

The Impacts of Expiring Enhanced Premium Tax Credits in Colorado

Authors: Erik Gamm and DJ Summers

Background

Among the sweeping changes that the Affordable Care Act made to the individual health insurance market was the launch of the Premium Tax Credit (PTC), which acts as a large federal subsidy for low- and middle-income policyholders. In 2021, the Biden administration expanded the credit to include people who earn more than 400% of the federal poverty level and raised its payments across all covered incomes. Although the original PTC is permanent, the expanded credit, designed to offer temporary relief during crisis, is set to expire at the end of 2025. When it does, the subsidy will revert to its original structure and many people whom the expansion enticed into the individual market will abandon their plans. Because of the increase in health-care prices since 2021, this is expected to leave tens of thousands of Coloradans uninsured in 2026 and beyond.

During its upcoming special session, the Colorado legislature is expected to debate two proposals for recouping the lost credits: one funded through new fees on insurers and another that would tap into the state's budgetary reserve.

Key Findings

- If the enhanced premium tax credit lapses at the end of 2025, Colorado will lose \$105 million in federal subsidies for low- and middle-income ACA enrollees in 2026. This will cause between 52,000 and 110,000 Coloradans to leave their subsidized plans. Of those, 69% will become uninsured and 31% will acquire other types of insurance.
 - More than two-thirds of the people who lose enrollment and become uninsured will be those who earn between 200% and 400% of the federal poverty level (\$31,300–\$62,600 for an individual).
- The number of uninsured in Colorado will rise by between 36,000 and 76,000. This will raise Colorado's uninsured rate from 4.5% to between 5.1% and 5.8%.
 - This could cause hospitals to take on \$51.3–108.5 million more of uncompensated care (a 9.4–20% increase).
- The state legislature, during its upcoming special session, is expected to raise \$100 million in order to replace lost tax credits. This, though \$5 million less than the loss of subsidies, will prevent the uninsured population from rising if deployed properly.
- Colorado insurers are requesting to raise their premiums by an average of 28.4% in the individual market due in part to the expiring credit. Even if the credit is extended or replaced, premiums will still grow by 9.7%—3.6 times higher than inflation.

- If legislators decide to raise insurer fees to compensate for lost tax credits, premiums may instead rise by 16.1% in 2026. This would raise the average annual benchmark premium from \$5,556 to \$6,451.

Impacts of the Expired Credit

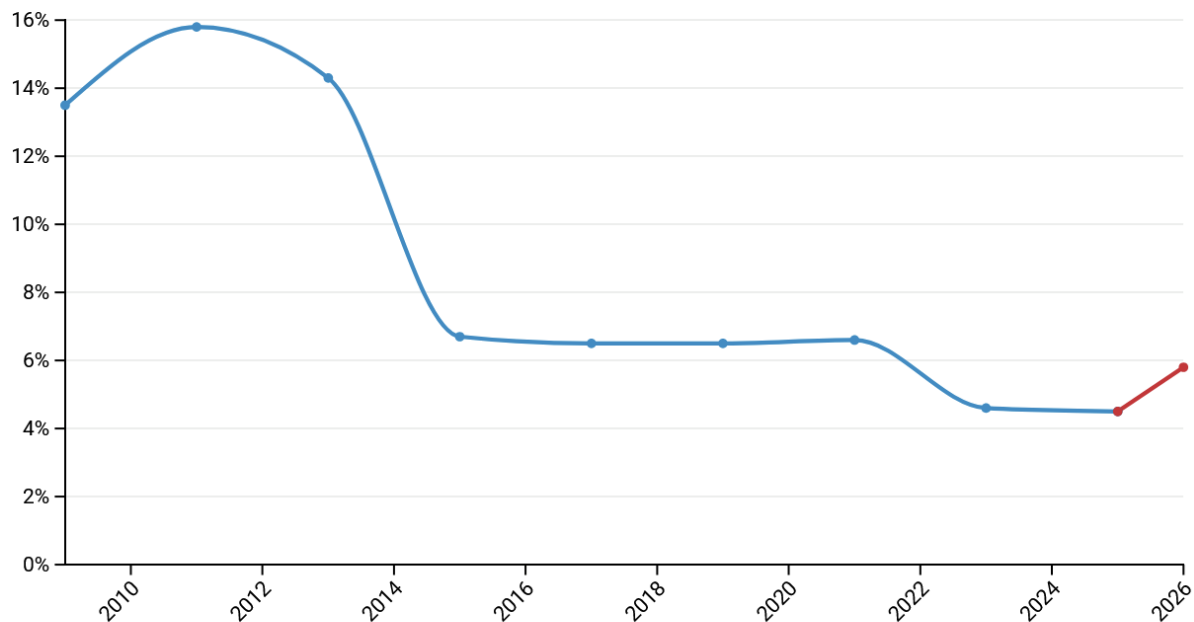
According to a presentation furnished by the Department of Regulatory Agencies (DORA), the expiration of the enhanced PTC will reduce federal payments to Connect for Health Colorado enrollees by a total of \$105 million.ⁱ Estimates of the enrollment impact vary widely: DORA expects that 100,000–110,000 people will leave the individual market, whereas a 50-state analysis by the Urban Institute projects the impact to be just 52,000.ⁱⁱ Well over half of the departures will be people who earn between 200% and 400% of the federal poverty level—the largest segment of the subsidized population. Although people who earn more than that will no longer qualify for any credit at all, they are much more likely to be able to afford their plans at full price.

