Health Insurance Marketplace Stability Considerations for States

Executive Summary

Affordability challenges in the individual market are expected to grow in 2026. Rising health costs, the expiration of enhanced premium tax credits, and uncertainty about future consumer behavior and federal legislative and regulatory action are putting pressure on coverage costs and market stability. In light of these challenges, this discussion brief explores potential options that state regulators and other policymakers may pursue to help improve access to affordable individual market coverage.

In the near term, states will need to weigh the trade-offs between short-term premium relief and long-term market stability. Coverage alternatives outside the marketplaces can appear more affordable to healthier individuals because they avoid costs associated with Affordable Care Act (ACA) requirements such as guaranteed issue, benefit standards, and rating rules. While these ACA provisions increase premiums, they also ensure comprehensive coverage and key consumer protections. Shifting enrollment from plans abiding by ACA rules to alternative plans can raise ACA premiums and make coverage less affordable for people with greater health needs.

Over the longer term, states have several policy tools that could improve affordability and stability in the ACA markets. Options such as state-funded wraparound premium and cost-sharing subsidies, reinsurance programs, or merging the individual and small group markets could promote a more balanced and sustainable market. In evaluating these approaches, states would need to assess the potential effects on subsidized and unsubsidized enrollees, implementation and financing requirements, potential legislative or regulatory hurdles, implications for consumers with significant health needs, and the resulting impact on overall market stability.

For this discussion brief, "single risk pool" refers to ACA-compliant individual market coverage, whether sold on or off the marketplaces, subject to federal and state rules and rated together when insurers set premiums.

Why Affordability Pressures Will Intensify in 2026

The individual health insurance market is a vital source of coverage for millions who lack access to employer coverage or public programs such as Medicare or Medicaid. However, affordability challenges are expected to grow in 2026.[1]

- Underlying cost growth: Rising health care costs continue to drive premiums upward.
- Expiration of enhanced premium tax credits: The scheduled sunset at the end of 2025 will raise net premiums for most enrollees. Healthier individuals, who are typically more price sensitive, may forgo coverage, increasing average costs in the single risk pool and raising premiums further. Others may move to less comprehensive plans, increasing their out-of-pocket exposure.
- Heightened uncertainty: State regulators and insurers face unusual uncertainty about market rules, possible Congressional action on premium tax credits, and consumer responses to higher premiums—all of which could affect insurer participation[2] and the stability of the single risk pool.[3]

Although debate continues over the merits of federal policy changes and the potential impacts of federal decisions, these factors may influence how consumers view coverage affordability and value. As a result, states may be considering options to provide local relief.

Balancing Short-Term Relief and Long-Term Stability

States have very limited ability to implement new or additional mechanisms to influence the individual market for 2026.[4] State options are largely restricted to managing the effects of premium increases and coverage pressures already unfolding. States can, however, support consumers by helping them understand subsidy eligibility and coverage options, and providing enrollment assistance. Key considerations include:

- Consumer disruption: Higher premiums and tighter household budgets could increase the risk of coverage losses and gaps in care.

1 American Academy of Actuaries; *Drivers of 2026 Premium Changes*; July 2025.
2 Robert Wood Johnson Foundation; *Marketplace Pulse: On the Eve of bit Changes What Is the Status of ACA Marketplace Participation?*; Sept. 1, 2025.
3 American Academy of Actuaries; *Strategies to Achieve Market Stability in the Individual Health Insurance Market*; July 2025.
4 American Academy of Actuaries; *The Individual Health Insurance Market 2026: An Illustrative Premium Rate Development Timeline*; July 2025.

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- Alternative coverage options: State policymakers may face calls to explore alternative coverage options for residents who view plans in the single risk pool as unaffordable or of poor value.
- Trade-offs: Some approaches may ease immediate affordability concerns but risk undermining long-term affordability and stability by drawing healthier individuals out of the single risk pool or creating new obligations for states already under fiscal strain.

Comparison of Selected Consumer Options

The table below compares consumer options available beyond single risk pool plans eligible for premium subsidies, highlighting how differences in regulation, benefit coverage, and risk selection can affect premiums and market stability.

