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Medicaid Redetermination Impacts on the Individual Market (2025 Revision)

*This paper was originally published in July 2024 and updated in May 2025 to include **Appendix A**, which presents 2023–2024 market-level enrollment and morbidity trends. The whitepaper metrics offer a preliminary view into how the individual market is evolving following the Medicaid redetermination period and other recent enrollment dynamics, providing full-year views in Appendix A to supplement the intra-year metrics observations discussed in the body of the paper below.*

Notably, original results published in July 2024 showed differences in morbidity by Exchange status and Medicaid expansion status, with state-based marketplaces having the lowest impact compared to Federal marketplaces with the highest, particularly those that had not expanded Medicaid. The revised year-over-year results show similar and somewhat sizable increases in market morbidity, as reflected by relative risk, across all types of markets, despite varying levels of enrollment growth.

Following three years of Medicaid's continuous coverage requirements, Congress passed legislation terminating this provision as of March 31, 2023. Subsequently, states were required to resume Medicaid eligibility redeterminations. Between April 1, 2023, and January 1, 2024, Medicaid enrollment declined by over 10 million individuals. The resumption of Medicaid redeterminations has implications not only for the Medicaid program but also the individual market.

As anticipated, a considerable number of individuals deemed ineligible for the Medicaid program enrolled in coverage in the individual market. For example, HHS Office of Planning and Evaluation projected that about 18% of those losing Medicaid coverage would ultimately be eligible for Marketplace coverage. Subsequent CMS data on Marketplace plan selections suggests that this transition from Medicaid to Marketplace could be occurring at an even higher rate than initially projected.

The influx of new enrollees raises the question of what impact this has to the overall morbidity levels of the individual market. In other words, are these new enrollees healthier or sicker than the average current individual market enrollee? In addition to understanding the health status of the new enrollees, there are further implications to the individual market and, notably, risk adjustment. This encompasses demographic shifts, including variations in average age and selections of plan/metal tier.

The resulting effects of morbidity and demographic shifts will have direct implications for future pricing and financial performance of individual market carriers. Currently, there is limited data on the claims experience for those individuals who transitioned between Medicaid and the individual market in 2023, posing a challenge in understanding the full potential impacts. To delve deeper into possible effects, Wakely has performed a study utilizing individual market risk score experience.

Background

Prior research has shown that increases in enrollment are linked to healthier individuals signing up for coverage in the individual market. For example, the Council of Economic Advisors summarized work that showed an average new enrollee tends to be about 30% less costly than those currently enrolled in the ACA individual market. Given historical precedence, we evaluated whether risk scores improved with the large enrollment increases that occurred from Medicaid redeterminations.

Methods and Data

The analysis relied on data from Wakely's National Risk Adjustment Reporting (WNRAR) project from 2022 and 2023. Wakely receives summarized data from ACA compliant individual market plans. The reporting of the data is voluntary and not comprehensive of all issuers. While the data is not representative of the entire market, the WNRAR project collected data from over 75 carriers in 36 states and represents nearly 80% of ACA compliant enrollment for the individual market. Risk scores were used as a proxy for morbidity shifts by measuring the changes that occurred in 2023 relative to changes in 2022.

The data includes monthly enrollment data, including information on the month of initial enrollment. To measure the relative level of health of the new enrollees, we relied on risk score coefficients from the Health and Human Services Hierarchical Condition Categories risk-adjustment model. Since Medicaid redeterminations began in April of 2023, we examined the cumulative change in enrollment and risk scores that occurred between April 2023 and December 2023.

We classified states into three distinct categories: federally facilitated exchange (FFE) states that had expanded Medicaid, FFE states that had not expanded Medicaid, and state-based exchanges (SBEs)[1] to determine if the type of Exchange or if the state expanding Medicaid influenced Medicaid redetermination impacts. We expect that the types of people entering the individual market would differ based on whether the Medicaid program included expansion enrollees. Furthermore, we would expect the impact to be different in FFE and SBE states since their operational processes and outreach efforts may differ.

Using these three cohorts, we analyzed the change in net enrollment, shifts in enrollment by metal level, and resulting relative risk score changes between April to December. Both years 2022 and 2023 were analyzed to understand relative year over year impacts, i.e., 2022 as a baseline compared to 2023 effects. This method assumes that the only key difference for the Special Enrollment Period (SEP) members between 2022 and 2023 is that the 2023 data includes additional Medicaid redetermination individuals.

