

Health Insurance Market Dynamics

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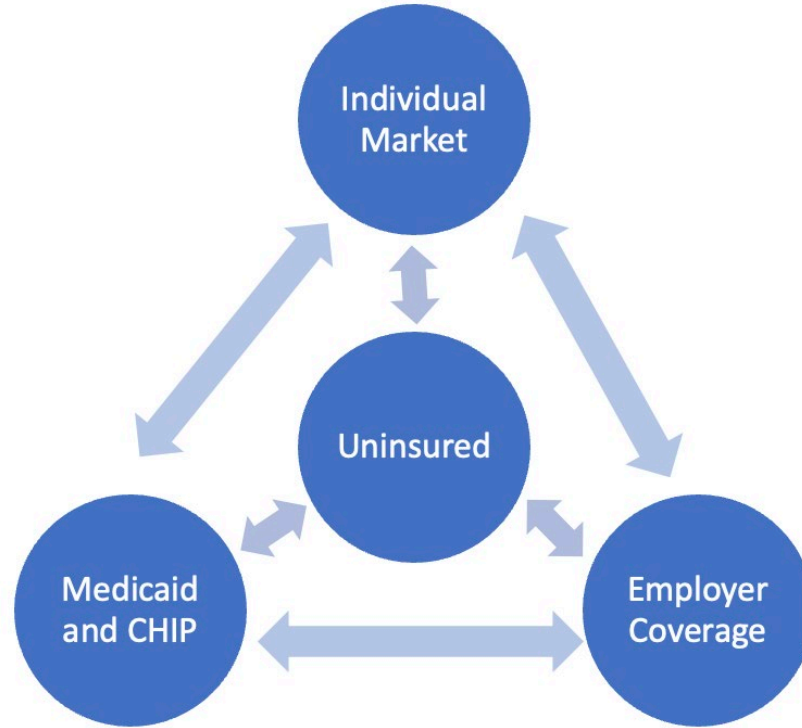
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Agenda

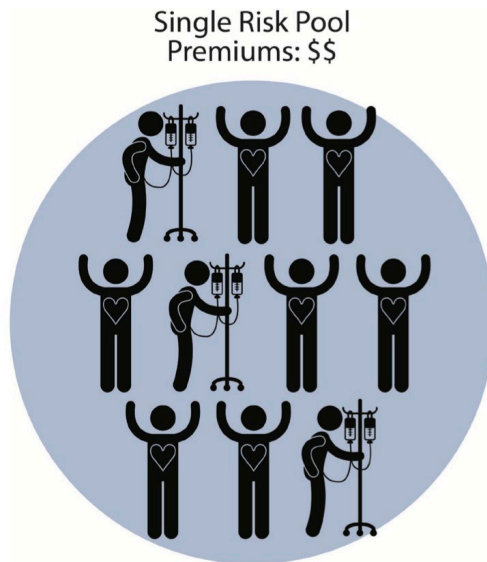
- Market stability considerations
- Key drivers of 2026 premium changes
- Key policy changes that impact premiums
- Discussion: Medicaid implications

Interconnectedness of Health Coverage Sources for the Under-65 Population



Market stability—Core Concepts

Key Components of a Stable Market & Risk Pooling



Adequate enrollment

Balanced risk pool

Reliable/Predictable
framework

Market stability—Core Concepts, cont'd

Adverse selection

- Adverse selection: When insurance is voluntary, individuals or groups with greater health care needs are more likely to purchase health insurance (and plans with richer benefits) than those with fewer health care needs
- Adverse selection in a market overall → higher premiums → more healthy individuals opting out of coverage → even higher premiums
- Avoiding such a “premium spiral” requires minimizing adverse selection and instead attracting a broad base of healthy individuals

