

## Issue Brief: What States Can Do Now to Promote Affordable, Competitive ACA Marketplaces

### I. INTRODUCTION

Federal changes to the Affordable Care Act (ACA) marketplaces have made coverage less affordable and reduced enrollment and, with the effects expected to grow in the coming years, could potentially lead to marketplace instability. In 2025, the enactment of the One Big Beautiful Bill Act (OBBBA, P.L. 119-21), the expiration of enhanced premium tax credits that made insurance more affordable, and a variety of federal rule changes limited eligibility, raised the cost of out-of-pocket premiums, and increased administrative barriers to coverage. Together, these changes are expected to cause enrollment to decline by at least 7 million people over the next ten years, according to the Congressional Budget Office.

### II. CONTRIBUTING FACTORS TO POTENTIAL MARKETPLACE INSTABILITY

Federal changes taking effect in 2026 led to higher marketplace premiums and lower enrollment.

- **Expiration of enhanced premium tax credits (PTCs):** PTCs are available in advance to low- and moderate-income households to offset the cost of monthly premiums. COVID-era laws increased the value of those subsidies, further lowering premium costs (to zero for a significant portion of the market) and making people at higher income levels newly eligible for help. The enhanced PTCs expired on December 31, 2025, more than doubling average marketplace premium for subsidized persons. Higher premiums led to lower enrollment and a shift toward plans with higher cost-sharing during the 2026 open enrollment period.
- **OBBBA:** The OBBBA eliminated marketplace subsidies for certain very low-income lawfully present noncitizens beginning in 2026, with further cuts to lawfully present noncitizen coverage slated for 2027. It also imposes new paperwork burdens on people wishing to renew their marketplace coverage beginning in 2028, effectively ending the standard insurance business practice of autorenewal. Reducing eligibility and adding administrative hassles will decrease enrollment and further increase average premiums.
- **Federal regulatory changes:** Recent federal rules have increased marketplace verification procedures, mostly for low-income people; limited the circumstances in which individuals can enroll mid-year; allowed health insurers to pay a smaller share of overall plan costs; and changed a formula underlying the PTC calculation that increased the share of the total premium a patient must pay and raised their out-of-pocket expenses. They have also expanded access to less comprehensive health insurance plans and made changes to network requirements. These changes raise out-of-pocket costs, reduce access and make it more difficult for people to enroll in coverage.

Collectively, the combination of higher premiums, decreased eligibility, and greater red tape requirements for eligible individuals to sign up and keep coverage will not only cause millions to lose coverage across the country but potentially place the stability of the marketplaces at risk as each factor has accelerating impacts on the other. This cycle of higher premiums and lower enrollment has several downstream effects. First, gradually more people will become uninsured, limiting access to health care and increasing providers' uncompensated care demands. Those that do enroll in coverage may choose lower-premium plans with higher deductibles and other out-of-pocket costs that make it harder for people to access health services when they need them.

### III. STATE OPTIONS TO SUPPORT STABLE MARKETPLACES

States can take steps to counteract the impact of federal changes and improve marketplace coverage access and affordability for their residents. In general, the 19 state-based marketplaces (SBMs) have greater control of their insurance markets and can take more aggressive action, but the states participating in the federally facilitated marketplace (FFM, also known as HealthCare.gov) also have options.

Below are several policy options that states can undertake to promote a stronger, more affordable marketplace.

1. **Subsidize Premiums (SBMs).** Ten SBMs directly supplement federal premium subsidies with their own marketplace or state dollars in order to stabilize enrollment and affordability. In a time of general enrollment downturn—enrollment dropped by 1.2 million in 2026, as compared to 2025—**New Mexico** increased enrollment by 17 percent by entirely backfilling the lost federal enhanced subsidies. **California** also bucked the trend and stabilized its enrollment, especially among low-income people, by allocating \$190 million to fund premium subsidies for the lowest-income, most price sensitive enrollees. Enrollment also increased in **Maryland**, given its generous subsidies that, most notably, target younger people.

Despite proof of concept, many of these enhanced state subsidies are time limited and not likely to be extended permanently. A source of durable funding, such as a broad-based insurer tax or pairing state subsidies with a reinsurance waiver, are potential ways to sustain these state subsidies.

**Advocacy Message:** Enact state subsidies that supplement federal PTC. This can be done through state general funds, or a state can consider permanent funding, such as through a broad-based insurer tax or with the help of a reinsurance waiver that will allow the state to draw down federal funds.

2. **Safeguard Against “Junk” Plans (FFM and SBMs).** Health plans that do not follow ACA insurance market rules, sometimes called “junk” plans, are a destabilizing force that states can protect against. These plans include short-term, limited duration plans (STLDI), Farm Bureau plans, and health care sharing ministries (a market which has been exploited by fraudulent plans). While the types of plans and who they are marketed to may be somewhat different, the bottom line is the same for this variety of plans: they fail to abide by most of the ACA’s most important patient protections. These plans can be terminated mid-year (coverage recission), charge higher premiums due to a patient’s health or gender, contain pre-existing condition exclusions, forgo essential health benefits, apply excessive cost-sharing, and charge cost sharing for preventive services.

States have the ability to regulate these plans, but many do not. States could ban one or all categories of non-ACA compliant plans or could require those plans to comply with ACA rules. More narrowly, states can look at these plan types individually. For example, states can ensure that the terms of STLDI can be no longer than three months and cannot be renewed and that they cover pre-existing conditions. States could pass a law that requires health care sharing ministries to comply with other insurance rules. Further, Farm Bureau plans are a new type of plan and need state authorizing legislation; states could halt or repeal such legislation.

