plan year 2023 the so-called "family glitch" fix went into effect, providing subsidies for family members of a worker with job-based coverage if the cost of family coverage was unaffordable.[6] In 2024, the administration also enabled immigrants with Deferred Action for Childhood Arrival (DACA) status to qualify for subsidies; we project that 40,000 Californians will newly qualify for subsidies as a result.[7]

State-funded affordability assistance reduces out-of-pocket costs for Californians

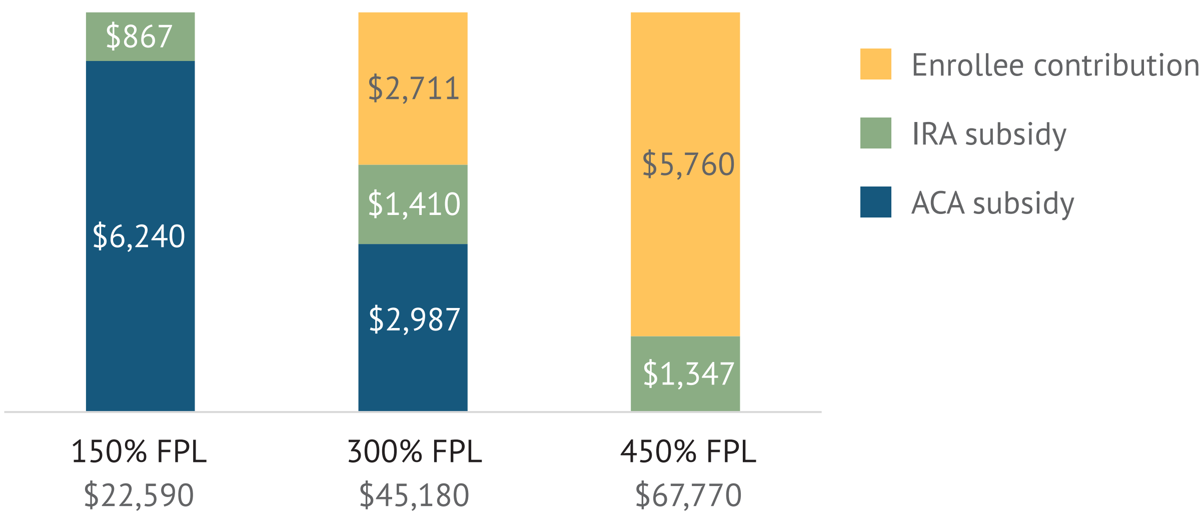
In the last two years, California has built on the improved affordability of individual market coverage resulting from the federal government's expanded premium subsidies by providing additional financial assistance to Covered California enrollees. In 2024, California provided $82.5 million to eliminate deductibles and reduce copays for lower-income enrollees with incomes up to 250% FPL.[8] Starting in 2025, state funding for affordability assistance will increase to $165 million, enabling everyone who qualifies for subsidies to also qualify for state cost-sharing plans with zero deductible and lower copays.[9] These state benefits are expected to further improve coverage affordability for Californians and ensure that out-of-pocket costs like copays and deductibles are not deterring enrollees from using the care they need.

If federal IRA subsidies were to expire, state policymakers might discuss how to most effectively spend the state funding that is already allocated to health care affordability assistance. However, those state dollars are less than 10 percent of the federal dollars coming into California each year through the enhanced subsidies, and could therefore only partially cover the gap left by Congressional inaction. Given the uncertainty in how state policymakers would respond to enhanced federal subsidies expiring, this brief explores what the individual market would look like in California in the absence of any additional state funding beyond the original Affordable Care Act.[10]

Examples of subsidies under the IRA

Premiums vary by age and region, and subsidy amounts for those eligible vary by income. Exhibit 2 shows for a 45-year-old living in Sacramento how the second-lowest cost silver plan, the "benchmark" plan used to calculate subsidies, gets paid in 2024 with the Inflation Reduction Act subsidies in place.[11]

Exhibit 2. Annual contributions to the benchmark premium for a 45-year-old in Sacramento, by income, 2024



Source: authors' calculations based on 2024 FPL and ACA and IRA contribution amounts

- For a single person earning $22,590 per year (150% FPL), the enrollee pays nothing; IRA subsidies cover $867 of the premium. This equates to almost 4% of annual income, or $72 per month that the enrollee would otherwise have to pay. ACA subsidies cover the vast majority ($6,240) of the premium.
- Someone earning $45,180 (300% FPL) would pay $2,711 per year, or $226 per month. IRA subsidies in this case cover $1,410 per year; this amounts to 3.1% of income that would otherwise need to be paid by the enrollee. The ACA subsidies amount to $2,987 in this case.
- A person earning $67,770 (450% FPL) would receive subsidies worth $1,347 and pay $5,760—8.5% of their income—under the IRA. Under the ACA they would no longer receive subsidies but would instead need to pay the whole premium.

