

Blue States File Latest Challenge to Trump's Obamacare Rule (1)

Jul 17, 2025, 3:52 PM EDT; Updated: Jul 17, 2025, 4:50 PM EDT

- **COURT: D. Mass.**
- **TRACK DOCKET: No. [1:25-cv-12019](#)**

Twenty-one Democratic state officials are asking a federal court to toss major portions of President Donald Trump's rule tightening parameters around enrollment in Affordable Care Act plans, saying the changes will increase costs and decrease coverage.

California and New Jersey are leading the [lawsuit](#) filed in the US District Court for the District of Massachusetts, and are seeking an emergency pause in the rule's implementation before it takes effect Aug. 25.

"This isn't a serious attempt to protect consumers," California Attorney General Rob Bonta said Thursday in a press conference. "It's yet another political move to punish vulnerable communities by removing access to vital care and gutting the Affordable Care Act."

The case is at least the second to challenge the 2025 Marketplace Integrity and Affordability Rule ([RIN 0938-AV61](#)), which reversed the Biden administration's expansion of ACA enrollments in a [number of ways](#).

Baltimore; Chicago; and Columbus, Ohio—along with a pair of physician and employer groups—[sued](#) the Department of Health and Human Services over the rule earlier this month, pointing to estimates that it could kick up to 1.8 million Americans off their coverage.

The complaint from the Democratic-led states alleges the HHS violated the Administrative Procedure Act by making changes unsupported by evidence and without considering reasonable alternatives.

The rule unlawfully imposes a \$5 per month surcharge on fully subsidized, auto-enrollees who have not had their eligibility verified by reducing their premium tax credit, according to the complaint. It also violates the ACA's "guaranteed issue" requirement by allowing insurers to block individuals with outstanding bills from enrolling.

The states also allege that the rule violates state flexibility by limiting enrollment periods and banning insurers from covering gender-affirming care as an essential health benefit. The administration did not substantiate its reason for removing "sex-trait modification procedures," when previous changes to essential benefits were predicated on market studies and public input, the states said.

Taken together, the rule will push out younger, healthier enrollees and drive up costs in the marketplace and in the states, according to the complaint. The Centers for Medicare & Medicaid Services—which oversees the ACA exchanges—also only accepted public comments for 23 days, well below the typical 30- or 60-day comment periods. The CMS received more than 26,000 comments on the proposed rule.

The administration said the moves will help combat fraud, after [reports detailed](#) how some insurance brokers were enrolling people in plans without their knowledge.

The ACA debate is threatening to engulf Congress again as well, as Republicans confront [new polling](#) showing that extending enhanced premium tax credits could boost embattled GOP candidates in swing districts in the 2026 midterms.

But Trump and the GOP have continued to reverse Biden's ACA expansions. Republicans most recently rolled back subsidies for lawfully present immigrants and tightened eligibility verifications in Trump's [sweeping but unpopular](#) July 4 tax bill.

The case is [California v. Kennedy](#), D. Mass., No. 1:25-cv-12019, complaint 7/17/25.