Option	Consideration of Health Status	Scope of Coverage	Premiums Relative to Single Risk Pool[5]	Potential Effect on Premiums in the Single Risk Pool[6]
In the Single Risk Pool, and Subject to Federal and State Regulation				
Catastrophic Plans[7]	None	Covers essential health benefits (EHBs); high deductibles	Typically lowest premium in single risk pool	Minimal, although catastrophic plans are risk adjusted separately
Outside of the Single Risk Pool; Limited Federal Regulation; Regulated by States as Health Insurance				
Short-Term Limited Duration Insurance (STLD)[8]/Fixed Indemnity Plans[9]	Applicants can be denied coverage, premiums can vary by health status, and individuals with pre-existing conditions can be excluded	Benefits frequently limited	Typically lower	Likely increase if healthy enrollees shift from the single risk pool
Outside of the Single Risk Pool; Limited/No Federal Regulation; Not Regulated by States as Health Insurance				
Farm Bureau Health Plans	Applicants can be denied coverage, premiums can vary by health status, and pre-existing conditions can be excluded	Varies; not required to cover EHB	Typically lower	Likely increase if healthy enrollees shift from the single risk pool
Health Care Sharing Ministries	Applicants can be denied participation, monthly contributions can vary by health status, and pre-existing conditions often excluded	Often excludes key benefits; may cap payments	Typically lower[10]	Likely increase if healthy enrollees shift from the single risk pool
Direct Primary Care (DPC)/ Concierge Medicine	Fees are not typically based on health needs	Typically limited to in-office services	Typically lower	Likely increase if healthy enrollees shift from the single risk pool

5 Premium differences generally reflect variations in how health status is considered and in the comprehensiveness of covered benefits.
6 The magnitude of any premium changes would depend on the magnitude of enrollees shifting from the single risk pool to an alternative coverage source as well as local market dynamics.
7 U.S. Department of Health & Human Services; *Catastrophic Health Plans*; accessed Nov. 4, 2025.
8 American Academy of Actuaries; Comment letter regarding Short-Term Limited Duration Insurance; April 6, 2018.
9 U.S. Government Accountability Office; *Private Health Coverage: Information on Farm Bureau Health Plans, Health Care Sharing Ministries, and Fixed Indemnity Plans*; July 26, 2023.
10 Health care sharing ministries and DPCs are not insurance arrangements and do not charge premiums; however, members are required to pay regular (often monthly) contributions or fees that are typically lower than premiums for major medical coverage.

When coverage options are not regulated as insurance products, they fall outside most federal and state oversight. As a result, organizations promising to pay claims may lack the funds to do so (i.e., solvency risk), leaving consumers without essential protections. When plans can deny coverage, exclude coverage for pre-existing conditions, offer more limited benefits, or bypass single risk pool rating requirements, premiums or monthly payments for healthier individuals will likely be lower than single risk pool coverage, especially for unsubsidized enrollees. However, these coverages can be prohibitively expensive or entirely unavailable for those with greater health care needs, especially for individuals with chronic conditions. Additionally, options that attract healthier people out of the single risk pool raise average costs, weaken the ability to spread risk broadly, and lead to higher gross premiums for those remaining in the ACA-compliant market.[11]

Although the availability of alternative coverage options is often under the purview of state legislators and regulators, federal regulators have taken some actions that directly impact these options. For instance, restrictions on the definition of STLD insurance outlined in April 2024 regulation will not be enforced.[12] In addition, newly released guidance significantly expanded the number of individuals eligible for catastrophic plans.[13] Nevertheless, STLD coverage is not allowed in all states, and catastrophic plans are not available everywhere. Catastrophic plans could experience disruptions for plan year 2026, as final 2026 premiums have been approved, and those rates may not reflect potential shifts in the risk pool arising from the recent eligibility changes.

Longer-Term State Options

Aside from supporting consumers through outreach, education, and enrollment assistance, states have few remaining policy levers to affect 2026 outcomes. They can, however, consider steps to strengthen the affordability and market stability of the single risk pool in future years. The following table outlines selected state strategies, noting their potential impacts on subsidized and unsubsidized enrollees in the ACA market and implementation issues. Although some states have already adopted specific approaches,[14] any new implementation could face significant hurdles because most would require state legislation and/or a federal waiver application.

11 The effect on subsidized enrollees is less straightforward. For those receiving subsidies, marketplace coverage can be more generous and less costly than alternatives. Because subsidies are tied to gross premiums, premium tax credits can rise when average costs increase. This can result in the counterintuitive outcome of reduced net premiums for those using subsidies to purchase less expensive single risk pool options.

12 U.S. Departments of Labor, Health and Human Services, and Treasury; Statement of U.S. Departments of Labor, Health and Human Services, and the Treasury Regarding Short-Term, Limited-Duration Insurance; Aug.7, 2025.

13 Centers for Medicare and Medicaid Services; Guidance on Hardship Exemptions for Individuals Ineligible for Advance Payment of the Premium Tax Credit or Cost-Sharing Reductions Due to Income, and Streamlining Exemption Pathways to Coverage; Sept. 4, 2025.

