

WHITE PAPER

Understanding Off-Exchange Performance in the ACA Individual Market

Insights from 2024 Wakely ACA
Data on Pricing, Risk Mix,
and Enrollment Behavior

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June 2026

SUMMARY

- Off-Exchange business underperformed on-Exchange in 2024, with an 89% medical loss ratio (MLR) versus 82% on-Exchange.
- Within standard silver, claims were nearly identical across channels; the profitability gap was primarily premium-driven because on-Exchange silver carries a cost-sharing reduction (CSR)-loaded premium.
- Across non-silver metal tiers, off-Exchange adverse selection was inadequately mitigated by risk adjustment, leading to lower profitability.
- Off-Exchange enrollment appears more persistent and engaged, with longer enrollment durations and fewer non-utilizers.

WHY THIS COMPARISON MATTERS

The off-Exchange Affordable Care Act (ACA) individual market segment is frequently overlooked in ACA product and pricing strategies. On-Exchange enrollment dwarfs off-Exchange enrollment. Plan executives tend to focus on driving premium competitiveness on the exchanges. Because premiums for the same benefits packages can be the same on- and off-Exchange,¹ the goal to be competitive on-Exchange puts downward pressure on off-Exchange pricing. The off-Exchange offerings tend to negatively affect the overall performance of ACA products.

Over time, this dynamic has led many plans to limit marketing their off-Exchange offerings to only the minimum required silver plan, effectively treating off-Exchange coverage as if it were unavailable.² Some plans have chosen to offer their Individual Coverage Health Reimbursement Arrangement (ICHRA) portfolio under a separate license from the individual Exchange product portfolio.

However, the days of plans being able to ignore the off-Exchange market dynamic may be coming to an end. The number of off-Exchange ACA individual market plans offered in 2026 has increased,³ likely reflecting growing interest in ICHRA products as well as increased importance of the off-Exchange relative to the on-Exchange market. The Congressional Budget Office

¹ An important exception is silver plans often are significantly different, as off-Exchange only plans do not need to account for CSR/silver-loading factors.

² Any qualified health plans (QHPs) available on-Exchange must also be available off-Exchange but do not need to be marketed.

³ Robert Wood Johnson Foundation (RWJF). Marketplace Pulse: If You Build it, Will They Come?—Off-Exchange Offerings Explode in 2026. April 28, 2026. Available at: <https://www.rwjf.org/en/insights/our-research/2026/04/marketplace-pulse-if-you-build-it-will-they-come-off-exchange-offerings-explode-in-2026.html>.

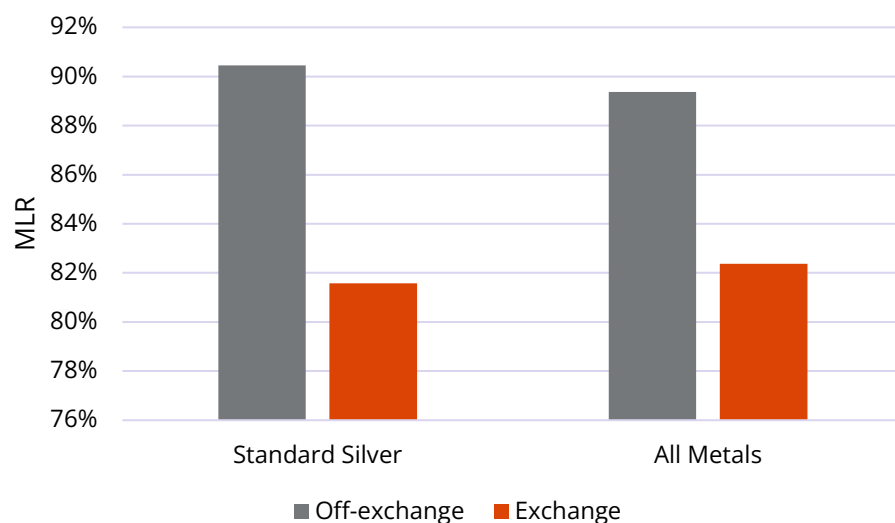
projects that off-Exchange enrollment will grow from about 10% of the market in 2025 to almost 25% of the market in 2028.

Historically, off-Exchange products have often been unprofitable. Off-Exchange enrollment differs from on-Exchange not only in profitability, but also in how members enter coverage, how long they stay enrolled, and which metal levels they choose. Those differences matter in understanding profitability outcomes and pricing strategy. As the relative size and importance of the off-Exchange market increases, understanding the differences and dynamics of the off-Exchange market may become more of a necessity for plans. This white paper explores off-Exchange differences and dynamics.

OFF-EXCHANGE VERSUS ON-EXCHANGE

Figure 1 below shows a comparison of MLR⁴ for silver plans and across all metals between on- and off-Exchange channels.

Figure 1. Off-Exchange MLR Is Consistently Higher Than On-Exchange



Source: 2024 Wakely ACA data. Off-Exchange MLR was higher in both the all-metal and standard silver views.

The off-Exchange channel of the ACA individual market performed significantly worse in 2024 than the Exchange channel. While the data in this white paper are for plan year 2024, this off-Exchange underperformance is a consistent pattern across multiple years.