Risk score and enrollment changes shown in the Findings section below report the net changes attributed to the period of April 2023 through December 2023, when Medicaid redeterminations occurred, compared to the same time frame in 2022.

[1] All SBMs operate in states that have expanded Medicaid.

Findings

Table 1 below shows the year over year percent enrollment changes for the period of April to December 2023, compared to 2022, by metal level and state cohort. For example, SBE enrollment grew 6.2% more from April to December 2023 when compared to the same time period in 2022.

Table 1. April to December YoY Relative Enrollment Changes[2]

Metal	SBE	FFE Expanded	FFE Not Expanded
Platinum	-2.9%	-0.7%	3.6%
Gold	4.6%	6.0%	39.1%
Silver	7.7%	18.2%	12.0%
Bronze	5.3%	24.4%	10.5%
Total	**6.2%**	**19.5%**	**13.1%**

As can be seen in the above table, while enrollment increased, as expected, across the board, enrollment grew significantly more in FFE states compared to SBE states. However, within FFE states, enrollment patterns differed. FFE states with Medicaid expansion saw higher enrollment increases in silver and bronze metal levels, while FFE states that did not expand Medicaid saw larger enrollment increases in gold plans.

Next, given the significant enrollment increases, we analyzed whether those entering the market were healthier or not compared to the existing market members. Overall, relative risk scores increased during April to December 2023 as Medicaid redeterminations shifted beneficiaries into the individual market, although, similar to enrollment trends, there were differences by type of Exchange and whether the state had expanded Medicaid. Risk scores in FFEs that had not expanded Medicaid increased more relative to other cohorts.

Table 2. April to December YoY Relative Risk Score Changes[3]

Metal	SBE	FFE Expanded	FFE Not Expanded
Platinum	-0.1%	-5.6%	2.5%
Gold	0.8%	1.5%	-0.1%
Silver	0.6%	2.9%	3.5%
Bronze	1.7%	-0.2%	4.0%
Total	**0.7%**	**1.4%**	**3.0%**

SBEs generally did not see significant relative risk score increases. On average, while enrollment increased 6%, risk scores increased about 0.7%. FFE states that expanded Medicaid saw relative risk score increases. On average, while enrollment increased 19.5%, risk scores increased about 1.4%.

[2] Source: author's calculations

[3] Source: author's calculations

Finally, for FFE states that did not expand Medicaid, while enrollment increased 13.1%, risk scores increased about 3.0%. In addition, while relative risk scores show moderate increases in this analysis, risk scores for partial-year enrollment are likely understated. Therefore, actual relative risk differences may be higher than shown in our data.

Overall, the results indicate that members that migrated from Medicaid as a result of redetermination increased the average risk of the individual market risk pool. The typical pattern of larger enrollment increases leading to lower risk scores did not occur during this period. Given that there are large increases in enrollment during Open Enrollment Period who may not be attributed to Medicaid redeterminations, year-over-year comparison of market average risk pool may show an overall decrease.

Implications

There are several implications to the above findings. The first is that while there were significant enrollment increases, morbidity changes varied by exchange type/Medicaid Expansion status. The higher morbidity could put increased pressure on premium increases in 2025 and beyond. This increase may take the form of higher claim cost silver-loading (and hence more premium subsidies) in FFE states that have Expanded Medicaid relative to other types of states.

Given that the ACA risk adjustment program is a budget neutral program, the enrollment trends for each insurer may also introduce additional uncertainty. While recent open enrollment results have shown record-high enrollment in the individual market, some issuers may have disproportionately enrolled Medicaid redetermination members with relatively higher risk and, therefore, have increased risk transfer receivables, and vice versa.

The findings also highlight the importance of monitoring the morbidity trends for 2023 new enrollees in 2024, as well as those who enroll throughout 2024. The enrollment increases during 2024 Open Enrollment may signal those healthier consumers that lost Medicaid coverage in 2023 waited until 2024 Open Enrollment to sign up. It could also signal that many healthy consumers that lost coverage in 2023 became uninsured by the end of 2023. The long-term implications of these changes are still unknown given that the Medicaid redetermination process is still ongoing, and the ACA enrollment patterns continue to evolve. However, the finding does shed light on the unique outcomes the individual market experienced in 2023.

