Health Practice Council Update

Health Actuarial (B) Task Force (HATF)
Nov. 14, 2026

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Agenda

- Market Stability
- Potential Drivers of 2027 Premium Changes
- The Interconnectedness of Health Coverage Sources
- Academy Updates
- Q&A

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Market Stability—Core Concepts
Key Components of a Stable Market

Adequate enrollment to produce stable, predictable claims

A balanced risk pool, that includes not only those with high-expected claims

A reliable and predictable regulatory framework to support fair competition among financially viable insurers

Market stability can help support access to affordable insurance, consumer choice, and insurer competition

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Market Stability—Individual Market Policy Changes that Could Improve Stability

- **Expanded use of Individual Coverage Health Reimbursement Arrangements (ICHRAs/CHOICE)**
  - If offered to employees broadly across healthy and unhealthy groups, could improve risk pooling and reduce premiums in the individual market.
  - Employers are more likely to offer ICHRAs 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.

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Market Stability—Individual Market Policy Changes that Could Threaten Stability

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

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Potential Drivers of 2027 Premium Changes

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Potential Drivers of 2027 Premium Changes

The premium drivers issue brief is intended to describe the drivers of premiums changes in the upcoming plan year. It is not intended to be used or relied on by actuaries, insurers, or regulators or to be representative for any specific rate filings.

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Summary of Major Factors

- **Medical trend factors**
  - Major factors: prescription drug and cell/gene therapy spending, hospital costs and state cost-containment efforts, behavioral health utilization
  - Mixed impact of AI in coding and utilization management
- **Risk pool composition factors**
  - Risk pools are likely to increase in morbidity, increasing premiums
  - Major factors in the individual market: market integrity rules, emerging data on impact of expiration of enhanced premium tax credits
  - Major factors in the small group market: continued shifts to level-funded and self-funded coverage
- **Additional factors**
  - Local market dynamics and state-based policies
  - Greater uncertainty
  - Federal No Surprises Act arbitration process

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Medical Trend Factors

Prescription drug	Hospital	Behavioral health
• Spending continues to grow	• Spending remains a major consideration	• Spending continues rapid growth

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AI Considerations in Medical Trend

Artificial intelligence (AI) in provider and insurer interactions

- Providers are using AI to improve clinical documentation and coding completeness and to contest payment determinations, which generally increases claims costs
- Insurers are applying automated claims review and coding edits at greater volume to manage costs, though state restrictions on algorithms in utilization management programs may limit savings
- Net effect on 2027 premiums is mixed and varies by local payer and provider capabilities

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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

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Other Factors (contd.)

Balance billing protections and the No Surprises Act (NSA)

Federal Independent Dispute Resolution (IDR) volume has grown far beyond original projections

- Certifying additional IDR entities accelerated processing, but providers still prevail in most determinations (~85%), with awards often reaching multiples of the qualifying payment amount (QPA)
- Legal challenges to QPA methodology create uncertainty and upward pressure on out-of-network and premium trends (state-specific processes govern in some states

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Risk Composition Factors—Individual Market

Marketplace integrity rule

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

Expiration of enhanced premium tax credits

- Reduced enrollment → increased adverse selection → higher premiums

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Risk Composition Factors—Small Group Market

The small group market in most states has experienced a slow but steady decline

Continued shift to alternative coverage sources could continue this decline

Self-funding and level-funding among small employers

Shifts among small employers from ACA-compliant coverage to other funding arrangements could increase morbidity in the small group risk pool

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Impact of Account-Based Plans (e.g., ICHRAs/CHOICE)

An increase in take-up of ICHRA/CHOICE, could impact the individual and small group risk pools:

- Shifts workers/dependents from group coverage to the individual market
- Reported take-up of 500,000[1]
- Additional take-up will depend on the stability of the individual market and individual market premiums relative to other group options
- Significant take-up could impact the individual and/or small group risk pools, with impact depending on the relative health status of enrollees

1 https://www.insurancebusinessmag.com/us/news/benefits/the-case-for-ichra-straight-from-a-ceo-in-the-room-with-dr--oz-594808.aspx

