



CENTER FOR CONSUMER INFORMATION & INSURANCE
OVERSIGHT

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Center for Consumer Information & Insurance Oversight

Subject: **Guidance on Hardship Exemptions for Individuals Ineligible for Advance Payment of the Premium Tax Credit or Cost-sharing Reductions Due to Income, and Streamlining Exemption Pathways to Coverage**

This guidance describes circumstances that fall under the Federally-facilitated Exchange's (FFE's) hardship exemption policy for plan year 2026 and future years to help address the significant rise in health insurance premiums by expanding access to more affordable catastrophic coverage options. Specifically, this guidance describes circumstances that will support a hardship exemption for those who are ineligible for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) due to their income, which will allow them to enroll in catastrophic coverage. In addition, this guidance describes how the Centers for Medicare & Medicaid Services (CMS) will begin streamlining the process for accessing this hardship exemption through HealthCare.gov and through the paper exemption application to make it easier to enroll in catastrophic coverage for additional populations in the future.

This guidance document expands upon prior FFE hardship exemption policy¹ by adding another example of a hardship that people may encounter for plan year 2026 and future years. This guidance does not alter current CMS regulations or create new substantive requirements for exemption applications. Any individual interested in obtaining catastrophic coverage may apply through one of the channels detailed below. CMS will continue to review and approve hardship exemptions applications under current regulations and in accordance with this guidance for the FFE and all SBEs that choose to have exemptions processed through the FFE.

Background

Per section 1302(e) of the Affordable Care Act, catastrophic coverage is available to individuals who: (i) are under the age of 30; (ii) have been certified as not being able to afford coverage because the cost of coverage under a QHP exceeds a set percentage of their income; or (iii) have been certified to have a hardship with respect to the capability to obtain coverage under a QHP. Under 45 CFR §155.605(d)(1), an Exchange will determine an individual eligible for a hardship

¹ See "Guidance on Hardship Exemptions from the Individual Shared Responsibility Provision for Persons Experiencing Limited Issuer Options or Other Circumstances" at <https://www.cms.gov/cciio/resources/regulations-and-guidance/downloads/2018-hardship-exemption-guidance.pdf>.

exemption “for at least the month before, the month or months during which, and the month after a specific event or circumstance” with respect to:

- (i) Individuals who have experienced financial or domestic circumstances, including unexpected natural or human-caused events, that resulted in significant unexpected increases in essential expenses preventing them from obtaining coverage under a qualified health plan;
- (ii) Individuals for whom the expense of purchasing a QHP would cause serious deprivation of food, shelter, clothing, or other necessities; and
- (iii) Individuals who have experienced other circumstances that prevented them from obtaining coverage under a QHP, providing flexibility for unique situations not specifically enumerated in the first two categories.

Additional Example of Hardship Exemption: Individuals Ineligible for APTC or CSRs Due to Projected Household Income

The market for individual coverage is currently experiencing significant turmoil and uncertainty. CMS and States are currently in the process of reviewing health insurer rate filings that issuers submitted for plans they propose to offer in the 2026 plan year. CMS’ review indicates that health insurance premiums across the nation will rise as a result of an unprecedented level of enrollment shifts and uncertainty stemming from policies introduced during the COVID-19 pandemic. For instance, in 2024, CMS noted its concern over unauthorized agent and broker activity and began taking action to address such activity and protect consumers from being enrolled or having their plan switched without their knowledge or consent.^{2,3}

The impact of significant rate increases may result in a hardship in obtaining coverage under a QHP, especially for consumers whose income disqualifies them to receive APTC or CSRs to lower their out-of-pocket costs. Therefore, a consumer may qualify for an exemption to purchase a catastrophic plan on or off an Exchange in accordance with 45 CFR §155.605(d)(1)(iii) if they are determined or expect to be ineligible for APTC or CSRs based on their projected annual household income.

More specifically, consumers who are ineligible for APTC or CSRs due to their projected annual household income being below 100 percent of the federal poverty level (FPL) or above 250 percent of the FPL⁴ will be eligible for a hardship exemption and enrollment in catastrophic coverage. This guidance applies to consumers in FFE states and in States served by State-based

² See “CMS Statement on System Changes to Stop Unauthorized Agent and Broker Marketplace Activity, Centers for Medicare and Medicaid Services” at <https://www.cms.gov/newsroom/press-releases/cms-statement-system-changes-stop-unauthorized-agent-and-broker-marketplace-activity>

³ See “CMS Update on Actions to Prevent Unauthorized Agent and Broker Marketplace Activity” at <https://www.cms.gov/newsroom/press-releases/cms-update-actions-prevent-unauthorized-agent-and-broker-marketplace-activity>

⁴ Typically, individuals and families with household incomes between 100 and 250 percent of the FPL may be eligible to receive CSRs. See 42 U.S.C. § 18071.

Exchanges (SBEs) that choose to have exemptions processed through the FFE, which currently include all SBEs *except* California, Connecticut, Maryland, and the District of Columbia.

A consumer who obtains this hardship exemption will be eligible to enroll in catastrophic coverage, where it is offered. Catastrophic coverage may present an affordable coverage option for consumers who are ineligible for APTC or CSRs due to their projected annual household income, and may protect against worst-case scenarios, like getting seriously sick or injured.⁵

Streamlining Hardship Exemption Processing and How to Apply

Starting November 1, 2025, when the open enrollment period for plan year 2026 begins, CMS will begin streamlining the process to allow consumers to apply for a hardship exemption through the FFE for a catastrophic plan based on being ineligible for APTC or CSRs due to their projected annual household income. Under this process, consumers may apply for Exchange coverage and financial assistance on [HealthCare.gov](https://www.healthcare.gov), or through a certified enhanced direct enrollment partner, and have their eligibility for the exemption evaluated and determined based on their projected annual household income.⁶ Consumers may also complete a paper hardship exemption application. Consumers should select “Hardship 14 – You experienced another hardship” in Section 2 of the form and provide a brief explanation of how the circumstances giving rise to the hardship prevented them from obtaining coverage for the plan year. The hardship exemption form is available online at <https://www.cms.gov/marketplace/applications-and-forms/hardship-exemption.pdf>.⁷

In addition to the above, beginning on November 1, 2025, CMS will implement enhanced procedures with the goal of streamlining hardship exemption paper application processing and reducing the administrative burden on consumers. This will allow individuals experiencing hardship to more easily be determined eligible for an exemption.

Specifically, to expedite a consumer’s pathway to catastrophic coverage, CMS may approve a consumer for a different hardship reason than the one originally requested when reviewing a completed and signed paper hardship exemption application, if:

- (i) the consumer has completed and signed their hardship exemption application; and
- (ii) the accompanying documentation or written explanation provided by the consumer meets the established criteria for another applicable hardship reason not attested to on their application.

⁵ See <https://www.healthcare.gov/choose-a-plan/catastrophic-health-plans/>.

⁶ CMS plans to begin streamlining this process for consumers ineligible for APTC due to income and expand to consumers who are over 250% of the FPL and are only ineligible for CSRs.

⁷ This link downloads the hardship application pdf and will **not** open in a separate window.