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Appendix A: 2023-2024 Enrollment and Risk Changes

To supplement the findings in the main body of this paper, this appendix provides updated metal-level data on year-over-year enrollment and relative risk changes from 2023 to 2024. These metrics offer a preliminary view into how the individual market is evolving following the Medicaid redetermination period and other recent enrollment dynamics, providing full-year views to supplement the intra-year metrics observations discussed in the main body of this paper.

The results presented in this appendix are based on data from benefit year 2024 (data paid through December 2024) and benefit year 2023 (data paid through April 2024) WNRAR runs. The results reflect year-over-year trends in both total enrollment and relative risk across market and metal segments. Relative risks are normalized by demographic changes (CSR, AV, and ARF) to approximate morbidity. These findings may be useful for assessing post 2025 pricing considerations, risk transfer accruals, and member retention dynamics.

Findings

Table A1 below shows the year-over-year percent enrollment changes as of December 2024, compared to 2023, by metal level and state cohort. Similar to 2023, enrollment continues to increase considerably in 2024, especially for gold, silver, and bronze metal levels in FFE states. FFE states with Medicaid expansion continue to see significant enrollment increases in silver and bronze metal levels while FFE states that did not expand Medicaid see significant enrollment increases in gold metal level.

Table A1 – 2023 to 2024 December YoY Enrollment Changes

Metal	SBE	FFE Expanded	FFE Not Expanded
Platinum	-10.9%	1.5%	-1.0%
Gold	10.0%	23.8%	77.3%
Silver	14.5%	47.0%	30.7%
Bronze	5.3%	41.3%	27.6%
Total	**10.3%**	**42.1%**	**35.0%**
2024 MMs[4]	**73M**	**34M**	**134M**

Given significant enrollment increases shown in Table A1, we analyzed how this change could impact market morbidity by examining the change in market-wide relative risk from 2023 to 2024. Relative risks are calculated using each market's PLRS scored under the 2024 risk model for both 2023 and 2024, adjusted for the population's AV and ARF for the respective years. Table A2 below shows changes to full-year relative risks from 2023 to 2024.

[4] 2024 MMs are total member months captured in the underlying data collected for the respective state cohorts from the 2024 December WNRAR run.

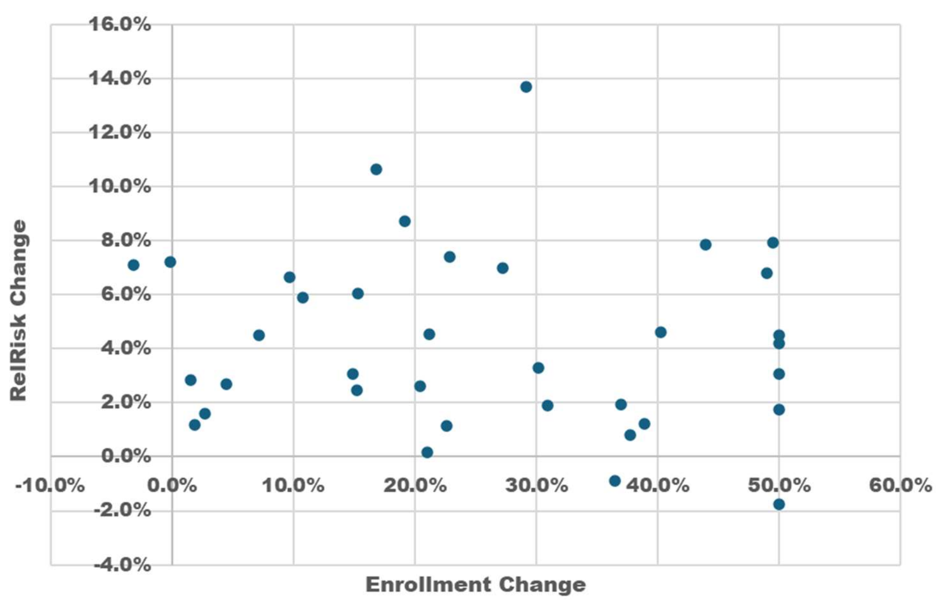
Table A2 – 2023 to 2024 December YoY Relative Risk Changes[5]

Metal	SBE	FFE Expanded	FFE Not Expanded
Platinum	7.8%	-0.8%	10.1%
Gold	3.1%	3.0%	-6.7%
Silver	2.0%	1.2%	5.2%
Bronze	6.3%	6.4%	3.3%
Total	**3.1%**	**2.9%**	**3.3%**

The table above shows increases in market morbidity, as reflected by relative risk, across all types of markets. Note that the table reflects overall market dynamics, and the underlying data does not distinguish between members who joined in 2024 and those who did not. The increase in market morbidity could be indicative of improved risk coding for stayers within the market year-over-year, especially for those who joined in 2023 under special enrollment periods who did not have enough time in 2023 to code up to their true morbidity. Overall, Tables A1 and A2 show that the typical pattern of increased enrollment leading to lower risk scores did not occur.

