Implications of Ending Silver-Loading on the Individual Market

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Background

Cost sharing reduction (CSR) plans are offered to low-income individual insurance buyers under the Patient Protection and Affordable Care Act (ACA). Such plans provide reduced cost-sharing amounts such as deductible, coinsurance and copays through silver plan variants (73%, 87% and 94% actuarial values) relative to the standard silver plans (70% actuarial value). Prior to October 2017, the difference in cost sharing amounts between the standard silver plan (70%) and the silver plan variants (73%, 87% or 94%) were reimbursed by the federal government. After CSR payments were ended, insurers had to increase premiums to offset the CSR costs not being reimbursed in the silver plan variants. This increase in premiums often referred to as "CSR or silver loading."

Since CSR loading increases premium costs on silver plans that determine subsidies, they also increase federal payments for premium tax credit (PTC) subsidies. Guidance from the U.S. Department of Health and Human Services (HHS) on silver plan pricing has evolved over time.[1]

There are three types of CSR loading currently in place in ACA markets:

- Broad loading: Increase premiums for all metal level QHPs in the individual exchange market to collect enough revenue to offset the CSR costs of the silver plan variants enrollees.
- Silver loading:
    - On/off exchange: Increase premiums for all silver plans.
    - Qualified Health Plans (QHPs): Increase premiums, functionally, for only on-exchange silver plans.

Only two states (Mississippi and Indiana)[2] apply a broad load currently. Most states add the cost of CSRs to silver on exchange-only plans. Since PTC subsidies are based on the second lowest cost silver on-exchange plan, this approach increases the PTC and reduces premiums for all plans for subsidized members the most of all loading methods. Some states (Texas, Vermont, and New Mexico) have mandated a silver on-exchange load, assuming that the majority of consumers purchasing silver plans on exchange are eligible for the highest actuarial value CSR plans (87% or 94%).

The impact of this is that the federal government is likely paying out more in additional PTC subsidies than would have been paid if CSR payments were fully funded. On Friday May 2nd, CMS released

[1] https://aspe.hhs.gov/sites/default/files/migrated_legacy_files/130481/ASPE_IB_CSRs.pdf
[2] https://www.healthinsurance.org/obamacare/the-acas-cost-sharing-subsidies/

guidance related to 2026 rate filings, which is significant and highly urgent, especially for states with May filing deadlines.[3, 4] The guidance relates to silver-loading and CSR payments.

The first bulletin provided instructions to all issuers regarding plan year 2026 individual market rate filing justifications. CMS is requiring issuers that load premiums to compensate for the defunding of the CSR payments and cost of offering CSR plans to:

- Specify the actual CSRs paid for enrollees in Plan Year 2024
- Explain how the 2026 load amount was determined for Plan Year 2026

Additionally, in states without an Effective Rate Review Program[5], issuers will be required to submit two rate filing justifications, one assuming broad loading rather than silver loading for CSR plans and one assuming Congress appropriates funds to make CSR payments to issuers.

The second bulletin encourages states permitting CSR loading to offer off-exchange plans without any CSR loading to provide unsubsidized consumers with more affordable coverage. This bulletin clarifies that CMS interprets the definitions at 45 CFR § 144.103 to allow a plan sold exclusively off-exchange without a CSR load to be recognized as offering a different cost-sharing structure than an otherwise identical plan with a CSR load that provides CSR payments. Therefore, a plan sold exclusively off-exchange without a CSR load would constitute a unique plan relative to an otherwise identical plan with a CSR load. Today, most states require on-exchange silver loading, so most consumers already have access to unloaded coverage either through on-exchange bronze or gold plans or through off-exchange plans.

These two pieces of guidance were made more salient when on May 22, 2025, the House of Representatives passed a bill that included funding for CSR payments. Currently, the final status of CSR payments for the 2026 benefit year has not yet been determined. Given this uncertainty, issuers should consider the following key pricing considerations, especially in the event that CSR funding or regulatory changes alters the current silver-loading environment.