14 Commonwealth Fund; *What Is Your State Doing to Affect Access to Individual Market Coverage?*; Oct. 15, 2025.

Option	Potential Impact on Federally Subsidized Enrollees[15]	Potential Impact on Federally Unsubsidized Enrollees	Implementation Issues
State-Funded Premium and Cost-Sharing Wrap-Around Assistance	Reduces premium and out-of-pocket cost-sharing spending for targeted groups	Could directly lower premiums if designed to provide subsidies to enrollees ineligible for federal subsidies. Could also reduce premiums indirectly if the risk pool improves.	Requires sustainable state funding. Available only in states with state-based marketplaces.
State Reinsurance/ Invisible High-Risk Pool via 1332 Waivers[16]	Reduced premiums would lower premium tax credits (PTCs)	Direct premium reductions	Needs ongoing funding; waiver design considerations
State Public Option via 1332 Waivers[17]	Reduced premiums could lower PTCs	Direct premium reductions	Requires provider buy-in and startup investment; waiver design considerations
State-Operated Health Coverage, e.g., Basic Health Program (BHP)	Non-Medicaid eligible people between 133% and 200% of the federal poverty level could join the BHP for low or no premium coverage; would reduce PTCs by reducing cost-sharing reduction (CSR)-related silver premium loads	Uncertain indirect effect due to changes to the risk pool. Reduces the size of the single risk pool which could lead to additional volatility.	Reduced federal funding available due to expiration of enhanced premium tax credits and stricter eligibility for tax credits and cost sharing reductions; requires administrative infrastructure
Merging Individual and Small Group Markets	Could reduce premiums and APTCs, especially as silver loads would likely decline significantly	Improved risk pool could lower premiums (effect dampened in states with 1332 reinsurance waivers)	Complex to design and transition; premium impact relative to current individual and small group market premiums likely to vary by state
State Risk Adjustment Program[18]	By reducing distortions that incentivize underpricing silver plans, could increase APTCs	Could decrease premiums for non-silver plans	Complex design and implementation
Encourage Individual Coverage Health Reimbursement Accounts (ICHRAs)[19]	Largely indirect effect: any premium change affects APTCs	Dependent on relative health status of ICHRA entrants—can lower premiums if entrants are relatively healthy or increase if new entrants are less healthy	Depends on employer uptake and federal rules

These strategies vary in how they affect subsidized versus unsubsidized enrollees, the complexity of implementation, and their potential impact on long-term market stability. Each would require careful consideration of financing, interactions with federal rules, implications for consumers with significant health needs, and effects on overall market stability.

15 For subsidized enrollees, the impact of premium changes depends on the plan they select. Those who enroll in the benchmark silver plan will generally see no change in their net premium, because APTCs adjust to match benchmark costs. But enrollees choosing other plans could see their costs rise or fall depending on how premiums shift relative to the benchmark. In some cases, higher APTCs can make bronze or gold coverage more affordable, while lower APTCs can reduce those opportunities.

16 American Academy of Actuaries; *Using High-Risk Pools to Cover High-Risk Enrollees*; Feb. 2017.

17 American Academy of Actuaries; *Expanding Access to Public Insurance Plans*; March 2019.

18 American Academy of Actuaries; *How Changes to Health Insurance Market Rules Would Affect Risk Adjustment*; May 2017.

19 American Academy of Actuaries; *Ensuring Access, Affordability, Choice, and Competition in the Individual Health Insurance Market*; March 2025.

Conclusion: State Considerations for Balancing Relief and Stability

States face immediate pressures to address affordability for subsidized and unsubsidized consumers, but responses should be weighed against their longer-term effects on market stability and consumer protection. The following considerations can help guide state decision-making:

- Monitor trends: States should track enrollment levels, insurer participation, and shifts in the risk mix. Early signs of declining enrollment, especially among healthy individuals, or insurer exits, could signal emerging market instability and warrant further policy attention.
- Assess consumer impact: Policymakers should assess whether alternative coverage products provide meaningful financial protection and access to care.
- Evaluate policies carefully: State efforts to address affordability should avoid eroding the single risk pool market. Short-term fixes that draw healthy enrollees away may exacerbate premium increases in future years and destabilize the market.
- Support stability: Maintaining a strong, balanced, and sustainable single risk pool remains essential to ensuring affordable coverage options for residents with chronic conditions and significant health care needs.

The Academy's *Health Insurance Market Dynamics: A Resource Guide* provides more information on the key policy and market factors that shape enrollment, risk pool composition, and premium trends.

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