

Commercial and Individual Markets: What Goes Into the Premium Soup?

AHIP State Issues Retreat

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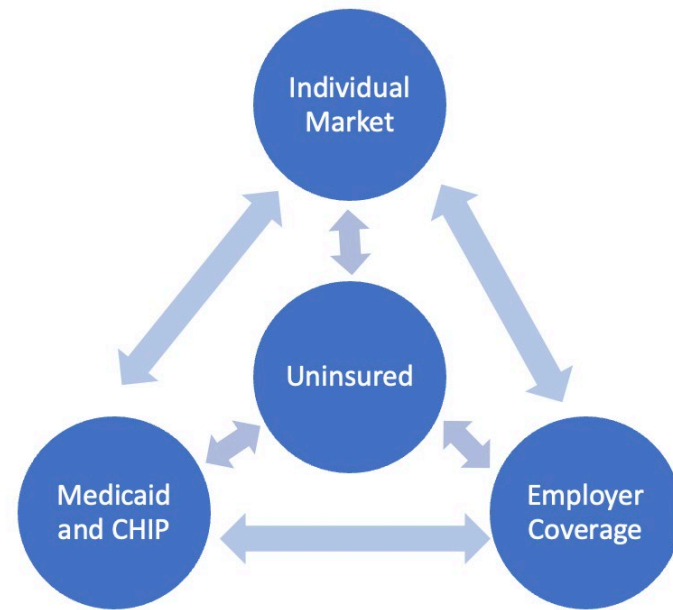


Agenda

- Interconnected Nature of Health Care Coverage and Health Care Access
- Premium Rate Development Basics
- Key Drivers of 2026 Premium Changes
 - Risk Pool Compilation & Market Stability
 - Medical Trend
 - Other Factors



Interconnectedness of Health Coverage Sources for the Under-65 Population



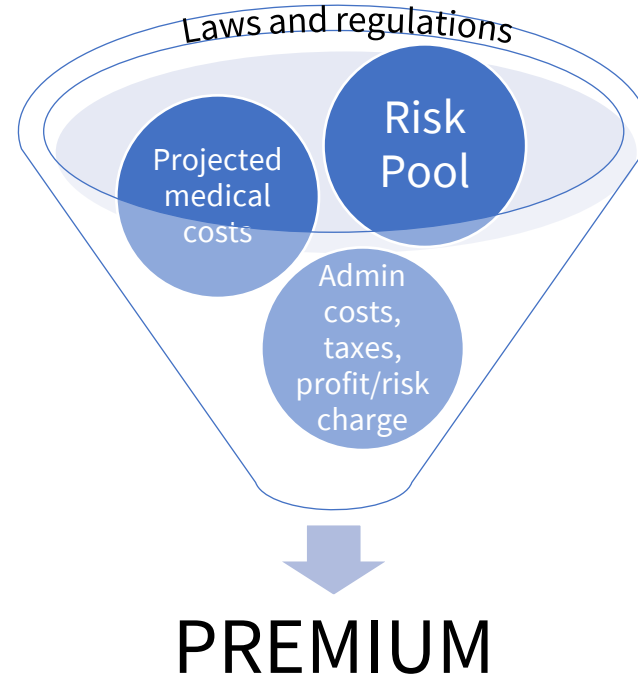
Premium Rate Development Process



Insurers develop premium *rates*, not premium *increases*.

The rate review process assesses whether premium *rates* are reasonable.

Premium Development Components





2026 Illustrative Premium Rate Development Timeline

Approximate Internal Insurer Deadlines (assumes early June submission deadline)

Product development and experience analysis	Sept. 2024– Feb./March 2025
Plan design development and actuarial value testing	Nov. 2024–April 2025
Examine prior experience and make necessary adjustments	March 2025
Set target provider reimbursement levels	Early-mid April 2025
Project data based on expected medical and Rx trend	Mid-late April 2025
Obtain internal approvals, finalize rates, prepare filing materials	May 2025



2026 Illustrative Premium Rate Development Timeline

External Deadlines

Initial rate filing deadlines*	May 2025–June 2025 (varies by state)
Final application deadline*	Aug. 13, 2025
Final limited data correction window*	Sept. 12-13, 2025
Rate filing data published	Oct. 15, 2025
Open enrollment begins	Nov. 1, 2025
Plan year begins	Jan. 1, 2026