Key General Pricing Considerations

One of the difficulties in determining what impact changes CSR funding would have on the individual market is that there have been so many large and impactful changes since CSR funding ended. For example, there have been several policy changes and market dynamics that have increased enrollment in recent years:

- Medicaid Redetermination after the Public Health Emergency (PHE): Medicaid redeterminations were paused during the PHE. States began redetermining Medicaid eligibility for the continuous enrollment population in April 2023 wrapping up in mid-2024. Nationally, 31% of Medicaid enrollees

[3] https://www.cms.gov/files/document/py-26-individual-market-rate-filing-instructions.pdf
[4] https://www.cms.gov/files/document/offering-exchange-only-plans-without-csr-loading.pdf
[5] Oklahoma, Tennessee, and Wyoming

were taken off Medicaid with large variances by state ranging from 12% to 57%.[6] Many of these enrollees shifted to exchange coverage.

- American Rescue Plan Act (ARP) enhanced PTC subsidies (ePTC): The ARP temporarily enhanced PTC subsidies to help make health insurance more affordable during the COVID-19 pandemic. These significantly reduced the cost of ACA plans, expanding eligibility for subsidies beyond the 400% federal poverty level (FPL) cap and increasing subsidy amounts below the 400% FPL. These ePTC were continued through the end of 2025 through the Inflation Reduction Act (IRA).

These two policy impacts have increased national exchange enrollment from 11.4 million in 2020 to 24.3 million in 2025. However, there are several headwinds occurring in 2026 that will negatively impact enrollment and morbidity for exchange populations that make estimating impact of CSR funding incredibly difficult. Of specific concern are the following items.

- Expiration of ARP ePTC: The enhanced subsidies are set to expire at the end of 2025. The subsidy "cliff" will return for enrollees with incomes more than 400% of the FPL, and enrollees with incomes under 400% FPL will have higher net premium expenses.
- Additionally, a proposed Marketplace Integrity and Affordability rule that will also result in decreased marketplace enrollments in 2026.[7]

The new guidance from CMS indicating that broad loading could be required in the future or indicating the CSR reconciliation payments will resume could also have negative impacts on enrollment and morbidity. Either of these changes will decrease PTC subsidy dollars and will increase net premium costs for most enrollees.

Key Considerations for CSR Appropriations

In the event that the CSR payments are appropriated by the federal government and revert back to earlier CSR reconciliation process's (such as the process that was in place prior to 2018), issuers will be reimbursed for cost-sharing differences between CSR silver plan variants (73%, 87%, 94% AV) and the standard silver plan (70% AV). However, these payments would not account for the overall induced demand differences that result from a richer plan design. As an illustrative example, a member enrolling in 94% CSR plan variant is expected to incur four primary care physician (PCP) visits with a $10 per visit copay (with a $150 per visit overall service cost); a member enrolling in 70% CSR plan variant is expected to incur three PCP visits with a $45 per visit copay. Appropriated CSR payments would reimburse the issuer $35 ($45 standard benefit minus $10 94% variant benefit) for the 94% CSR member's four PCP visits but not $105 cost associated with the one additional visit incurred by the 94% enrollee. Hence, issuers will still need to price for the induced utilization of services in their silver plan rates.

[6] https://www.kff.org/medicaid/issue-brief/an-examination-of-medicaid-renewal-outcomes-and-enrollment-changes-at-the-end-of-the-unwinding/

[7] For more information, see our Wakely white paper: https://www.wakely.com/wp-content/uploads/2025/04/pricing_considerations_for_program_integrity_rule.pdf

Many markets will experience changes in premium relativities by metal tier, particularly in states with currently high mandated CSR silver loads in place in plan year 2025[8]. In most instances, the mandated CSR silver loads are predicated on the expectation of rational consumer behavior with the majority of silver enrollment comprised of members in the 87% and 94% CSR variant plans. These members have much lower cost sharing relative to the standard silver plan and, as a result, are expected to exhibit higher levels of induced utilization. This leads to a high silver CSR load and, in turn, high gross silver premiums.[9]High silver premiums increase the PTC premium subsidy, which lowers the bronze and gold plan net premiums. Other states allowed the use of an inverted induced utilization curve where bronze plans are priced with a higher induced utilization factor than silver plans. States with such characteristics may observe greater enrollment disruptions than others. While the enrollment impact of this change is largely overlapping with the impact of the expiration of the ARP/IRA enhanced advanced premium credits in 2026, since both of these regulatory changes lower PTCs, the impacts would vary by state and lower consumers' purchasing power through higher net premiums than they would have experienced otherwise, particularly those in the lowest income brackets.

