

Frequently Asked Questions: The Affordable Care Act Rates Review Process

Background

The Maryland Insurance Commissioner approves – after rigorous analysis – rate changes submitted by health insurers for Affordable Care Act-compliant health insurance in the individual and small group health insurance and stand-alone dental markets in Maryland. The individual market refers to policies sold to people and family units directly by an insurance company. The small group market refers to policies that are sold to employers with 50 or less full-time employees.

How many Marylanders are impacted by these rate changes?

About 294,000 Marylanders are covered through the individual market. The actual percentage by which the rates for a specific plan will change depends on the carrier and plan.

About 203,000 Marylanders are covered through the small group market.

About 100,000 Marylanders receive dental coverage through the stand-alone dental market.

How do the rates look this year?

The rates for individual health insurance plans subject to the Affordable Care Act (ACA) will change/increase by an average of 13.4% for 2026.

Notably, the approved individual market rates are 3.7% lower on average than insurance carriers originally requested, which represents a total annual premium savings of \$55 million for Maryland consumers.

The rates for small group health insurance plans under the Affordable Care Act will increase by an average of 4.9% in 2026. This is a reduction of 0.6% from the originally requested 5.5% average, reducing the market's total annual premium by more than \$10 million.

What's Driving the Increase in Rates?

In the individual market, the 13.4% increase was driven by the expiring federal tax credits, as well as increased medical and pharmaceutical costs. The anticipated expiration of enhanced federal tax credits at the end of this year is expected to result in lapsed policies and impact the overall health status of people who get insurance through Maryland Health Connection, and thereby the cost of coverage in the pool, unless Congress takes action to reauthorize the tax credits.

In addition, based on current trends, health care costs are expected to increase 6.5% – including 4.8% for hospital services, 6.1% for professional physician services and 10.4% for pharmaceuticals. Unlike in other states, hospital cost growth in commercial health insurance products is contained due to Maryland's unique hospital payment model. Pharmaceutical use and costs continue to be a key driver of commercial health costs in Maryland.

How does that compare to other years?

The overall average rate increase in the individual market is substantially higher than recent years.

The 13.4% increase was driven by two major factors. First, medical and pharmaceutical costs are increasing at a rapid rate. Overall, based on current trends, costs are expected to increase 6.5% in 2026 – including 4.8% for hospital services, 6.1% for professional physician services and 10.4% for pharmaceuticals. Additionally, the anticipated expiration of enhanced federal tax credits at the end of this year is expected to result in lapsed policies and impact the overall health

status of people who get insurance through Maryland Health Connection, and thereby the cost of coverage in the pool.

However, it is important to note that Maryland's ACA rates continue to be among the most affordable in the country, despite the 2026 increase.

For historical perspective, as recently as 2017, the insurance companies were requesting a 43.1% average increase in individual market premiums for the 2018 calendar year. The Insurance Administration approved a 33% increase in individual market premiums that year.

This is the average rate increase/decrease history for the individual market back to 2017:

2017	25.2%
2018	33.0%
2019	-13.2%
2020	-10.3%
2021	-11.9%
2022	2.1%
2023	6.6%
2024	4.7%
2025	6.2%
2026	13.4%

Why is Maryland's individual market more affordable than most states?

Maryland's innovative, state-based Reinsurance Program had a major, positive impact on individual market premiums.

The Reinsurance Program was designed to decrease rates by 30% within three years, with future rate changes tied to increases or decreases in health care claim trends. It was implemented in 2019 and, by January 2021 had resulted in a 32%

overall average reduction in individual market rates approved in 2018. Since then, approved individual market rate increases have correlated with health care claim trends.

The Reinsurance Program was originally approved for 2019-2023. An extension from 2024-2028 was approved by the federal Centers for Medicare & Medicaid Services (CMS) in June 2023.

What is the Review Process for the Rates Submitted for Affordable Care Act (ACA) Health Insurance Plans?

- 1) The health and dental Insurance companies that sell ACA products in Maryland file their proposed rates with the Insurance Administration in the spring for the next calendar year.
- 2) The Insurance Administration releases to the public the rate changes the insurance companies are requesting – along with notice of a public hearing on those changes, and documents associated with the requests.
- 3) The companies' requested rate changes are closely reviewed and analyzed by the Insurance Administration. This review is conducted primarily by the Office of the Chief Actuary.
- 4) By law, the Maryland Insurance Commissioner must disapprove or modify any proposed premium rates that appear excessive or inadequate for the benefits offered. They also must not be unfairly discriminatory.
- 5) The Insurance Commissioner announces the approved rates for the next calendar year in September.
- 6) Most of the information part of ACA rate filing is available to the public.

How is Maryland helping consumers with the increased cost of health insurance?

Under the leadership of Governor Moore, the state has created a new subsidy program for all ages for those who are under 400% of the federal poverty level to help offset the expiration of the enhanced federal tax credits. The state subsidy program will replace 100% of the enhanced federal subsidies for those under

200% of federal poverty level and will replace 50% of the enhanced federal subsidies for those between 250% and 400% of the federal poverty level. Those over 400% of the poverty level will not receive a state subsidy, and will be most impacted by the loss of federal enhanced tax credits, unless Congress takes immediate action.

Did any rates decrease for 2026?

Yes! The Maryland Insurance Administration approved an average rate decrease of -1.4% for dental rates in the individual market, compared to the -1.3% initially filed by insurers.

Did the public have input in the rates process?

The Insurance Administration held a virtual public hearing on the submitted rates on Wednesday, July 30. We also solicited written comments. The video of the hearing and written testimony can be found here:

<https://insurance.maryland.gov/Pages/newscenter/NewsDetails.aspx?NR=2025376>