

Key Wealth Institute

Rising Healthcare Premiums for Retirees in 2026

Tina Myers, CFP®, CPA/PFS, MTax, AEP®, CPWA®, Director, Planning & Advice Center



The impact of expiring enhanced premium tax credits on retiree coverage

Starting in 2026, retirees in the United States are expected to face significant increases in healthcare premiums. This change is driven, in large part, by the scheduled expiration of the enhanced premium tax credit provisions that were temporarily expanded under federal pandemic-era legislation. These credits have played a critical role in making health coverage more affordable for millions of Americans, especially retirees not yet eligible for Medicare who purchase health insurance through the Affordable Care Act (ACA) marketplace (a marketplace created by the ACA of 2010).

Background: Enhanced premium tax credits explained

The premium tax credit (PTC) is a subsidy for certain marketplace plans. It limits the amount of the individual's out-of-pocket health insurance premiums so they won't exceed a certain percentage of the insured person's household income. The percentages move on a sliding scale based on household income — the higher the income, the higher the percentage of that income the individual is required to contribute toward their premium costs. The credit effectively pays for the remaining health insurance premium that exceeds the amount the individual is required to contribute themselves. The PTC is paid throughout the year instead of being claimed when filing a tax return at the end of the year.

Rising Healthcare Premiums for Retirees in 2026

In essence, the actual monthly insurance premium is reduced by the PTC. And then when you file your federal taxes, you reconcile your premium tax credit. Any difference between the credit you used and the credit you actually qualify for based upon your final income for the year affects your refund or tax owed. In response to the COVID-19 crisis, the American Rescue Plan Act of 2021 (ARPA) temporarily enhanced these credits from 2021 through 2025 by reducing the maximum out-of-pocket limits on insurance premiums and broadening eligibility to households with income higher than 400% of the Federal Poverty Level (FPL) so that more Americans—especially older adults and retirees—could access affordable coverage. This meant that for many retirees, monthly premiums were substantially reduced, making marketplace plans a viable option until they reached Medicare eligibility at age 65. Table 1 shows the health insurance premium limits under the enhanced PTC. Effectively, a couple under 400% of FPL limit would be limited to 8.50% of their income for health insurance. Under the Inflation Reduction Act of 2022 (IRA) Congress extended these so-called enhanced PTCs through December 31, 2025.

Expiration in 2026: What's changing?

The enhanced premium tax credits expired at the end of 2025. Starting January 1, 2026, only the original (pre-ARPA), less generous PTC formulas apply, which results in decreased premium subsidies (See Table 2).

A decrease in the available subsidies increases the out-of-pocket premium payments. The expiration also means that those with incomes over 400% of the FPL are disqualified from receiving the PTC at all, resulting in an increase for marketplace coverage. This has been dubbed the so-called subsidy cliff for the ACA premiums. As a result, many retirees will lose eligibility for subsidies or see their subsidy amounts sharply reduced (and out-of-pocket premium payments increased). According to the Centers for Medicare and Medicaid Services, about 1.5 million people – roughly 7% of all ACA enrollees – had income over 400% of the poverty line in 2024.

400% of Federal Poverty Level for 2026 PTC ¹	
Single person	\$62,600
Couple	\$84,600
Family of three	\$106,600
Family of four	\$128,600
Family of five	\$150,600

¹ Table for use in the 48 contiguous states. Table not for use in Alaska or Hawaii.

Table 1: Under the Enhanced PTC	
Household income (as a percentage of FPL)	Health insurance premium limit (as a percentage of income)
100% – 150%	0.00%
150% – 200%	0.00% – 2.00%
200% – 250%	2.00% – 4.00%
250% – 300%	4.00% – 6.00%
300% – 400%	6.00% – 8.50%
400% +	8.50%

Table 2: Pre-ARPA PTC	
Household income (as a percentage of FPL)	Health insurance premium limit (as a percentage of income)
100% – 133%	2.00%
133% – 150%	3.00% – 4.00%
150% – 200%	4.00% – 6.30%
200% – 250%	6.30% – 8.05%
250% – 300%	8.05% – 9.50%
300% – 400%	9.50%
400% +	No limit



Rising Healthcare Premiums for Retirees in 2026

Projected increases in retiree healthcare premiums

The impact will be most pronounced for those with moderate incomes who benefited from the expansion, as well as older adults who face higher premiums due to age rating in the ACA marketplace. The expiration of the enhanced PTCs will disproportionately affect older adults who earn just above the Pre-ARPA PTC income eligibility limit of 400% of FPL. Some estimates suggest that older adults could see premium increases of several hundred dollars per month, depending on their income level, family size, and location. For example, a 60-year old couple with annual income of \$85,000 (405% of the poverty level) would pay about \$21,000 in annual premiums without a credit in 2026 (instead of only paying 8.5% of their income under the enhanced PTC). This equates to more than 24% of their annual income going toward health insurance premiums. While a couple of the same age, living in the same city, making slightly less or \$83,500 (395% of the poverty line) would receive a tax credit and pay approximately \$7,932. This limits their health insurance to 9.5% of their income. Even \$1 of income over the

400% threshold now could increase their out-of-pocket insurance premiums by over \$13,000 a year. Annual premium costs double or even triple compared to what they paid under the enhanced credit regime.

