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WHITE PAPER

Implications for Potential Marketplace Unauthorized Enrollment Actions

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INTRODUCTION

A report published by the Department of Health and Human Services (HHS) Office of the Assistant Secretary for Planning and Evaluation (ASPE) hinted at potential HHS disenrollment actions that could have implications for the individual Affordable Care Act (ACA) market. This report discusses what was stated in the ASPE report and how it could affect issuers.

On June 26, 2026, ASPE noted the following in an Exchange enrollment report: "*CMS [the Centers for Medicare & Medicaid Services] shut down the ability for agents and brokers to get paid for assisting with enrollments through HealthCare.gov, started working with issuers to identify and remove unauthorized enrollments, and began implementing a framework to terminate agents and brokers responsible for unauthorized enrollments.*"[1] Further, the report notes, "*CMS recently identified 1 million highly suspicious agent and broker assisted enrollments through Healthcare.gov with no [S]ocial [S]ecurity [N]umber on their application who are also paying no premium.*"

While an enrollment application without a Social Security Number does not indicate improper or unauthorized enrollment, the ASPE report stresses CMS's intention to prevent suspected unauthorized enrollments and, therefore, raises the possibility that at least some portion of the 1 million enrollees may have their enrollment terminated.

Though no further information was provided about the identified members, HHS previously focused unauthorized enrollment efforts on enrollees with low to no net premiums (e.g., $0 net premium, where advanced premium tax credits [APTCs] paid by the federal government covers the entire premium) and members without medical claims (i.e., lower income and healthier individuals than the average market population).

The disenrollment of these members would affect the individual ACA market. These disenrollments could occur during calendar year 2026, either retrospectively or prospectively, and/or potentially in a future year through disenrollment or other enrollment verification regulatory changes. This paper qualitatively summarizes the potential impacts, where they would be concentrated, and considerations for issuers in 2026 and beyond.

[1] Nelson P, Malani A, Colleran J, Volkov E, Mulligan CB. ACA Exchange Enrollment in 2026. Office of the Assistant Secretary for Planning and Evaluation. June 26, 2026. Available at: https://aspe.hhs.gov/reports/aca-exchange-enrollment-2026.

IMPLICATIONS

The disenrollment of a significant number of members from the individual ACA market—especially non-utilizers—is expected to have significant implications for issuers through changes in morbidity, risk adjustment transfers, accruals, and other pricing and reserving components. As noted, it is possible that CMS will consider disenrollment either retrospectively or on a going forward basis in 2026. If CMS rescinds a large volume of members and cancels coverage back to the original effective date, the impact is likely to be more significant than if CMS terminates coverage and discontinues APTCs prospectively. It is important to note that this impact is not limited to insurers that rescind their enrollees' coverage, as there are implications for all issuers in a market for which coverage terminations occur. Key considerations are as follows.

Morbidity. As noted previously, the members in question may include non-utilizers based on historical HHS focus. Removing these members would cause the market average morbidity to deteriorate. As an illustrative example, if we assume that all disenrollments would be non-utilizers and that 10 percent of members are removed from the market, the average claim per member per month would increase by approximately 10 percent. Issuers, however, will not be affected equally, which raises key questions about how market morbidity is changing and how disenrollment would separately affect claim costs and risk adjustment.

Risk Adjustment Transfers. As market morbidity deteriorates, risk adjustment transfer estimates will change. Because issuers will not be impacted equally, however, insurer-level risk adjustment transfer results will vary. An issuer with a high proportion of potentially disenrolled members will experience an increase in their plan liability risk score, and risk adjustment transfer results will become more favorable. Similarly, organizations with fewer affected members will experience a less favorable change in risk adjustment transfer results. Because carriers with a larger proportion of non-utilizers are likely to be payers, we expect receivers to receive less and payers to pay less, all other factors being equal. In addition, while risk adjustment transfers may become favorable when issuers enroll a higher proportion of disenrolled members, it will likely be coupled with an increase in claim costs, which may not always align equally. In other words, the change in risk adjustment may not be offset by the change in claim costs.

Accruals and Financial Reporting. Insurers must carefully evaluate accruals and financial reporting as these members are disenrolled. Examples include:

- **Premium Accruals:** Affected issuers will see a decrease in APTCs as these members are disenrolled. The financial effect would be even greater if CMS terminates coverage back to the effective enrollment date and recoups these dollars from issuers.
- **Risk Adjustment Transfer Accruals:** As noted, risk adjustment transfer estimates may change significantly. It is important that issuers understand and model this impact throughout the year to properly set mid-year accruals and final 2026 estimates; otherwise, they risk a large risk adjustment transfer reconciliation in summer 2027.
- **Claim Costs:** Per member per month claim cost estimates will increase if non-utilizers are disenrolled.
- **Premium Deficiency Reserves:** Concerns regarding the sufficiency of premium rates may arise in certain instances. Issuers might consider establishing a premium deficiency reserve as a result.

Administrative Costs. As enrollment declines, insurers will collect less premium revenue to cover fixed administrative expenses, which may add pressure to issuer financials and future pricing.

Pricing. From a pricing perspective, an increase in morbidity would increase future premium rates. The timing of disenrollment and premium rate approval should therefore be a key consideration. Plan year 2027 premium rates are undergoing final approval, so issuers would be unable to account for expected risk changes in 2027 rates but should consider potential implications for 2028, if relevant.

Distribution Channels. CMS intends to terminate agents and brokers responsible for facilitating unauthorized enrollment. Issuers should reevaluate their distribution channels and the possible effect on future enrollment and morbidity estimates.

State-Level Variability. Currently, we anticipate that the effects will be limited to members in Federally Facilitated Exchange states; State-Based Exchanges are not expected to be affected. The ASPE report did not provide details on the distribution of potentially affected members by state, but there will likely be large variation in impact by state. Furthermore, certain counties may be more affected than others.

Issuer Level Variability. In addition to state-level variability, issuers will be affected differently within each market. We expect issuers with a higher proportion of potential disenrollment in low or $0 net premium plans, those that more heavily rely on brokers for distribution, and issuers with a high concentration of auto-enrolled members to be most affected. Thus, issuers that offer lower cost plans and that are also likely to enroll a higher proportion of members within a market and state because of their competitive positioning are more likely to be affected.

Uncertainty. It will be difficult for issuers to know how many members were disenrolled, how many more may be disenrolled throughout the year, how quickly issuers are processing terminations, and if any further disenrollments will occur in 2027. In turn, this uncertainty will make it more difficult to interpret market-wide statistics, such as risk adjustment transfer results. As a result, issuers may observe significant swings in risk adjustment transfers throughout the year and beyond.

We will continue to monitor the developing environment and communicate key insights on this topic.

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If you have any questions or want to follow up on any of the concepts presented here, please contact the authors.

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