LESSON · HEALTH CARE & ACA

The ACA Marketplace, Explained: Health Insurance Before Medicare

If you retire before 65, the ACA marketplace is where most people buy health insurance until Medicare starts. Here's how it works: what it guarantees, how plans are priced, how the subsidy is applied, and when you're allowed to sign up.

Read time: 10 minutes **Level:** Beginner **Includes:** Knowledge check

The Affordable Care Act (ACA) created the health insurance marketplaces where individuals and families buy their own coverage. For most of your working life, you probably never needed one: your employer chose the plans and paid much of the premium. Retire before 65, and that changes. Until Medicare begins, you're shopping for your own coverage, and for many early retirees the marketplace is the best place to do it.

What the ACA guarantees

Before the ACA, buying your own insurance in your late 50s or early 60s could be difficult or impossible if you had a health history. Today, marketplace plans must accept you regardless of pre-existing conditions, and they can't charge you more because of your health. Every plan covers a standard set of essential health benefits, including hospital care, prescription drugs and preventive care, with no annual or lifetime dollar limits on those benefits. Many preventive services, such as screenings and vaccines, are covered at no cost to you.

What can change your price

Marketplace premiums can vary based on only four things: your age, where you live, whether you use tobacco, and how many people are on the plan. Age matters most for early retirees. Insurers can charge an older adult up to three times what they charge a 21-year-old for the same plan, which is why unsubsidized premiums in your early 60s can be some of the highest you'll ever see.

Where you buy it

You buy marketplace coverage through HealthCare.gov or, in states that run their own exchange, through that state's site, such as Pennie in Pennsylvania or Covered California. A licensed broker can also enroll you through the exchange at no extra cost. The key point: premium subsidies are only available for plans purchased through the marketplace. A similar plan bought directly from an insurer outside the exchange doesn't qualify.

Metal tiers: how costs are split

Marketplace plans are grouped into four "metal" tiers. The tier doesn't describe the quality of care or the doctors in the network. It describes how costs are split between you and the plan. Lower tiers have lower premiums and higher costs when you use care. Higher tiers are the reverse.

The four metal tiers, on average

Bronze: the plan pays about 60% of covered costs. Lowest premiums, highest deductibles. Starting in 2026, every bronze plan sold on the marketplace is HSA-eligible, so you can contribute to a Health Savings Account alongside it.
Silver: about 70%. Silver is the benchmark the subsidy is built on, and the only tier with cost-sharing reductions (more below).
Gold: about 80%. Higher premiums, lower deductibles.
Platinum: about 90%. Highest premiums, lowest out-of-pocket costs, and not offered in every area.

A fifth option, catastrophic coverage, is generally limited to people under 30 or those who qualify for a hardship exemption, so most early retirees won't see it.

Networks matter as much as the tier

Many marketplace plans are HMOs or EPOs, which generally cover care only from doctors and hospitals in the plan's network, except in emergencies. PPOs usually offer some out-of-network coverage at a higher cost, but they're less common and more expensive in many areas. Before you choose, check that your doctors, your preferred hospital and your prescriptions are covered. If you plan to travel or spend part of the year in another state, look closely at how the plan handles care away from home. Many plans cover only emergencies outside their service area.

How the premium tax credit works

The ACA subsidy is a tax credit that lowers your monthly premium. It's built around the second-lowest-cost silver plan in your area, called the benchmark plan. Based on your household income compared to the Federal Poverty Level (FPL), the law sets the most you're expected to pay for that benchmark plan as a percentage of your income. The credit covers the rest.

The credit is a fixed dollar amount, and you can apply it to any metal tier. Choose a cheaper plan and you pay less. Choose a richer plan and you pay the difference.

Worked example

A household of two has a 2026 MAGI of $70,000, about 331% of FPL. At that income, the household is expected to pay 9.96% of income for the benchmark plan, about $581/month. If the benchmark silver plan costs $1,200/month, the tax credit is about $619/month. Apply that same $619 to a bronze plan costing $850/month and the household pays about $231/month. Apply it to a gold plan costing $1,350/month and they pay about $731/month.

You can take the credit in advance, paid straight to the insurer each month to lower your bill, or claim it all when you file your tax return. Most people take it in advance. Either way, the credit is reconciled on IRS Form 8962 at tax time using your actual income for the year. If your income ends up higher than you estimated, you repay the difference. If it's lower, you get more back.

For 2026 coverage, households above 400% of FPL receive no credit at all. That line is a hard cliff, and it has big planning consequences. The ACA Subsidy Cliff lesson covers how it works, what counts toward MAGI, and how to stay on the right side of it.