Exhibit 2 presents just one particular example of a 45-year-old in Sacramento, but illustrates both that the ACA subsidies (in blue) are large, especially for lower-income enrollees—those at or below 250% FPL make up the majority of Covered California enrollees[12]—and that the IRA subsidies, in orange, are significant. On average in 2024, subsidized enrollees in Covered California received annual subsidies of almost $5,000 due to the ACA and almost $1,200 due to the IRA.[13]

If IRA subsidies ended, 2.37 million Californians would see costs rise and 69,000 would become uninsured

Elimination of the IRA subsidies would result in a significant increase in premiums in the individual market. Using our California Simulation of Insurance Markets (CalSIM) model of consumer coverage choices under different policy scenarios in California, we project what Californians who would otherwise have coverage in the individual market would do if IRA subsidies were eliminated and subsidies returned to ACA levels, with no state funding for either premium or out-of-pocket assistance. We project that in 2026:

- 1.56 million Californians who would otherwise have gotten subsidies would face higher premium costs because their subsidies either were eliminated or decreased. On average, these Californians would pay $967 more per year, even taking into account that some would switch to lower-cost coverage.[14]
- Even the 740,000 Californians enrolling in the individual market without subsidies are projected to face higher costs. The additional subsidies attract a relatively healthier group of enrollees, and this healthier risk-mix lowered premiums by an estimated 3-5%.[15] If the extra subsidies were eliminated, we model premiums as being 3.4% higher than they otherwise would be. The remaining ACA subsidies insulate consumers from higher premiums, but unsubsidized enrollees would face the full cost of these price increases.
- An additional 69,000 Californians would become uninsured in 2026, for a total uninsured population under age 65 of 2.53 million. Those who would become uninsured are somewhat more likely to be over the age of 45, but otherwise look fairly similar to the individual market population as a whole (see Appendix B). Californians over age 45 face higher premium costs and are therefore the most likely to hit premium contribution caps and receive subsidies under the IRA. Losing these subsidies would disproportionately hurt this group.

In some cases, enrollees losing subsidies would face increases that are much higher than the average of $967 per year. Older enrollees in high-cost areas with incomes just over 400% FPL would be particularly hard hit. For example, the second-lowest cost silver plan premium for a 60-year-old in San Mateo County is $17,800 per year in 2024; under the IRA, a person's contribution would be capped at 8.5% of their income. **If IRA subsidies were eliminated, a 60-year-old in San Mateo with income at 450% FPL ($65,610 in 2024) would lose all subsidies and need to pay $12,830 more per year** for the benchmark plan. Even if they switched to the lowest-cost bronze plan with significantly higher copays and deductibles, they would still need to pay $7,433 more per year in premiums.

Making trade-offs between higher premiums or moving to a plan with higher deductibles and copays would exacerbate Californians' existing struggles with health care affordability.[16] Already in 2023, about two in three Californian adults—with any type of insurance coverage, not just those in the individual market—were very or somewhat worried about being able to afford out-of-pocket costs when they or their family use health care. More than half of California adults said that they or a family member skipped or delayed care in the last 12 months due to cost, and more than one in four reported that they or a family member had trouble paying medical bills.[17]

Congress must act to preserve robust health care premium subsidies

Maintaining IRA-level subsidies in the individual market would protect 2.37 million Californians from insurance premium increases and keep 69,000 Californians covered. For these subsidies to continue, Congress must act in 2024 or 2025. In early 2025, insurers will develop their rates for the 2026 coverage year, and rates will be finalized by the middle of 2025. Congressional action before then could help avoid premium increases.[18]

Affordable Care Act subsidies have provided vital financial resources allowing millions of Californians to have health insurance in the individual market, with prices that enrollees pay based on their income, not their pre-existing conditions. The additional subsidies provided through the Inflation Reduction Act have improved premium affordability and extended subsidies to middle-income Californians. All 2.37 million Californians who rely on the individual market will suffer in 2026 if Congress does not act to preserve this significant health care affordability improvement.

