

Drivers of 2026 Health Insurance Premium Changes

Effects on Premiums

Insurers set premiums based on projections about future enrollment and health care spending. These projections reflect assumptions regarding health care prices, utilization, and the composition of the risk pool, and are shaped by market conditions and public policy. Changes in premiums from one year to the next reflect updates to key assumptions relative to those used previously. Each year, the American Academy of Actuaries' Individual and Small Group Markets Committee examines the key factors that may drive premium changes in the individual and small group markets for the next plan year.

EFFECT ON PREMIUMS



Expiration of Enhanced Premium Tax Credits

The enhanced premium tax credits enacted during the COVID-19 pandemic are set to expire at the end of 2025. These subsidies have improved affordability and boosted enrollment in the individual market. Their expiration is expected to result in reduced enrollment—particularly among healthier individuals—leading to higher average costs and increased premiums.

EFFECT ON PREMIUMS



Marketplace Integrity and Affordability Rule

Requirements finalized in the Marketplace Integrity and Affordability Rule¹ will significantly tighten enrollment and eligibility verification procedures in the individual market. These changes may discourage enrollment among lower-risk individuals, which could lead to higher premiums as the average cost of enrollees increases.

EFFECT ON PREMIUMS



Increased Uncertainty

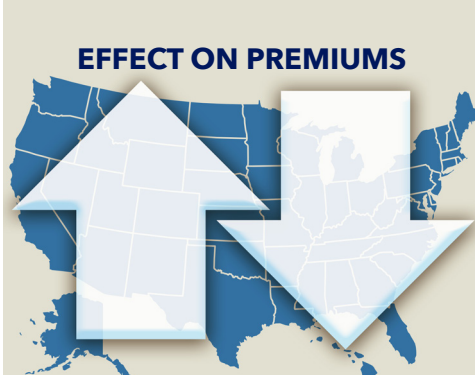
Many individual market rate filings were submitted before key federal rules and legislation were finalized, requiring insurers to make pricing decisions amid uncertainty. Even now, the effects of these policy changes on enrollment, costs, and risk pool composition remain uncertain. This elevated uncertainty may have led insurers to include higher-than-usual risk margins in their 2026 filings to account for unpredictable changes in enrollment and costs, contributing modestly to overall premium increases.

¹ [Patient Protection and Affordability Act; Market Integrity and Affordability Rule](#); Federal Register; June 25, 2025.



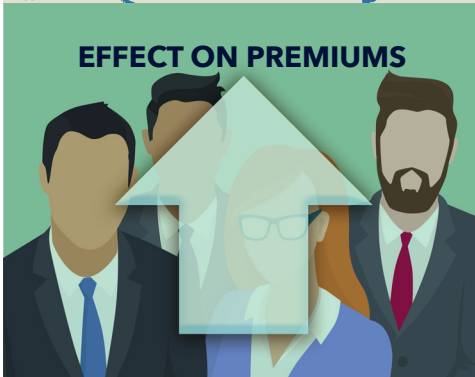
Increased Drug Spending

Drug spending is growing faster than other medical spending and adding to premium growth. Higher expected drug spending is due to higher unit price growth, launches of new expensive therapies, and the increased demand for weight loss drugs in plans that cover them. Other contributors to rising medical trends include continued inflation and expanded use of behavioral health services.



State-based Factors

Premium rate changes can vary significantly by geographic area, reflecting state legislative and regulatory requirements, as well as local market conditions. Examples of state-related factors include Medicaid expansion status, presence of or changes to a reinsurance program, state benefit mandates, and supplemental premium or cost-sharing subsidies.



Alternative Financing Arrangements for Small Employers

The small group market in most states has experienced gradual decline in enrollment. As healthier employees exit the market, average costs rise, prompting further disenrollment in a feedback loop that increases premiums. This trend is exacerbated by small employers shifting alternative arrangements such as level-funded or self-funded plans, which are not subject to the same regulatory requirements as ACA-compliant small group coverage.

This infographic was developed by the Individual and Small Group Markets Committee of the American Academy of Actuaries.



1850 M Street NW, Suite 300
Washington, DC 20036
202-223-8196 | actuary.org

Geralyn Trujillo
Senior Director, Public Policy

Cori Uccello, MAAA, FSA, FCA, MPP
Senior Health Fellow

For more **details**

SEE THE ACADEMY ISSUE BRIEF,

**Drivers of 2026 Health
Insurance Premium Changes.**