NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

May 29, 2025

The Honorable John Thune
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

The Honorable Mike Johnson
Speaker
United States House of Representatives
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
United States House of Representatives
Washington, DC 20515

Dear Leader Thune, Leader Schumer, Speaker Johnson, and Leader Jeffries:

We write on behalf of state insurance regulators to share our position on key provisions of the House-passed budget reconciliation legislation that has been forwarded to the Senate for consideration. The National Association of Insurance Commissioners (NAIC) represents the chief insurance regulators in the 50 states, the District of Columbia, and 5 U.S. Territories.

Policy changes embedded in the House-passed reconciliation legislation would have a significant and ongoing negative impact on the health insurance markets we regulate and the health care system as a whole. These changes will lead to fewer individuals covered and disruptions to markets as soon as 2026. The timing of many of the changes, particularly payments to insurers for cost-sharing reductions, do not allow sufficient time for health insurers, regulators, health insurance marketplaces, and consumers to prepare for them. We note that consumer education, in particular, would be crucial and funding for Navigators has been drastically reduced. Further, many of the changes would remove state flexibility, infringing on the authority of states to make their own choices with regard to health insurance regulation and enrollment. For some states, these changes mean cutting in half the open enrollment period and eliminating certain special enrollment periods. With fewer people covered by Medicaid and private insurance, we expect the legislation to result in more uncompensated care for health care providers and higher costs for those remaining in the market.

The legislation contains a variety of changes that would affect health insurance markets, but we wish to focus your attention on three key provisions: required changes to eligibility verification and re-enrollment procedures; the lack of language extending the enhanced premium tax credits; and the abrupt renewal of payments to issuers for cost-sharing reductions. To preserve stable markets for health insurance, we urge changes to the legislation in each of these areas as well as reconsideration of additional provisions.

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Eligibility Verification and Re-Enrollment

State insurance regulators agree that only eligible individuals should be allowed to purchase Marketplace plans and only those who meet the more extensive requirements for financial assistance should have their premiums reduced with advance payments of the premium tax credit. At the same time, Marketplaces must be open to eligible individuals and tax credits must be available in a timely manner for those who qualify. For many consumers, Marketplace coverage is their only affordable option for health insurance and unnecessary barriers to coverage will leave them without access to coverage or needed care.

The reconciliation legislation would place new requirements on Marketplaces, including state-based Marketplaces, to verify applicants' eligibility criteria before their insurers can receive advance payments of the premium tax credit. This new requirement would prevent many consumers from accessing coverage in a timely manner, especially when workers lose their jobs or have a change in income. The provision is written to delay access to coverage for entire families when even one member's information is being verified.

State regulators have worked with federal officials to address improper enrollments in Marketplace coverage. We do not believe that these new verification requirements are necessary to combat the improper activity that has occurred. We anticipate that much of the improper activity can be prevented by security and integrity upgrades to the federal Marketplace, which we understand the Centers for Medicare and Medicaid Services (CMS) is implementing. Further, applying the new requirements to state-based marketplaces is unwarranted: SBMs have not experienced the same improper activity as the federal Marketplace.

The reconciliation legislation would also limit the ability of Marketplaces to automatically re-enroll individuals unless the Marketplace has a process for re-verification of their eligibility information. Automatic re-enrollment is widely used by Marketplace consumers. Nearly 11 million of the 24 million Marketplace consumers relied on automatic re-enrollment for 2025 and Marketplaces already verify eligibility information against trusted data sources as part of automatic re-enrollment.

Both of these provisions would introduce barriers to enrollment and worsen individual market risk pools, which will serve to increase premiums for the rest of the market. The individuals most likely to drop coverage due to the new verification requirements and the end of automatic re-enrollment are younger and healthier people who expect to use their coverage the least. When healthy individuals leave the risk pool, insurance markets are less stable and more costly for those who remain. We believe that the program integrity benefits of these provisions do not outweigh the risks to coverage and market stability that they introduce. They also unnecessarily limit state authority to operate state-based Marketplaces. We urge Congress to remove these changes or, at least, make them optional for state-based Marketplaces.