Acknowledgments

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Appendix A. Required premium contribution as a share of income

Federal subsidies for individual market health insurance coverage depend on income. For example, someone with income at 300% of the federal poverty line, who earns $45,180 per year in 2024, would have to pay 6% of their income toward premiums for the second-lowest-cost silver plan on the exchange under the Inflation Reduction Act, and the rest of the premium would be covered by the federal government. If subsidies returned to the Affordable Care Act levels, that same person would need to pay 9.12% of their income toward premiums for the second-lowest-cost silver plan on the exchange.

Income range		**Required premium contribution as a share of income**	
Income as percent of federal poverty level (FPL)	2024 income for single person household	Inflation Reduction Act	Affordable Care Act*
Under 138%	$0-$20,783	0.0%	1.92%
138%-150%	$20,783-$22,590	0.0%	2.88%-3.84%
150%-200%	$22,590-$30,120	0.0%-2.0%	3.84%-6.05%
200%-250%	$30,120-$37,650	2.0%-4.0%	6.05%-7.73%
250%-300%	$37,650-$45,180	4.0%-6.0%	7.73%-9.12%
300%-400%	$45,180-$60,240	6.0%-8.5%	9.12%
Over 401+%	$60,240+	8.5%	No cap

* These are the 2023 required contribution percentages as listed in https://www.irs.gov/pub/irs-drop/rp-22-34.pdf. Based on the methodology for annual adjustments and the latest National Health Expenditures predictions, contributions in 2026 would be very similar.

Appendix B. Demographics of California individual market enrollees projected to become uninsured if IRA subsidies expire

Of the 69,000 Californians projected to be uninsured in 2026 if IRA subsidies were to expire and there was no state funding for either premium or out-of-pocket assistance, 57% (39,000) are projected to be 45-64 years old. In contrast, among the population of individual market enrollees and uninsured Californians who are eligible for Covered California, a lower share, 38%, are 45-64 years old.

	Additional uninsured without federal IRA subsidy extension, 2026		**Individual Market Universe 2026**
	69,000	100%	100%
Race and Ethnicity			
Latino	30,000	43%	43%
Asian	12,000	17%	17%
African American	2,000	3%	4%
White	23,000	33%	33%
Other	2,000	3%	2%
Age			
0-18 years	4,000	5%	12%
19-29 years	9,000	12%	26%
30-44 years	18,000	25%	24%
45-64 years	39,000	57%	38%
Income			
At or below 200% FPL	12,000	17%	29%
201-400% FPL	33,000	48%	43%
401-600% FPL	19,000	27%	13%
Greater than 600% FPL	6,000	8%	15%

Note: Individual Market Universe includes those enrolled in the individual market both on and off Covered California, and those uninsured but eligible for the individual market through Covered California, excluding Medi-Cal eligible uninsured and undocumented uninsured. Numbers may not add due to rounding.

Source: CalSIM version 3.54, 2026

Endnotes

1 This average takes into account that some of those with reduced or eliminated subsidies would choose less generous and less expensive coverage under the ACA scenario, e.g., they would move from silver coverage to bronze coverage. Average premium increases would be even higher if this were not taken into account. About 110,000 of those with lower subsidies would enroll in job-based coverage; the additional premiums they would pay for their job-based coverage are not included in this average.

2 Covered California, "Covered California The First Ten Years: Looking Back and Looking Forward," September 8, 2021, https://www.coveredca.com/pdfs/10-year-anniversary/10-YEAR-REPORT-BOOK-regular-edition.pdf.

3 Laurel Lucia and Ken Jacobs, "Towards Universal Health Coverage: California Policy Options for Improving Individual Market Affordability and Enrollment" (University of California Berkeley: Center for Labor Research and Education, March 5, 2018), http://laborcenter.berkeley.edu/ca-policy-options-individual-market-affordability/.

4 ACA offers plans in different metal tiers—platinum, gold, silver, and bronze—with higher metal tiers offering more generous coverage with higher premiums and lower out-of-pocket costs. The second-lowest cost silver plan is used to calculate subsidies and is thus sometimes referred to as the "benchmark" plan.