**Advocacy Message:** Plans that don’t comply with the ACA’s insurance rules leave patients vulnerable to higher, unexpected out-of-pocket costs and having care denied due to their health or medical conditions when they need it the most. STLDI, Farm Bureau plans, and health care sharing ministries bypass the ACA’s protections, often without enrollees being aware of the plans’ limitations. Legislatures should rein in STLDI plans by limiting them to truly “short-term” plans for temporary coverage (3 months) and stop new types of non-ACA compliant plans from forming. The insurance commissioner should use their authority to regulate these plans and to improve transparency, so enrollment, plan limitations, and broker behavior are all better known.

3. **Establish a Reinsurance Program (FFM and SBMs).** Reinsurance allows health insurers to shift some of their claims risk to the federal government, within defined parameters. By shedding some of the highest claims exposure, insurers can bring down premiums. Lowering total premiums reduces federal PTC costs. Marketplaces can claim those federal savings to reinvest in the reinsurance program—or in other marketplace-related programs—by seeking a federal waiver under Section 1332 of the ACA (called a 1332 waiver).

As of January 1, 2026, more than a dozen states have 1332 waivers for reinsurance programs. Some states have seen sizable premium reductions due to reinsurance under 1332 waivers. For example, in 2025, **Alaska** saw a 30 percent average decrease in premiums. **Maryland's** reinsurance program lowered premiums by more than 30 percent in its first three years. Premiums in some **Georgia** insurance rating areas fell by nearly 11 percent. **Colorado** has also seen significant savings. Its reinsurance program led insurers to drop premiums by 25 percent in 2025.

Reinsurance improves market stability and competition and brings down the total premium but does not affect the amount subsidized marketplace enrollees pay in out-of-pocket premiums. Most subsidized enrollees pay a premium based on a share of their income—an amount that holds steady regardless of the total premium. The enrollees who benefit from lower total premiums are those with higher incomes or are ineligible for PTC for other reasons.

**Advocacy Message:** A 1332 waiver for a reinsurance program can lower total premiums at little cost to the state and allow the state to draw down federal funding to dedicate to programs in addition to reinsurance, such as premium subsidies. The state should study the feasibility of establishing a reinsurance program.

4. **Invest in Outreach (FFM and SBMs).** While broad communications campaigns are useful, individual enrollment assistance and community outreach are effective tools to help people enroll. This will be especially true for people who struggle with high paperwork burdens or for immigrants who, even if still eligible for coverage, are likely to experience a “chilling effect” that deters enrollment. In February 2025, funding for such activity from enrollment assisters called Navigators was cut by nearly 90 percent, from \$98 million in 2024 to \$10 million in 2025, in FFM states. SBMs have maintained or increased their outreach and direct assistance funding. While health insurance brokers serve a large number of consumers, some studies indicate that they have incentives to steer patients into plans with higher commissions, which may include ACA non-compliant plans, and sometimes push these plans as supplements to marketplace plans or in place of them.

While the federal government controls the official marketplace Navigator purse strings, any state could choose to supplement federal enrollment assistance with grants to community groups that meet federal Navigator standards or are chosen through another method by states.

**Advocacy Message:** Individual application assistance and working with trusted community groups are key to maintaining enrollment, especially among low-income people. State funding for targeted enrollment assistance can help stabilize marketplace enrollment.

## CHEAT SHEET: ASKS FOR LEGISLATORS AND REGULATORS

### 1. Subsidize Premiums

- State premium subsidies are effective tools in bolstering enrollment.
- Legislators can establish state-funded premium subsidies to supplement federal tax credits and maintain affordability.

### 2. Safeguard Against “Junk” Plans

- Plans that don't comply with the ACA's insurance rules leave patients vulnerable to higher out-of-pocket costs and having care denied due to their health or medical conditions.
- Short-term, limited duration plans (STLDI), Farm Bureau plans, and health care sharing ministries (a market which has been exploited by fraudulent plans) bypass the ACA's protections, often without enrollees being aware of the plans' limitations.
- Legislators can crack down on these programs by making them comply with ACA rules.
- Insurance regulators can require transparency about these plans, including what they offer, how they are sold, and how many people enroll.

### 3. Establish a Reinsurance Program

- A reinsurance program can reduce premiums by shifting insurers' high claims costs to the state. This lowers federal expenses, and that money can be recouped and brought back to the state via a Section 1332 waiver.
- In addition to funding the reinsurance program, the waiver might generate federal funding for improvements like additional state premium subsidies.
- Legislators (or a regulator, if in their authority) can evaluate how much federal funding a Section 1332 reinsurance waiver could draw down and the best use for it.
- If determined to be beneficial, legislators can enact legislation and funding mechanisms to implement and sustain a reinsurance program that stabilizes premiums and maintains insurer participation.

### 4. Invest in Outreach

- Individual enrollment assistance and community outreach are effective tools in boosting enrollment among vulnerable people.
- Legislators can appropriate state funding to supplement Navigator programs and partner with trusted community-based organizations to reduce enrollment barriers. This funding could be used to provide grants to trusted organizations to deliver culturally competent outreach and application support for low-income, immigrant communities, or other at-risk communities.