Enrollment and Uninsurance Impacts of the Enhanced PTC's Expiration (2026)			
Income range	Uninsured population	Marketplace enrollment	Average enhanced PTC per year
Less than 138% FPL	3,000–6,000	-4,000–8,000	\$300
138–200%	8,000–17,000	-8,000–17,000	\$852
200–400%	26,000–55,000	-30,000–63,000	\$1,104
Above 400%	-1,000–2,000	-10,000–21,000	\$1,560
Total:	36,000–76,000	-52,000–110,000	

A large majority of those who leave the individual market will remain uninsured throughout 2026. This group includes people priced out of their plans who lack access to employer-sponsored insurance and those who, facing higher effective premiums, choose to disenroll for the sake of expedience. Based on the Urban Institute's findings and DORA's projections, CSI estimates that the enhanced credit's expiration will increase the statewide level of uninsurance by 36,000–76,000 people and raise Colorado's uninsured rate from 4.5% to between 5.1% and 5.8%. **Even under a high scenario, the state's rate of uninsurance will not surpass its 2021 value.**

Uninsurance Rate in Colorado before and after Expiration of the Enhanced PTC

■ History ■ Projection (high)



Source: CHI, DORA, Urban Institute, CAHP, CSI estimates

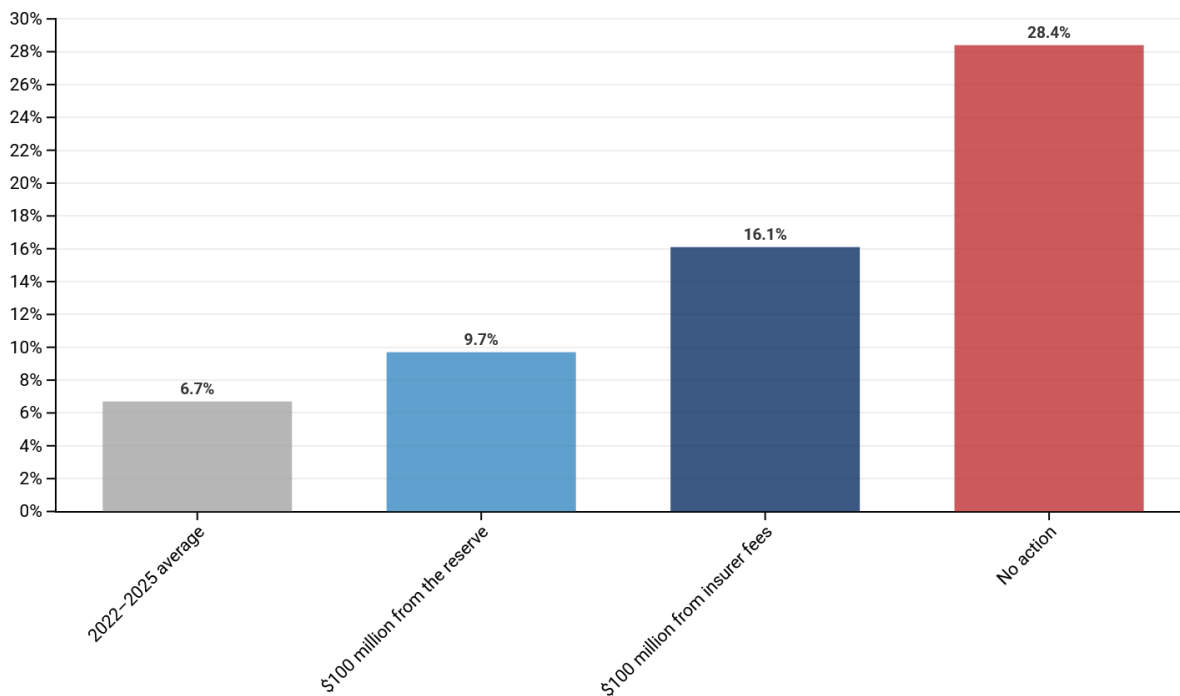
Hospitals and insurers will share the financial risk associated with a slightly larger uninsured share of the population. Uninsured patients who can't pay for emergency procedures cost Colorado hospitals an annual average of \$1,425 per person in uncompensated care, so the expiration of the enhanced credit will generate \$51.3–108.5 million more and bring the total as high as \$653.4 million.ⁱⁱⁱ Insurers, meanwhile, are requesting to raise their individual-market premiums by 28% if the enhanced credit is allowed to expire, reflecting DORA's projections of 110,000 departures from Connect for Health Colorado atop a baseline of cost increases unrelated to the PTC. This is higher than the average projected increase across the country (20%), despite relatively low enrollment in Colorado, and could be an indirect result of the Colorado Option, which substantially reduced the levels of competition and consumer choice within the state's market.^{iv} If the credit is extended, they will request an average increase of 9.7%—much less, but still 3.6 times higher than inflation.

Special Session