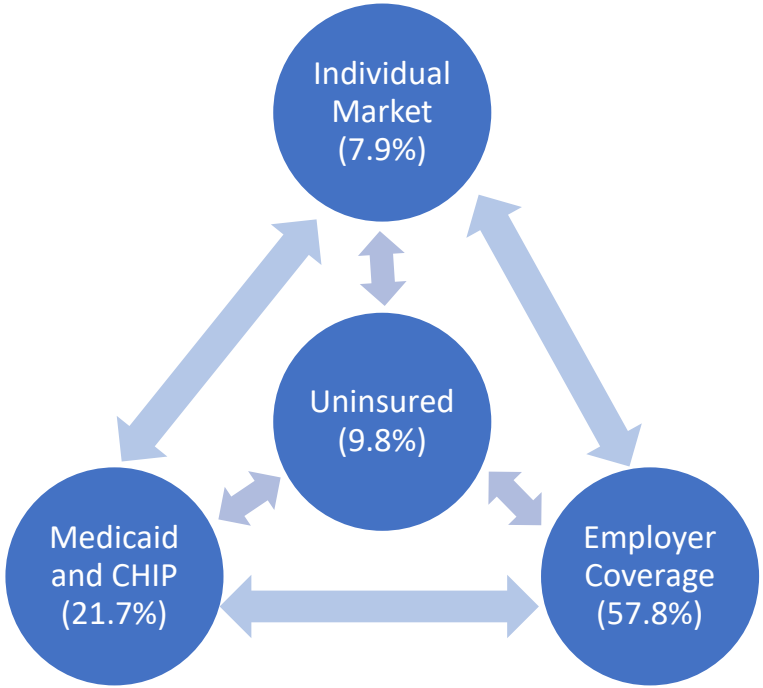
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Looking Ahead to 2028

- 2028 premiums will reflect emerging experience, including a more complete view of the impact of the expiration of enhanced premium tax credits
- Emerging alternative coverage and state waiver regulations may have greater or lesser scope than issuers currently expect, which could further complicate projection of risk pool composition.
- Changes to Exchange eligibility verification requirements included in the 2025 budget reconciliation bill could lead to further enrollment contraction, particularly for subsidy-eligible enrollees.
- Continued shifts of lower income individuals to Exchange plans with higher cost sharing, stricter Medicaid and Exchange subsidy eligibility requirements, and Medicaid provider reimbursement reductions, may affect provider contracting (especially in Medicaid expansion states).

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Interconnectedness of health coverage sources



Note: Percentages reflect the share of the under-65 population by coverage source in 2024. In addition, 1.6% of the under-65 population gets coverage through the military, and 1.2% through Medicare. Data include the civilian noninstitutionalized population.
Source: KFF estimates based on the 2024 American Community Survey.

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Relevant Resources

Publications

- Health Insurance Market Dynamics Resource Guide
- The Interconnectedness of Health Coverage

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Upcoming Events

- **Leadership Summit & Governance Transition,** Dec. 10, 2026
- **Professionalism Webinar: Tales from the Dark Side,** Dec. 18, 2026
- **Policy Summit & Hill Visits,** March 8-9, 2027

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Recent Publications

- **GLP-1 Medications: Cost and Coverage Considerations**
- **Medicare's Financial Condition: Beyond Actuarial Balance**
- **HPC Comments on ASOP No. 49**—Medicaid Managed Care Capitation Rate Development
- **HPC Comments on ASOP No. 45**—The Use of Health Status Based Risk Adjustment Methodologies

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GLP-1 Issue Brief Key Takeaways

- GLP-1s offer significant health benefits, but treatment continuation largely determines their ultimate value and impact.
- Coverage is most likely to generate positive returns for higher-risk populations; cost neutrality remains unlikely for lower-risk groups.
- Policymakers face ongoing trade-offs between expanding access, managing costs, and addressing health equity concerns.

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Medicare Issue Brief Key Takeaways

Medicare faces three distinct financing challenges:

- The Federal Hospital Insurance trust fund expenditures will exceed income starting 2027. The 2026 Trustees Report projects trust fund depletion in Q2 2033—one quarter earlier than last year's estimate. At that time, only 89% of scheduled benefits could be covered.
- The Supplementary Medical Insurance trust fund has no depletion date since premiums/federal contributions adjust annually, but rising costs still strain beneficiary and federal budgets.
- Total Medicare spending is projected to grow from 3.9% of GDP (2025) to 7.5% (2100), raising long-term fiscal concerns. action remains necessary—delay risks larger future burdens on beneficiaries, providers, and taxpayers. Any reforms should weigh impacts on care access and affordability alongside financing goals.

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You’re invited!



YOU’RE INVITED

Academy Reception & Dinner

DATE

Saturday, Nov. 14

RECEPTION

6 p.m. – 7 p.m.
Grapevine Terrace

DINNER

7 p.m. – 9 p.m.
Escondido Room 1/2/3

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Questions?

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