

## Overview and Purpose

The **Consumer Affordability and Responsibility Enhancement Act (CARE Act)** makes targeted but significant changes to the Affordable Care Act (ACA) premium tax credit (PTC) structure, Exchange operations, and program integrity rules for **plan years 2026–2028**. The legislation seeks to balance three objectives:

1. **Maintain affordability and enrollment stability** following the scheduled expiration of enhanced ACA subsidies;
2. **Expand eligibility and recalibrate premium contributions** for middle- and higher-income Exchange enrollees; and
3. **Strengthen program integrity, fiscal controls, and enforcement**, particularly related to fraudulent enrollment and issuer compliance.

Unlike the American Rescue Plan Act (ARPA) and Inflation Reduction Act (IRA) provisions, this bill establishes a **new subsidy framework** rather than simply extending pandemic-era enhancements.

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## 1. Extension and Modification of Premium Tax Credits

### Temporary Extension for 2026

The bill extends the enhanced premium assistance rules for **one additional year (2026)** by amending Section 36B of the Internal Revenue Code. Without this extension, enhanced subsidies would have expired after 2025. This provision ensures **no immediate "subsidy cliff" in 2026**, providing continuity for current enrollees.

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### Expanded Income Eligibility (Up to 700% FPL)

Beginning in tax year 2026, eligibility for premium tax credits is expanded from the traditional **400% of the federal poverty level (FPL)** to **700% FPL**, temporarily eliminating the income cap through **2028**. This change directly benefits middle- and upper-middle-income households, particularly older adults and families in high-premium markets.

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### New Premium Contribution Tables (2027–2028)

For tax years **2027 and 2028**, the bill replaces ARPA/IRA subsidy formulas with **new, statutorily defined premium contribution percentages**. These tables increase required household premium contributions as income rises, particularly above 400% FPL, signaling a shift toward **greater consumer cost-sharing** while still preserving subsidies at higher income levels.

Notably:

- Premium contribution caps rise to **9.5–11.5% of income** for households between 400–700% FPL by 2028.
- This represents a policy pivot away from ARPA's broad affordability approach toward **fiscal restraint and targeted assistance**.

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## 2. Minimum Monthly Premium Contribution Requirement

The bill establishes a **minimum enrollee premium contribution** for subsidized Exchange coverage:

- **\$5 per month**, or
- **\$60 annually paid upfront**

This applies to plan years **2026–2028** and is intended to reinforce the concept of consumer "skin in the game," reduce zero-premium coverage, and potentially improve enrollment stability.

### 3. Exchange Operations and Enrollment Changes

#### Extended Open Enrollment for 2026

For plan year 2026, the federal Exchange open enrollment period is extended from **November 1, 2025 through March 31, 2026**. This unusually long enrollment window reflects concerns about market disruption during subsidy transitions.

CMS, in coordination with the National Association of Insurance Commissioners (NAIC), is authorized to permit **post-certification premium adjustments** within 45 days of enactment if actuarially necessary.

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### 4. Funding of Cost-Sharing Reductions (CSRs)

The bill explicitly **appropriates federal funding for cost-sharing reduction (CSR) payments** for plan years **2027–2028**, addressing a long-standing legal and budgetary ambiguity dating back to the termination of CSR payments in 2017.

This provision enhances **market predictability for issuers** and reduces the need for "silver loading."

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### 5. Program Integrity and Fraud Enforcement

#### Civil Penalties for Fraudulent Enrollment

The bill significantly strengthens enforcement authority against **knowing and willful fraudulent enrollment** by agents and brokers. Prohibited conduct includes:

- Enrolling individuals without consent,
- Submitting materially false eligibility information, and
- Enrolling individuals who are not seeking coverage.

Violators may face **civil penalties up to \$100,000 per affected individual**, suspension or permanent revocation of Exchange certification, and referral for civil or criminal prosecution. Importantly, the statute clarifies that **negligent or unintentional conduct is excluded**, limiting enforcement to deliberate fraud.

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### 6. Exchange Plan Health Savings Accounts (HSAs)

The CARE Act creates a novel "**Exchange Plan HSA**" option beginning in **2027**, allowing eligible individuals enrolled in **bronze-level Exchange plans** to elect to have **100% of their premium tax credit deposited into an HSA** rather than paid to the insurer.

Key features:

- Funds may only be used for qualified medical expenses;
- No cash withdrawals or rollovers to non-Exchange HSAs;
- Contributions are excluded from gross income.

This provision reflects a policy effort to **promote consumer-directed coverage** while preserving subsidy value.

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### 7. Issuer Audits and Fund Segregation Enforcement

The bill requires **annual GAO audits** of qualified health plan issuers to ensure compliance with ACA requirements to segregate funds related to abortion coverage.

Noncompliant issuers face **\$500,000 annual civil penalties**, with collected funds redirected to **CMS maternal mortality initiatives**. These audit and enforcement authorities sunset at the end of **2027**.

## 8. Eligibility Restrictions

Across all provisions, the bill uniformly prohibits premium tax credits, CSRs, and related assistance for individuals **not lawfully present in the United States**, reinforcing existing eligibility standards.