* State-based exchanges have some flexibility to set their own deadlines, and some follow the federal deadlines

Key Drivers of 2026 Premium Changes in the Individual Market



Risk Pool Composition



Trend

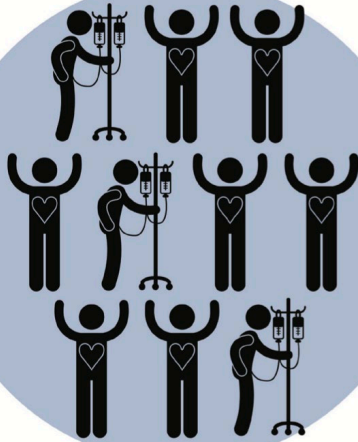


Other Factors

Market Stability—Core Concepts

Key Components of a Stable Market & Risk Pooling

Single Risk Pool
Premiums: \$\$



Adequate Enrollment

Balanced Risk Pool

Reliable/Predictable Framework

Market Stability in the Individual Market

Policy changes that impact stability

Expanded Use of
ICHRA's

Reinsurance/Invisible
High-Risk Pool

Cross-State Insurance
Sales

Availability of
ePTCs

Availability of Plans
Outside Single Risk Pool

Market
Stability

Changes in Eligibility
Requirements

Market Stability in the Individual Market

Federal and State Policies That Could Promote Stability

Increase the size of the market, bringing in healthier risks

Affordability initiatives

Risk sharing/mitigation programs

Uniform market rules, stable laws, and regulatory oversight

Policies that reduce leakage of healthier risks

Transparency requirements

Potential Drivers of 2026 Premium Changes

Risk composition factors—Individual Market

Fluid legislative/regulatory environment

Legal actions may still impact rates

Impact varies by state due to local market dynamics and state-based policies

Uncertainty

Expiration of enhanced premium tax credits

Expected to reduce enrollment significantly

→ increased adverse selection
→ higher premiums

Potential Drivers of 2026 Premium Changes

Risk composition factors—Individual Market

Market integrity rule

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

Medicaid redeterminations

Experience of former Medicaid enrollees currently in ACA marketplace now included in claims experience used to develop 2026 rates

Depending on the state, it could improve or worsen the risk pool

Potential Drivers of 2026 Premium Changes


Medical trend factors



Inflation



Continued growth in drug spending



Increased use of behavioral health services

Other Factors

State and local factors

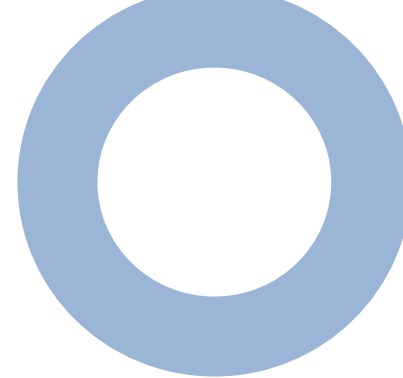
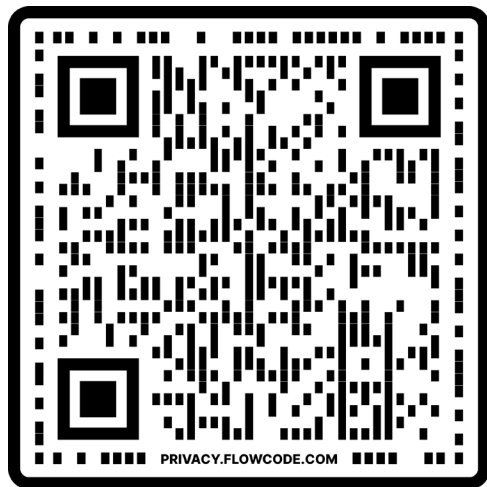
- Local market conditions
- State-specific legislative and regulatory requirements

Additional uncertainty

- Uncertainty regarding the impacts of recent policy changes on enrollment, morbidity, utilization, and prices could lead to increased risk margins

Key Takeaways

- Impact varies by state
- Cross-market interconnectedness is critical—policy decisions regarding Medicaid and employer coverage can ripple through the individual and small group markets
- Market stability is foundational to affordability, competition, and consumer access in the individual market
- 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
- Early policy clarity helps insurers price more accurately and avoid unnecessary volatility



Appendix: Resource Guide on Health Insurance Market Dynamics

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

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Thank You!

For more information, please contact
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