National Rural Health Association Policy Brief

Role of enhanced premium tax credits in rural America

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Introduction

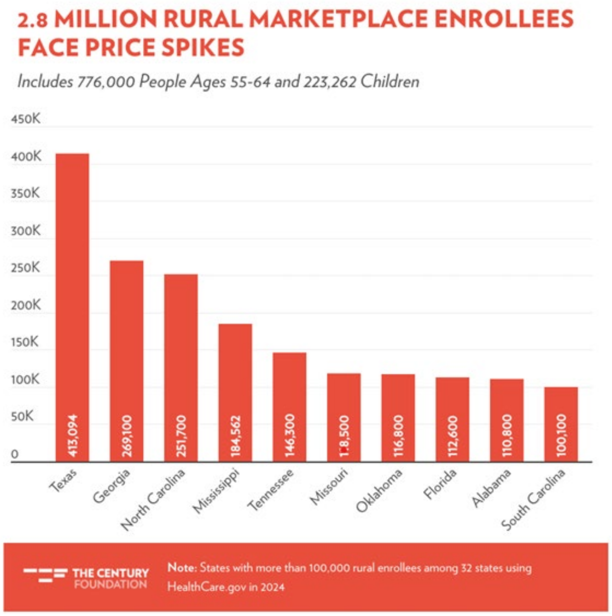
Established under the Affordable Care Act (ACA), the Marketplace is a one-stop platform for individuals and families to purchase private insurance plans. Rural Americans are more likely to be self-employed or work for smaller employers that are not required to provide employer-sponsored health insurance. As such, more than one-third (35.2 percent) of rural adult workers are not offered health insurance through their employer compared to 29.1 percent of urban adult workers.[i] For those who do not have access to employer-sponsored insurance or are ineligible for public coverage options, the Marketplace has expanded access and affordability of private insurance plans via the premium tax credit (PTC). In the Marketplace, individuals at 100 to 400 percent of the federal poverty line (FPL) are eligible for PTCs, which can be applied to lower the cost of monthly premiums.

These credits are based on annual projected income and are paid directly to health insurers, who in turn lower the cost that enrollees have to pay each month.[ii] When enrollees file their federal taxes, the credits are adjusted based on actual income. PTCs greatly expanded the affordability of private insurance plans but did not fully address the gap between insurance prices and enrollees' purchasing power. To address this gap, Marketplace enhanced premium tax credits (ePTCs) were created through the American Rescue Plan of 2021 and extended in the Inflation Reduction Act of 2022.[iii]

Enrollees with incomes above 400 percent of the FPL are eligible for ePTCs, thus eliminating the ACA's "subsidy cliff," which makes people with incomes above 400 percent of the FPL ineligible to receive financial assistance for coverage.[iv] The enhanced credits also offer greater subsidies across all income levels, resulting in lower out-of-pocket premium costs. With these subsidies, enrollees under 150 percent of the FPL pay little to nothing for their plan. Without congressional action, the ePTCs are set to expire by Dec. 31, 2025.

Analysis

Since 2021, ePTCs have made it possible for more rural Americans to afford health care coverage. Currently, 2.8 million enrollees in HealthCare.gov marketplace plans live in rural counties.[v] Almost 80 percent of rural residents are enrolled in a zero-premium plan via the Marketplace as a result of ePTCs.[6] The extension granted by the Inflation Reduction Act of 2022 is set to expire at the end of 2025 and the Congressional Budget Office estimates that if the tax credits are not renewed, approximately 4 million people will lose coverage in 2026 alone.[vi]



Rural Americans will feel the ePTC expiration more acutely as individuals currently save an average of $890 per year on health coverage, which is 28 percent more than their urban counterparts.[vii] Further, expiration of ePTCs would disproportionately increase premiums costs by 107 percent on average for rural county residents compared to 89 percent for urban county residents.[viii, ix, x]

The expiration of the ePTCs would have adverse consequences beyond individual coverage. It is projected to result in a $28 billion reduction in hospital spending over 10 years.[xi] If rural residents who fall off Marketplace coverage do not transition to another source of health insurance, rural providers will face mounting uncompensated care, potentially leading to further hospital and service closures. Compounding the challenges associated with the potential expiration of ePTCs are the One Big Beautiful Bill Act and Marketplace Integrity and Affordability final rule. This reconciliation package passed by Congress in July 2025 makes changes to the Marketplace that will result in further coverage losses for rural residents. Rural areas already face higher uninsurance and underinsurance rates, and the impact of the ePTC expiration and recent changes to Marketplace enrollment and eligibility are likely to worsen rural uninsurance rates.[6] The ePTCs and Marketplace coverage act as a lifeline for maintaining critical health care access in rural areas,[xii] and their expiration would exacerbate the vulnerability of rural hospitals.

Policy recommendations

NRHA recommends the following actions allowing for state waiver flexibilities to ensure access to affordable, credible coverage for rural residents.

- Permanently extend Marketplace enhanced premium tax credits to provide subsidized health coverage for individuals with incomes above 400 percent of the federal poverty line.
- Reinstate a longer open enrollment period for federally facilitated Marketplaces from Nov. 1 to Jan. 15 (up from the current 2026 open enrollment period ending Dec. 15).
- Allow auto reenrollment in Marketplace plans to ensure enrollees retain subsidized Marketplace coverage and do not experience interruptions in care.
- Permanently restore the monthly special enrollment period for advanced premium tax credit-eligible individuals with projected household incomes at or below 150 percent of the FPL.

Recommended actions

- Pass S. 46/H.R. 247, the *Health Care Affordability Act*, which would permanently extend enhanced premium tax credits.

Conclusion

Rural communities would suffer the most if ePTCs are not extended, as rural residents rely upon more on ePTCs to make Marketplace coverage more affordable. A reduction in the insured population in rural areas may lead to rural facilities reducing service lines or closing their doors entirely, impacting access to care for everyone who lives in the community.

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