⁴ MLR is calculated as (claims – reinsurance recoveries – risk adjustment receivables)/premiums. MLR is a measure of financial performance of an insurance company. The higher the MLR the worse the performance.

To understand the drivers of these profitability outcomes, we studied MLR, reinsurance recoveries, risk transfers, premiums, and allowed and paid claims. These metrics for off- and on-Exchange channels are summarized in **Table 1**.

Table 1. Overall Market Comparison (All Metals)

Metric	Off-Exchange	On-Exchange	Difference
MLR	89%	82%	+7 pts
Allowed per member per month (PMPM) ⁵	\$794	\$590	+\$204
Paid PMPM ⁶	\$600	\$467	+\$133
Reinsurance PMPM ⁷	\$25	\$12	+\$13
Risk adjustment PMPM ⁸	\$81	(\$40)	+\$121
Net claim cost after risk adjustment (RA) and reinsurance ⁹	\$494	\$495	(\$1)
Premium PMPM	\$554	\$601	(\$47)

⁵ Allowed PMPM is the total medical cost payable to the healthcare providers. It includes both the portions of the total cost paid by the health plan and the member. The cost is expressed on a per member per month basis (PMPM).

⁶ Paid PMPM is the portion of the allowed PMPM that is payable by the health insurer only.

⁷ Reinsurance recoveries are payments made to the health plans by state or private reinsurance programs to offset the cost of high-cost members.

⁸ Risk adjustment (RA) PMPM shows payments to the health insurer from the risk adjustment program to offset the cost of higher risk relative to the market average risk. Negative amounts mean the insurer made the payments to the risk adjustment program if its average risk was lower than market average risk. We allocated risk adjustment to each member, and this line item compares risk transfer receivables and payments on the portion of the membership that is off-Exchange versus on-Exchange.

⁹ Net claims cost after risk adjustment and reinsurance is the net cost to the health plan after accounting for recoveries from reinsurance and risk adjustment.

At a high level, the off-Exchange channel is clearly more costly than the on-Exchange channel. Allowed claims were \$204 higher PMPM and paid claims were \$133 higher PMPM. Off-Exchange also received substantially more reinsurance and more favorable risk adjustment, which is consistent with a higher-risk population.

A less obvious finding was the impact of those risk programs once they have been applied. Net claim cost after reinsurance and RA was essentially the same across channels—approximately \$494 PMPM off-Exchange versus \$495 PMPM on-Exchange. In other words, the programs narrowed much of the gross-cost difference. The remaining profitability gap was driven primarily by lower premiums, with the average off-Exchange premium \$47 PMPM lower than on-Exchange.

This finding is an important refinement to the initial narrative. The off-Exchange block remains more adverse on a pre-transfer basis, but the market-level MLR difference is not solely attributable to selection; pricing and product mix also play important roles.

Because all plans must offer their on-Exchange silver plans off-Exchange as well, and because off-Exchange Silver plans omit the CSR load factor, they are generally less expensive than their on-Exchange counterparts. We compared the non-CSR silver plans offered on and off the Exchange in **Table 2**.

Table 2. Standard Silver Comparison

Metric	Off-Exchange	On-Exchange	Difference
MLR	90%	82%	+8 pts
Allowed PMPM	\$723	\$721	+\$2
Paid PMPM	\$531	\$530	+\$1
Reinsurance PMPM	\$16	\$15	+\$1
Risk adjustment PMPM	\$19	(\$22)	+\$41
Net claim cost after RA and reinsurance	\$496	\$537	(\$41)
Premium PMPM	\$548	\$659	(\$111)

Allowed and paid claims were nearly identical across off- and on-Exchange channels: \$723 (off) versus \$721 (on) allowed PMPM and \$531 versus \$530 paid PMPM. Reinsurance was also nearly identical.

Nonetheless, standard silver MLR was 90% off-Exchange versus 82% on-Exchange. This difference is because of premiums, not claims. The average premium was \$548 PMPM off-Exchange compared with \$659 on-Exchange, a difference of \$111 PMPM. This discrepancy is consistent with CSR loading materially improving on-Exchange Silver performance relative to off-Exchange silver variants.

A useful way to see this is through net claim cost after risk programs. In standard silver, off-Exchange net claim cost after reinsurance and risk adjustment was lower than on-Exchange (\$496 vs. \$537 PMPM), yet profitability was still lower because off-Exchange premiums were reduced by an amount that more than offset the tailwinds on claims after reinsurance and RA.

We also compared non-Silver plans (i.e., catastrophic, bronze, gold, and platinum) offered on and off the Exchange.