Market Stability in the Individual Market

Policy changes that could improve stability

- Expanded use of Individual Coverage Health Reimbursement Arrangements (ICHRAAs)
 - Could improve overall risk pool and reduce premiums in the individual market if used by a broad cross-section of employees to purchase coverage
 - Employers are more likely to offer ICHRAAs when the individual market is affordable and stable
- Reinsurance or invisible high-risk pools
 - Offsetting high-cost claims could lower premiums and increase enrollment, especially among those ineligible for premium tax credits, depending on how such programs are structured and funded

Market Stability in the Individual Market

Policy changes that could threaten stability

- Expiration of enhanced premium tax credits
 - Will likely raise net premiums, lower enrollment, and increase adverse selection
- Stricter eligibility requirements
 - Will likely lower enrollment and increase adverse selection
- Increased availability of non-compliant plans
 - Could expand consumer choice in the short term, but would likely draw healthy people out of the regulated market and increase adverse selection
- Incentivizing cross-state insurance sales
 - Weakening state oversight could undermine stability in states with stronger rules

Potential impacts: Higher premiums, reduced insurer competition, and less consumer choice

Key Drivers of 2026 Premium Changes

Individual Market

Trend

Risk Pool
Composition

Other
Factors

Drivers of 2026 Individual Market Premium Changes

Medical trend factors

Inflation

- Input costs for health care services continue to increase

Continued growth in drug spending

- Higher unit price growth
- New and expensive gene, cell, and biologic therapies
- Increased demand for weight-loss drugs, if covered

Increased use of behavioral health services

- Enforcement of state parity laws
- Provider network expansions
- Provider reimbursement increases

Drivers of 2026 Individual Market Premium Changes

Risk composition factors

Market integrity rule

- Tightened enrollment and verification procedures raise adverse selection concerns → higher premiums

Expiration of enhanced premium tax credits

- Expected to reduce enrollment significantly → increased adverse selection → higher premiums

Medicaid redeterminations

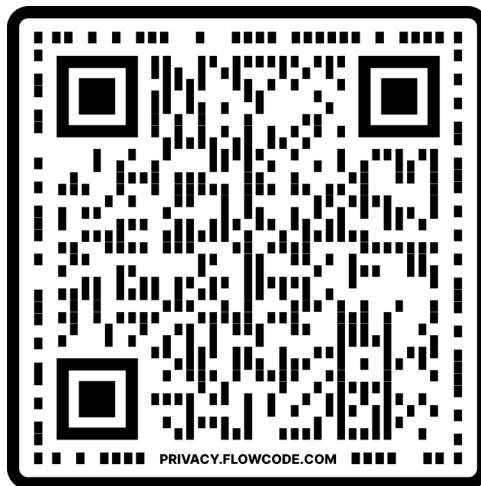
- Experience of former Medicaid enrollees currently in ACA marketplace now included in claims experience used to develop 2026 rates
- In some states, this cohort has been younger and healthier, improving the risk profile and placing modest downward pressure on rates
- In other states, this cohort appears to have higher health needs, resulting in upward pressure on rates.

Other factors impacting morbidity of the risk pool

Key Takeaways

- Market stability is foundational to affordability, competition, and consumer access in the individual market.
- Cross-market interconnectedness is critical—policy decisions regarding Medicaid and employer coverage can ripple through the individual and small group markets.
 - Collaboration across agencies to facilitate understanding of market interactions
- Premium increases in 2026 are likely due to rising medical costs, increased drug spending, and worsening risk pools.
- Policy decisions matter—expiration of enhanced tax credits and stricter eligibility verification rules could significantly reduce enrollment and increase premiums.

Appendix: Resource Guide on Health Insurance Market Dynamics



[Health Insurance Market Dynamics: A Resource Guide](#) (July 2025)

HPC: Medicaid Committee Resources

- [Medicaid Per Capita Caps: Design Considerations and Policy Implications](#)
- [Actuarial Standard of Practice No. 49, Medicaid Managed Care Capitation Rate Development and Certification](#)
- [Comment Letter: Medicaid & CHIP Managed Care Access, Finance, and Quality \(Managed Care NPRM\)](#)

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Thank You!

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