



# LEGAL UPDATE



## HHS RELEASES HARDSHIP EXEMPTION GUIDANCE FOR CATASTROPHIC COVERAGE

On Sept. 4, 2025, the U.S. Department of Health and Human Services (HHS) issued [guidance](#) describing circumstances under which individuals who are enrolling in health coverage through the individual market but are ineligible for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) due to their income may qualify for a hardship exemption to enroll in catastrophic coverage. According to HHS, this new guidance is intended to help consumers access affordable coverage, considering the premium increases anticipated for the 2026 plan year.

### 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 only available to individuals who are under the age of 30 and others who qualify for an affordability or hardship exemption.

### KEY FACTS

Under HHS' guidance, individuals may qualify for a hardship exemption to purchase a catastrophic plan on or off an ACA Exchange (or Marketplace) if they are determined or expect to be ineligible for APTC or CSRs based on their projected annual household income. More specifically, individuals who are **ineligible for APTC or CSRs due to their projected annual household income being below 100% of the federal poverty level (FPL) or above 250% of the FPL** will be eligible for a hardship exemption and enrollment in catastrophic coverage, where it is offered.

The guidance applies 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 choose to have exemptions processed through the FFE, except California, Connecticut, Maryland and the District of Columbia.

### HOW TO APPLY

Beginning Nov. 1, 2025, individuals can apply for the hardship exemption in two ways:

1. Apply online for Exchange coverage on HealthCare.gov or through a certified partner. Household income will be reviewed as part of the application process.
2. Submit a hardship exemption form by mail.

HHS is also streamlining the review of paper applications to reduce administrative burdens. According to HHS, this will make it easier for individuals experiencing hardship and seeking a catastrophic plan to access the full range of catastrophic coverage options available.

### HIGHLIGHTS

- + The guidance expands upon prior hardship exemption policy by adding another example of a hardship that people may encounter for plan year 2026 and future years.
- + The guidance does not alter current HHS regulations or create new substantive requirements for exemption applications.