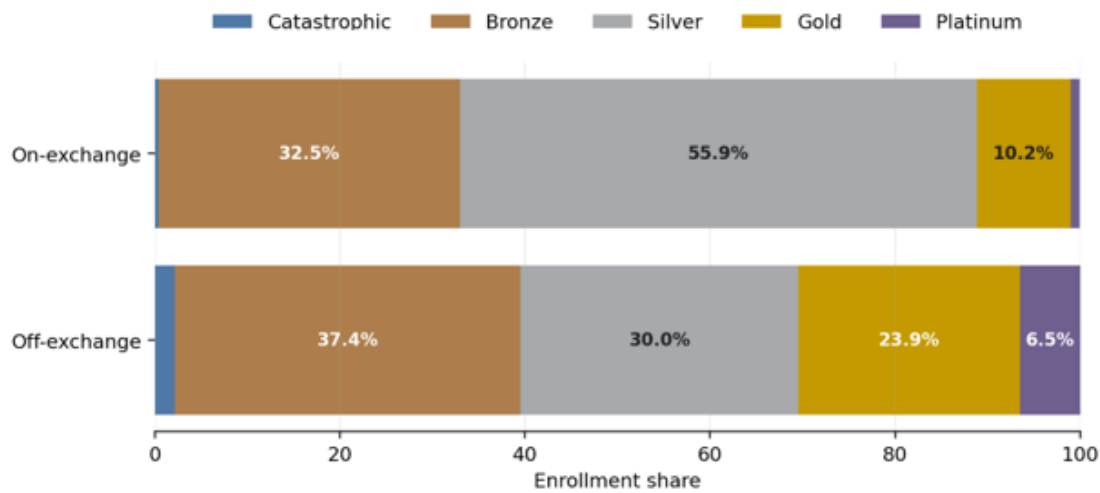
Table 3. Non-Silver Comparison

Metric	Off-Exchange	On-Exchange	Difference
MLR	89%	83%	+6 pts
Allowed PMPM	\$824	\$543	+\$281
Paid PMPM	\$630	\$391	+\$239
Reinsurance PMPM	\$28	\$13	+\$15
RA PMPM	(\$107)	(\$90)	+\$197
Net claim cost after RA and reinsurance	\$495	\$468	\$27
Premium PMPM	\$556	\$572	(\$16)

For non-silver products, the adverse MLR outcomes off-Exchange are driven by higher claims after risk adjustment and reinsurance. We know the gap is not driven by premiums because premiums must be the same between the two channels. The issue here is adverse selection that is inadequately compensated by RA.

The charts below show the metal mix differences between the two channels.

Figure 2. Off-Exchange Enrollment Across Metal Levels



Source: 2024 Wakely ACA data. Off-Exchange enrollment is less concentrated in silver and more concentrated at both ends of the metal spectrum.

Table 4. Enrollment and Demographic Snapshot

Metric	Off-Exchange	On-Exchange	Difference
Silver share	30.0%	55.9%	-25.9 pts
Gold + platinum share	30.5%	11.2%	+19.3 pts
Bronze + catastrophic share	39.5%	32.9%	+6.6 pts
8+ months enrolled	92.4%	85.1%	+7.3 pts

Metric	Off-Exchange	On-Exchange	Difference
Non-utilizers	11.8%	23.1%	-11.3 pts
Under age 21	21.2%	13.2%	+8.0 pts
Age 60+	15.5%	17.8%	-2.3 pts

Relative to on-Exchange, off-Exchange has a greater proportion of enrollment in bronze and gold/platinum, whereas silver proportion is materially lower. This difference is expected because of the availability of subsidies and CSR variants on-Exchange only.

Member behavior also varies. Off-Exchange enrollment was more persistent, with 92.4% of members enrolled for at least eight months, compared with 85.1% on-Exchange. Off-Exchange plans also had far fewer non-utilizers. These patterns are directionally consistent with a more stable, care-seeking population off-Exchange, whereas the marketplace includes more partial-year and no-claim enrollment.

Age does not appear to be a main driver of the off-Exchange cost differential. Off-Exchange had a larger share of members under age 21 and a smaller share of members ages 60 and older.

WHAT MAY BE HAPPENING IN THE OFF-EXCHANGE CHANNEL

Quantitative findings align with several patterns that Wakely commonly sees. One cohort is shoppers are ineligible for subsidies who want an off-Exchange version of silver that avoids a CSR-loaded premium. A second cohort includes members enrolled in ICHRA plans that are generally sold off-Exchange. A third cohort may include members with significant health needs who are steered into richer off-Exchange product—such as platinum plans—by brokers, care organizations, or nonprofit premium-support arrangements.

IMPLICATIONS FOR ISSUERS

- Do not treat off-Exchange as a simple shadow book of on-Exchange membership. Product mix, utilization, and duration suggest it behaves like a distinct segment.
- Evaluate standard silver off-Exchange pricing separately. CSR loading dynamics can materially widen the performance gap even when claims are similar.
- Track profitability of the off-Exchange enrollment by enrollment channels such as ICHRA, nonprofit-driven membership, or general broker-driven enrollment when possible.
- Use market-average findings as directional benchmarks, but validate them against carrier-specific migration, product availability, and pricing strategy.

CONCLUSION

The 2024 data show that off-Exchange underperformance exists, but the reasons warrant a more nuanced explanation than that off-Exchange members are sicker. Payers must evaluate the role that off-Exchange plans play in their product portfolio and whether that role justifies the competitive and financial drag on the on-Exchange portfolio.

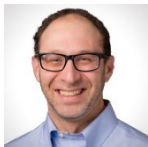
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ABOUT WAKELY

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