Exhibit A3 below shows the relationship between enrollment and normalized relative risk changes between 2023 and 2024. Each data point represents a market in the underlying data, positioned based on its enrollment and relative risk changes. As shown in the exhibit, there is no clear correlation between a state's enrollment growth and its change in morbidity. States with both high and low enrollment growth may exhibit similar variations in morbidity.

Exhibit A3 – 2023 to 2024 Enrollment vs Normalized Relative Risk Changes[6]

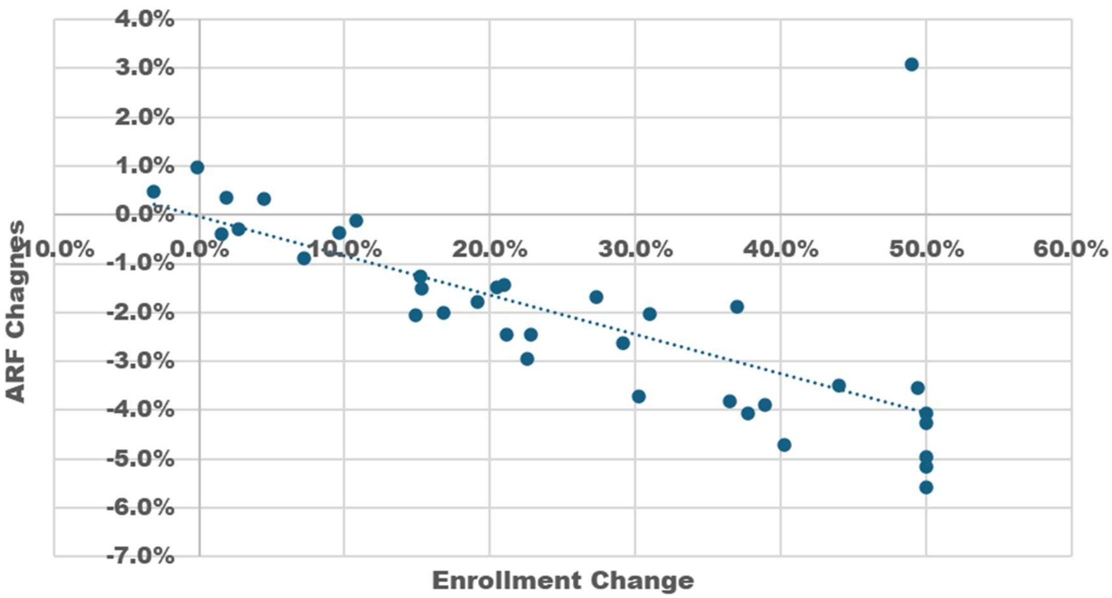


[5] Source: author's calculations and data form WNRAR runs. 2024 relative risks are completed to yearend from December.

[6] Enrollment changes in Exhibit A3 and Exhibit A4 are set to 50% for all states above 50% to protect state confidentiality.

Exhibit A4 below shows the relationship between enrollment and ARF changes between 2023 and 2024. This indicates that members who joined in 2024 are likely younger than the existing risk pool, thus states with high enrollment growth resulted in lower ARF. This likely implies that carriers receiving these new members in the market would face downward pressure on average premium collected.

Exhibit A4 – 2023 to 2024 Enrollment vs ARF Changes



OUR STORY

Five decades. Wakely began in 1969 and eventually evolved into several successful divisions. In 1999, the actuarial arm became the current-day Wakely Consulting Group, LLC, which specializes in providing actuarial expertise in the healthcare industry. Today, there are few healthcare topics our actuaries cannot tackle.

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Broad healthcare knowledge. Wakely is experienced in all facets of the healthcare industry, from carriers to providers to governmental agencies. Our employees excel at providing solutions to parties across the spectrum.

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