The upcoming special legislative session will include two proposals to recoup \$100 million of the lost enhanced credits: one through new insurer fees and another through the state budget's reserve.^v Although this amount is \$5 million short of the total loss, it will be enough to preserve current levels of insurance if its implementation isolates the remaining burden to policyholders who earn more than 400% FPL, none of whom are expected to become uninsured if they lose their subsidies. Drawing \$100 million from the state's reserve is a temporary solution likely to trigger another policy debate during next year's regular session, but it would come at no

immediate cost to individuals and businesses. Raising insurer fees, by contrast, could endure as a permanent fix but would raise the underlying cost of providing insurance on the individual market.

2026 Average Premium Increase in the Individual Market



Source: DORA, CSI calculations

If insurance providers have to pay \$100 million more of fees in 2026, they can be expected to charge \$100 million more in premiums to cover that cost. In 2023, insurers in Colorado's individual market collected \$1.35 billion in revenue from premiums; CSI estimates, based on approved premium increases since then, that they collected nearly \$1.6 billion in 2025.^{vi} In order to raise an additional \$100 million in 2026 atop the projected 9.7% increase that they will request if the enhanced credit is renewed or replaced, insurers will have to increase their revenue to more than \$1.8 billion. This would necessitate a minimum 16.1% increase of the average premium, notwithstanding adverse selection.

Conclusion

If the enhanced subsidies expire, Colorado faces higher uninsured rates, rising uncompensated hospital costs, and steep premium increases. Legislative stopgaps may soften the blow but present tradeoffs between short-term relief and long-term affordability. Given that the state's health-care spending has expanded rapidly over recent years, even during periods of declining Medicaid enrollment, legislators could find existing funding sources to bridge the gap created by subsidy's expiration.

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https://leg.colorado.gov/sites/default/files/images/07.30.25_exec_committee_h.r._1_presentation_-_doi_updated.pdf

ii <https://www.urban.org/data-tools/health-insurance-premium-tax-credit>

iii

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iv <https://colohealth.com/blog/health-insurance-companies-leaving-colorado/>

v <https://www.coloradopolitics.com/2025/08/15/colorado-legislators-seek-to-stabilize-health-insurance-premiums-with-federal-tax-credits-going-away-2/>

vi

<https://doi.colorado.gov/sites/doi/files/documents/2023%20Health%20Insurance%20Cost%20Report.pdf>