This increase may force some retirees to reconsider their health coverage options, possibly opting for plans with higher deductibles or less comprehensive coverage, delaying retirement, or relying on COBRA continuation coverage for longer periods.

For households with marketplace coverage, keeping income under the 400% of FPL can be beneficial so that the credit is retained. For retirees, you can manage income by adjusting the mix of pre-tax, Roth, and taxable account distributions.

If you've already enrolled in a marketplace plan for 2026 and you have a significant life change that affects your coverage, including an unexpected drop in income, you can update your existing insurance application to recalculate the PTC for the remainder of the year. So you may still be able to put strategies in place to reduce the sting of the higher premiums in the year ahead.

The expiration of the enhanced PTCs will disproportionately affect older adults who earn just above the Pre-ARPA PTC income eligibility limit of 400% of FPL.

Broader impacts on retiree wellbeing

The rise in healthcare premiums may have wide-ranging effects on retirees' financial security and overall wellbeing. Many retirees live on fixed incomes and may not be able to absorb increased costs. Higher premiums could lead to delayed medical care, increased medical debt, or even loss of coverage altogether. In addition, the uncertainty surrounding healthcare costs could impact retirement planning, potentially forcing individuals to work longer than anticipated or make other financial sacrifices.

Policy considerations and outlook

Although the enhanced premium tax credit expired at midnight on December 31, the debate continues surrounding a possible extension or permanency of the enhanced premium tax credits in 2026 or future years. Extending the subsidies was a key demand for Democrats during the government shutdown that occurred October 1 – November 12, 2025, which was the longest shutdown in U.S. history. A retroactive act of Congress is still a possibility. However, as of

Rising Healthcare Premiums for Retirees in 2026

early January 2026, betting markets gave Congress low chances of extending the tax credits. Kalshi gave Congress only a 44% chance of extension by the end of 2026, a 35% chance by April, a 30% chance by March and a 21% chance by February. Around the same time, Polymarket gave Congress a 22% chance of extending the tax credits by January 31. It is likely to remain a key political issue this year and likely to be a big topic in the 2026 midterm election. Bottom line is that the future of these credits remains uncertain, and retirees should review their health coverage options and consider their financial strategies for 2026 and beyond.

Conclusion

In summary, the expiration of enhanced premium tax credits in 2026 is likely to result in higher healthcare premiums for many retirees. This change underscores the importance of staying informed about policy developments, understanding available coverage options, and planning ahead to safeguard financial and health security in retirement.

For more information, please contact your advisor.

The Key Wealth Institute is a team of highly experienced professionals representing various disciplines within wealth management who are dedicated to delivering timely insights and practical advice. From strategies designed to better manage your wealth, to guidance to help you better understand the world impacting your wealth, Key Wealth Institute provides proactive insights needed to navigate your financial journey.



The Key Wealth Institute is comprised of financial professionals representing KeyBank National Association (KeyBank) and certain affiliates, such as [Key Investment Services LLC \(KIS\)](#) and KeyCorp Insurance Agency USA Inc. (KIA).

Key Wealth, Key Private Bank, Key Family Wealth, KeyBank Institutional Advisors and Key Private Client are marketing names for KeyBank National Association (KeyBank) and certain affiliates, such as [Key Investment Services LLC \(KIS\)](#) and KeyCorp Insurance Agency USA Inc. (KIA).

Any opinions, projections, or recommendations contained herein are subject to change without notice, are those of the individual author(s), and may not necessarily represent the views of KeyBank or any of its subsidiaries or affiliates.

This material presented is for informational purposes only and is not intended to be an offer, recommendation, or solicitation to purchase or sell any security or product or to employ a specific investment or tax planning strategy.

KeyBank, nor its subsidiaries or affiliates, represent, warrant or guarantee that this material is accurate, complete or suitable for any purpose or any investor and it should not be used as a basis for investment or tax planning decisions. It is not to be relied upon or used in substitution for the exercise of independent judgment. It should not be construed as individual tax, legal or financial advice.

The summaries, prices, quotes and/or statistics contained herein have been obtained from sources believed to be reliable but are not necessarily complete and cannot be guaranteed. They are provided for informational purposes only and are not intended to replace any confirmations or statements. Past performance does not guarantee future results.

Investment products, brokerage and investment advisory services are offered through KIS, member FINRA/SIPC and SEC-registered investment advisor. Insurance products are offered through KIA. Insurance products offered through KIA are underwritten by and the obligation of insurance companies that are not affiliated with KeyBank.

Services provided by KeyBank, KIS and/or KIA should not be used in substitution for independent and personal tax advice. KeyBank, KIS and/or KIA do not provide legal advice. Individuals should consult their personal tax and/or legal advisor concerning their particular situation.

Non-deposit products are:

NOT FDIC INSURED • NOT BANK GUARANTEED • MAY LOSE VALUE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL OR STATE GOVERNMENT AGENCY