Cost-sharing reductions: the silver-plan bonus

If your income is at or below 250% of FPL, a silver plan comes with extra help called cost-sharing reductions. These lower your deductible, copays and out-of-pocket maximum, sometimes dramatically, making a silver plan cover more like a gold or platinum plan. You only get these reductions if you choose a silver plan. Early retirees who live mostly on savings, cash or Roth withdrawals can have a low MAGI even with substantial assets, so this help is worth checking.

When you can enroll

You can buy or change a marketplace plan during the annual Open Enrollment Period. On HealthCare.gov, open enrollment for 2027 coverage runs from November 1, 2026 through January 15, 2027. Choose a plan by December 15 for coverage that starts January 1. State-run exchanges set their own dates, and some run longer.

Outside open enrollment, you need a qualifying life event to open a Special Enrollment Period, usually 60 days. For early retirees, the most important one is losing employer coverage, including COBRA when it runs out. Retiring isn't itself the trigger. Losing your coverage is. You can generally apply up to 60 days before your employer coverage ends, so plan ahead to avoid a gap.

Don't assume you can switch any time

Voluntarily dropping COBRA or stopping your COBRA payments mid-year generally does not qualify you for a Special Enrollment Period. If you're comparing COBRA with a marketplace plan, the cleanest times to move are when your employer coverage first ends, at open enrollment, or when COBRA is exhausted.

Very low income: Medicaid and the coverage gap

The subsidy has a floor as well as a ceiling. In states that expanded Medicaid, a household with MAGI below about 138% of FPL is generally steered to Medicaid instead of marketplace subsidies. Medicaid eligibility for most adults under 65 is based on income only, not assets, so an early retiree living on savings with very little taxable income can qualify. That may or may not be what you want: networks can be narrower, many states are adding work or community-engagement requirements for adults under 65 starting in 2027, and some states can recover certain Medicaid costs from the estates of people who were 55 or older. In states that didn't expand Medicaid, income below 100% of FPL generally qualifies for neither Medicaid nor marketplace subsidies. If your planned income is near either line, check your state's rules before the year starts.

What happens at 65

Once you're eligible for premium-free Medicare Part A, generally at 65, you can no longer receive marketplace subsidies. Your marketplace plan doesn't end automatically, so you need to enroll in Medicare during your Initial Enrollment Period and then cancel the marketplace plan yourself. The Retiring Before 65 lesson covers the Medicare enrollment window and how to avoid late-enrollment penalties.

How Blueprint approaches this

Blueprint's Plus tier models marketplace coverage for every pre-65 year in your plan. It starts with a nationwide-average premium for your ages, then lets you replace it with the real benchmark premium from your state's exchange. It calculates your subsidy each year from your projected MAGI and shows it as its own credit line on your retirement paycheck, so you can see exactly what your health coverage costs after the credit. Blueprint also plans your withdrawals to keep MAGI at or below 398% of FPL, so a small income surprise doesn't cost you the entire subsidy.

Before you rely on the ACA marketplace:

- [ ] Find your exchange (HealthCare.gov or your state's site) and preview plans and prices for your ZIP code and ages
- [ ] Check that your doctors, hospital and prescriptions are in each plan's network
- [ ] Compare tiers by total cost, premium plus expected out-of-pocket, not premium alone
- [ ] Estimate your MAGI for the full year, and know where it falls relative to 138%, 250% and 400% of FPL
- [ ] Mark your enrollment window: apply up to 60 days before employer coverage ends, or during open enrollment
- [ ] Put your Medicare Initial Enrollment Period on the calendar, and plan to cancel your marketplace plan when Medicare starts

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KNOWLEDGE CHECK

Test what you just learned

Answer four quick questions to test what you just learned.

1. Can a marketplace plan charge you more because of a pre-existing health condition?

> A. Yes, if the condition was diagnosed in the last five years
> B. No. Prices can vary only by age, location, tobacco use and household size
> C. Only on bronze plans

2. What do the metal tiers (bronze, silver, gold, platinum) describe?

> A. The quality of the doctors in the network
> B. How costs are split between you and the plan
> C. How fast claims are paid

3. Your premium tax credit is $619/month. What happens if you choose a bronze plan instead of the benchmark silver plan?

> A. You lose the credit
> B. The same credit applies, so your monthly premium is lower
> C. The credit doubles

4. Which of these generally opens a Special Enrollment Period?

> A. Deciding mid-year that COBRA costs too much
> B. Losing employer coverage, including when COBRA runs out
> C. Turning 60

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