States with reinsurance waivers are expected to receive less federal pass-through funding and, depending on state funding structure, could see varying impacts on the program richness. For instance, states that have a fixed program funding appropriated in state budget (e.g., Wisconsin) would have to increase the state share of the funding and would result in a higher premium reduction given the lower silver premiums and hence market average premiums.

There are also implementation questions as to how CSR payments may differ from previous operations. The inherent uncertainty and increased risk could lead to higher risk margins, as well as issuers leaving the ACA markets altogether to avoid adverse financial outcomes.

Key Considerations for Broad Silver Loading

As noted above, the broad loading CSR payments could take several forms, but is more likely to be applied to QHPs of all metal tiers and not affect the plans offered off exchanges. Similar to the CSR appropriation scenario, each metal tier premium would still need to account for the induced utilization of services associated with the particular metal tier, and it is expected that a portion of the current CSR load would remain in the silver rates.

By spreading the cost-sharing costs over all metal QHPs, the overall result would be an increase in the bronze and gold gross premiums, and a decrease in all silver gross premiums. Subsidized enrollees enrolling in plans other than the benchmark plan would experience a larger net premium increase as a result of the drop in the benchmark rate and hence a decrease in the PTC amount, particularly those enrolling in non-silver plans. The associated enrollment decrease could be substantial and would depend on state specific characteristics, including the demographic characteristics of the risk pool and also competitive forces. In our modeling of one market impact, when evaluated in isolation (assuming enhanced PTCs would continue and a broad loading would be required), the result was representative

[8] Effects of State Cost-Sharing Reduction Pricing Guidelines on ACA Plan Premiums | SOA
[9] Gross premiums are premium prior to the application of premium tax credits.

of about two-thirds of the decrease associated with the expiration of ePTCs. Hence, this could have a material and destabilizing effect on the market.

The combination of broad loading and higher premiums due to a worsening risk pool would result in an additional overall increase in the rates. Unless broad loading is applied across the entire market (on and off exchanges), the off-exchange silver plans would be somewhat less expensive due to the lack of any additional induced utilization and broad loading impacts. This dynamic may lead to a portion of consumers eligible for modest PTC premium subsidies to instead enroll in off-exchange plans and would reduce the number of consumers receiving PTCs, with downstream adverse funding implications for states with 1332 waivers.

Given the inherent cross-subsidization of costs associated with the members enrolling into silver plans by the costs loaded onto non-silver rates, there are additional risks to issuers of appropriately pricing the broad load and collecting sufficient revenue to cover the cost of CSRs.

Impact on Consumers, Market Morbidity

Overall, either scenario of CSRs being appropriated or mandated use of the broad loading would have detrimental impacts on the ACA marketplace and consumers eligible for federal subsidies. While the specific magnitude of each impact would vary by state and depend on the unique market demographics and the competitive landscape, the following effects are expected:

- Consumers who are not enrolling in the benchmark silver plan will face higher net premiums due to lower PTC amounts
- Consumers will experience a change in the net premium relativities between metal tiers, which may result in metal plan switching
- Lower market enrollment is expected with younger and healthier enrollees dropping coverage, followed by an increase in the uninsured
- Such dynamics would lead to worsening of the risk pool morbidity and higher premiums, even for unsubsidized enrollees
- Issuers will face additional uncertainty around the impact to risk adjustment transfer amounts, 1332 reinsurance program impacts and the overall market risk; the increase in competitive pressure to preserve enrollment may put additional financial strain on the carriers remaining in the market.
- Potential loss of carriers exiting ACA markets

Please contact Michael Cohen at michael.cohen@wakely.com with any questions or to follow up on any of the concepts presented here.

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