1 in 4 Covered California Enrollees Could Get State Aid Under Newsom Proposal

10 blue states have put up their own funds to keep Affordable Care Act plans affordable and residents insured as the rising cost of healthcare has emerged as a top concern among voters.

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When Congress allowed covid-era subsidies for health insurance to expire, California used its own funds to offset the hike in Obamacare premium costs for residents with low incomes.

But the reach has been limited.

As Gov. Gavin Newsom negotiates his last budget with the legislature, the Democrat wants to offer financial help to more than 1 in 4 enrollees in Covered California, the nation's largest state-run health insurance marketplace. Democratic lawmakers, who hold a supermajority, are still debating the plan.

"My budget proposal would KEEP $0 monthly plans for low-income Californians to help clean up the financial disaster Trump created," Newsom posted on Facebook, where he often chides the president and GOP Congress.

Ten blue states have put up their own funds to keep Affordable Care Act plans affordable and residents insured as the rising cost of healthcare has emerged as a top concern among voters. Newsom's $300 million proposal would make California's program among the most generous, but even the nation's richest state can't patch a $2.5 billion hole left by the expiration of enhanced subsides at the end of last year.

"The gap between what people can pay in their monthly budget and what health insurance costs is so big that it's a lot for states to take on," said Stacey Pogue, a senior research fellow at the Center on Health Insurance Reforms at Georgetown University. "They're going to have to figure out how they can finance that."

New Mexico lawmakers have backfilled 100% of the lost federal subsidies with state money. It seems to have worked; New Mexico saw double-digit increases in marketplace enrollment this year, but state analysts have warned that the subsidy program isn't sustainable.

Massachusetts and New Jersey, which, like California, tax residents for not having health insurance, are also spending hundreds of millions of dollars to try to keep premium payments low. Their hope, healthcare experts say, is to avoid the exodus seen in states such as Georgia that didn't offer enrollees help.

Since the enhanced subsidies expired, enrollees nationwide have seen their premium payments increase by $65 a month on average.

Conservatives including congressional Republicans have long argued that the subsidy expansion was too generous to high-income enrollees and inflated healthcare costs.

"There are never enough subsidies to make health insurance affordable because subsidies are the problem," said Michael Cannon, director of health policy studies at the libertarian Cato Institute. "They are causing people to turn a blind eye to fraud and waste and excessive prices because it's someone else's money that they're spending, not their own."

Helping the Poorest?

People who earn too much to qualify for Medicaid got relief starting in January after Newsom and legislators softened the blow for about 300,000 of the lowest-income enrollees. They offset lost federal premium tax credits for individuals who earned up to $23,475 last year and partially filled the gap for those who earned up to $25,823.

The governor now wants to expand subsidies to those who earn up to $31,920 this year for an individual and $66,000 for a family of four — an estimated 218,000 additional people.

Veronica and William Walter, who live in the San Francisco Bay Area, earn less than $40,000 a year in one of the nation's most expensive regions. They're counting on a more generous state healthcare tax credit if they have to pay for health insurance next year.

A car accident two years ago left William temporarily disabled, qualifying the couple for Medi-Cal, the state's Medicaid program.

Now he's back at work as a security guard, and Veronica said she's worried they'll be kicked off Medi-Cal. She's even more worried about how they'll get by with federal premium tax credits not nearly as generous as before.

"Without it, we're going to be facing worse problems than we have now," she said. Under Newsom's proposal, Veronica and others in the highest eligible income bracket could receive an average monthly subsidy of $36 a person.

"For them, $36 a month is the sort of thing that can make a difference between keeping coverage and losing coverage," said Peter Lee, former executive director of Covered California. "We can't fix everything with that gap, but we can focus the dollars on those who need it most."

The Walter family, though, may still face a nearly $200 monthly premium payment to cover both

of them, $130 more than they previously paid for healthcare and prescriptions through Covered California.