5 Covered California, "Covered California Announces 2023 Plan Rates: Lower Than National Average Amid Uncertain Future of American Rescue Plan Benefits," July 19, 2022, https://www.coveredca.com/newsroom/news-releases/2022/07/19/covered-california-announces-2023-plan-rates-lower-than-national-average-amid-uncertain-future-of-american-rescue-plan-benefits.

6 Miranda Dietz, Tynan Challenor, and Srikanth Kadiyala, "Fact Sheet: Fixing the Family Glitch in California — Projections from the California Simulation of Insurance Markets" (UC Berkeley Center for Labor Research and Education, August 30, 2022), https://laborcenter.berkeley.edu/fixing-the-family-glitch-in-california/.

7 Miranda Dietz, Srikanth Kadiyala, and Laurel Lucia, "Extending Covered California Subsidies to DACA Recipients Would Fill Coverage Gap for 40,000 Californians," *UC Berkeley Labor Center* (blog), June 6, 2023, https://laborcenter.berkeley.edu/extending-covered-california-subsidies-to-daca-recipients-would-fill-coverage-gap-for-40000-californians/.

8 Covered California, "Covered California to Launch State-Enhanced Cost-Sharing Reduction Program in 2024 to Improve Health Care Affordability for Enrollees," July 20, 2023, https://www.coveredca.com/pdfs/news/07-20-23-CoveredCA-State_CSR.pdf.

9 Covered California, "Covered California's Rates and Plans for 2025: The Most Financial Support Ever to Help More Californians Pay for Health Insurance," July 24, 2024, https://www.coveredca.com/pdfs/07-24-24-PY25-Rates-Release.pdf.

10 We use the expected contribution percentages from 2023 as published by the IRS: https://www.irs.gov/pub/irs-drop/rp-22-34.pdf (see Appendix 2 for more details). Using the latest National Health Expenditures data to calculate annual adjustments to these rates, we project that the expected contributions would be similar in 2026 and so use the existing published ACA contribution rates.

11 A bronze plan in this example would cost less—$5,790 per year—but has higher copays and deductibles than a silver plan. An enrollee could also choose a gold or platinum plan which would generally have higher premium costs (subsidies are capped so the additional premium cost is paid by the enrollee) but lower cost sharing.

12 Covered California, "Covered California Active Member Profiles: 2024 March Profile," Excel Spreadsheet, June 1, 2024, https://hbex.coveredca.com/data-research/active-member-profiles/.

13 Covered California, "Impact of Enhanced Inflation Reduction Act Subsidies for Covered California Enrollees - March 2024," CC_IRA_Subsidy_Impact_20240619.xlsx, Excel Spreadsheet, June 7, 2024, https://hbex.coveredca.com/data-research/.

14 Our CalSIM modeling includes the cost of the benchmark second-lowest cost silver plan, the lowest cost gold plan, and the lowest cost bronze plan. There are other choices and ways for enrollees to save money, but our modeling does result in a lower average increase in premiums because we do model some people switching from gold to silver or bronze or from silver to bronze.

15 Covered California, "Covered California Announces 2022 Plans: Full Year of American Rescue Plan Benefits, More Consumer Choice and Low Rate Change," Covered California, July 28, 2021, https://www.coveredca.com/news-releases/2021/07/28/covered-california-announces-2022-plans-full-year-of-american-rescue-plan-benefits-more-consumer-choice-and-low-rate-change/. Our modeling assumes premiums would be 3.4% higher under the ACA scenario compared to the IRA scenario.

16 Miranda Dietz and Laurel Lucia, "Measuring Consumer Affordability Is Integral to Achieving the Goals of the California Office of Health Care Affordability" (UC Berkeley Center for Labor Research and Education, January 23, 2024), https://laborcenter.berkeley.edu/measuring-consumer-affordability/.

17 Jen Joynt, Rebecca Catterson, and Emily Alvarez, "The 2024 CHCF California Health Policy Survey" (California Health Care Foundation, January 31, 2024), https://www.chcf.org/publication/2024-chcf-california-health-policy-survey/.

18 Jared Ortaliza et al., "Inflation Reduction Act Health Insurance Subsidies: What Is Their Impact and What Would Happen If They Expire?," Issue Brief (KFF, July 26, 2024), https://www.kff.org/private-insurance/issue-brief/inflation-reduction-act-health-insurance-subsidies-what-is-their-impact-and-what-would-happen-if-they-expire/.

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