

LEGAL UPDATE

HHS Finalizes Hardship Exemption Expansion for Catastrophic Coverage



The U.S. Department of Health and Human Services' (HHS) [Notice of Benefit and Payment Parameters for 2027](#) codifies prior guidance expanding hardship exemption eligibility to individuals who are ineligible for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSR) due to their projected household income being below **100% of the federal poverty level (FPL) or above 250% of the FPL**. The final rule is effective July 20, 2026.

Background

Catastrophic health plans are [specialized plans](#) offered through the individual health insurance market. They generally have low monthly premiums and high deductibles, as they are designed to protect individuals from very high medical costs in the event of serious illness or injury. Catastrophic coverage is available only to individuals under the age of 30 and to those who qualify for an affordability or hardship exemption.

Prior Guidance

On Sept. 4, 2025, HHS released [hardship exemption guidance](#) intended to help consumers access affordable coverage amid anticipated premium increases for the 2026 plan year. Beginning Nov. 1, 2025, individuals could apply for the exemption either online (through HealthCare.gov or through a certified partner) or by submitting a paper hardship exemption form by mail.

The guidance applied to individuals in Federally-facilitated Exchange (FFE) states (i.e., states that do not have their own Exchanges) and in states served by State-based Exchanges that chose to have exemptions processed through the FFE, excluding California, Connecticut, Maryland and the District of Columbia.

Related Developments

As of Jan. 1, 2026, all individual market bronze and catastrophic plans are treated as high deductible health plans, making them HSA-compatible. As a result, eligible individuals who enroll in catastrophic coverage under the expanded hardship exemption may open and contribute to a Health Savings Account (HSA).

Final Rule

HHS' final rule expands hardship exemption eligibility to individuals in **all states** (including California, Connecticut, Maryland and the District of Columbia, which were previously excluded), **so that any individual who is eligible for the exemption may enroll in catastrophic coverage**, if otherwise eligible.

The final rule also allows catastrophic plans to have multi-year plan terms of up to 10 consecutive years. Individuals who are eligible for catastrophic coverage at the time of enrollment would remain eligible for the duration of the multi-year term.

For more details, the HHS' Notice of Benefit and Payment Parameters for 2027 Final Rule [Fact Sheet](#) is available.

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