“I can’t afford that, not really,” said Veronica, a pet sitter who works part-time at a school. “A giant state like this with this many people, and this many resources? You can’t just leave the people with nothing for healthcare or healthcare they can’t afford.”

California policy researchers and health advocates acknowledge the limits of a partial subsidy but say that concentrating funds on those who earn less is the most efficient way to maximize impact. People who drop coverage are often younger, healthier, and less likely to have high healthcare costs — all factors that help stabilize the insurance risk pool. Without coverage, Lee said, they’re also more likely to experience debt from medical emergencies or leave unpaid hospital bills that strain the taxpayer-funded safety net.

Cary Sanders, senior policy director at the California Pan-Ethnic Health Network, a health advocacy group, said the state’s move last year kept low-income enrollment in Covered California steady and reduced racial disparities in coverage.

“It’s working; it’s just that it’s not enough,” Sanders said. “We need the federal subsidies back.”

Still No Help for Many

When Congress passed enhanced subsidies in 2021, it capped monthly premium payments for even the highest earners at 8.5% of income. Those temporary enhancements allowed about 8 million Americans to choose robust plans with no monthly premium payment last year and helped double Obamacare enrollment to an all-time high of 24 million.

At the end of last year, 22 million of them lost that help when the GOP-led Congress blocked the extension.

The pressures on Obamacare enrollees don’t stop at premiums. Federal legislation Republicans passed last summer known as the One Big Beautiful Bill Act also shortens enrollment windows, tightens income verification requirements for subsidies, and requires enrollees who earn more than they projected to pay back the full amount.

Even if Newsom’s proposal passes, most Covered California customers won’t get state help. Nearly 1 million enrollees — 52% — earn above the $31,300-a-year individual earning cutoff.

Victoria Garzouzi was one of many middle-income retirees hit with one of the most extreme premium increases: The monthly payment for her low-level bronze plan jumped eightfold to $1,600.

To make ends meet, she came out of retirement and dipped into her savings. “I’m working to pay for my insurance,” she said. “I am an army of one.”

Despite a $6,000 deductible, her health insurance premium payment is more than the mortgage on her two-bedroom house. She's putting off a needed cataract surgery until October, when she turns 65 and qualifies for Medicare.

While GOP leaders have not publicly weighed in on the state subsidies, some Democratic lawmakers have questioned why more help hasn't been proposed.

Assembly member Dawn Addis, who chairs the chamber's budget subcommittee on health, suggested Newsom could tap an additional $230 million from a fund for healthcare cost relief — money raised from a state penalty levied on those who can afford to enroll in health insurance but choose not to.

Lawmakers have previously criticized state officials for socking away much of the penalty revenue, which was supposed to go toward healthcare affordability. After California discontinued its premium subsidies thanks to increased federal assistance, the Newsom administration said the state was saving to help consumers once those temporary subsidies expired. Instead, California borrowed from the subsidy fund to cover state budget shortfalls, to the tune of $771 million. Starting this year, the subsidy fund should see an influx of cash as the state pays back the loan.

At a May legislative hearing, Joseph Donaldson, then a Department of Finance analyst, said maintaining the reserve was a prudent and financially sustainable approach.

Dylan Roby, a public health professor at the University of California-Irvine who consults for Covered California, said the focus on lower-income enrollees is deliberate. They qualify for federal subsidies that higher earners don't, maximizing federal investment and strengthening the broader system.

"You end up with more advanced premium tax credits flowing into the state that you would have been leaving on the table," he said.

State lawmakers have until June 15 to pass a state budget. Then, Covered California's board would decide eligibility and benefit amounts, a decision that could come this summer, with new subsidies starting January 1.

Even with the extra help, Walter and her husband worry they won't be able to afford a potential $200 monthly premium payment. Walter said she'd likely have to rely on free clinics or ration medications.

"I take so many pills, I rattle," she said. "That, on top of the $200? For us, it really adds up."

Are you struggling to afford your health insurance? Have you decided to forgo coverage? Click here to contact KFF Health News and share your story.

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