Enhanced Premium Tax Credits

We wrote to Congressional leaders last year and again in March to express NAIC's strong support for continuation of the enhanced premium tax credits for Marketplace coverage. We continue to urge timely Congressional action and believe the reconciliation package is the best opportunity to extend the enhanced credits in time for a smooth open enrollment this fall. Health insurers have already begun to file rates with state regulators, so the time is now to finalize legislation that will affect 2026 premiums.

The enhanced credits have moved the needle on access to health care for millions, in particular for those who need help the most - those with annual incomes under 250% of the federal poverty level (FPL). Failing to extend the enhanced credits beyond the end of this year will have a major impact on state health insurance markets. The affordability of coverage would change for millions of enrollees, with many paying hundreds more per month. For millions, coverage would no longer be affordable. Enhanced subsidies have increased enrollment of the healthiest cohort, ages 18-34, who will be the most likely to drop coverage due to higher out-of-pocket premiums if the enhanced subsidies are allowed to end. Losing that healthy population will adversely impact the risk pools, which will increase premiums for another significant cohort of enrollees, those aged 55-64. The end of enhanced subsidies and the return of the 400% of FPL subsidy cliff together will disproportionately impact households with enrollees over age 55.

Further, the end of the enhanced credits would adversely affect state reinsurance programs by materially reducing the federal support they have used to reduce individual market rates, which will have a significant impact on families who are not eligible for premium tax credits. The reinsurance programs operated in 17 states under Section 1332 waivers are funded by the dollars that would otherwise flow through premium tax credits. The waivers do not add to federal costs. If the enhanced subsidies are not extended, state reinsurance programs would have less funding available to lower premiums for all consumers in the market.

With uncertainty over the enhanced tax credits, the rate filing and approval process that is now underway for 2026 will be challenging and costly. State and federal officials are working to extend flexibility by requesting multiples sets of rates from insurers. Developing additional sets of rates is costly and confusing for insurers and reviewing them is more complicated and resource-intensive for state regulators. Congress has an opportunity to minimize uncertainty and maintain affordable coverage in Marketplaces by extending the enhanced credits in this legislation.

Changing Cost-Sharing Reduction Payments for 2026

The reconciliation legislation would resume payments to health insurance issuers, beginning in 2026, to cover their costs for offering plans with reduced cost-sharing for eligible enrollees. After cost-sharing reduction (CSR) payments were stopped in 2017, nearly all states allowed or required insurers to build the cost of CSRs into their premiums, most often for silver level plans in the Marketplace. This method of CSR loading has made coverage more affordable for the majority of Marketplace enrollees who receive tax credits. Should Congress resume CSR payments and allow expanded tax credits to expire in the same year, total financial help to Americans will drop, with the impact being fewer people covered by health insurance. Additionally, there will likely be a reduction in the amounts states receive in pass through funding for their reinsurance programs which will also impact families who are not eligible for tax credits.

Resuming CSR payments would restore the flow of funds from the first years of implementation of the Affordable Care Act and likely reduce federal expenditures. Resuming CSR payments for 2026, however, will add costs and complications for health insurers and state regulators. Paying for CSRs outside of premiums requires insurers to re-calculate their premiums, which must then be reviewed by state insurance regulators well before the beginning of the annual open enrollment period on November 1 of this year. The filing season for 2026 has already begun and, with the reconciliation legislation not yet approved, finalizing this change for 2026 will introduce significant challenges. Issuers will be forced to change their assumptions and alter their premiums, then submit them again in states that have already collected initial filings.

Regulators and insurers are already working to manage uncertainty over the enhanced premium tax credits, CMS's proposed Marketplace Integrity Rule, and a range of other provisions previously added to the reconciliation legislation that would affect enrollment and premiums. Adding CSR payment changes effective this quickly threatens to disrupt premium review and make a smooth open enrollment more challenging to achieve. We urge Congress to delay any resumption of CSR payments by at least one plan year.

Other provisions of the reconciliation legislation would also risk market disruption or limit valid state authority, including cuts to Medicaid, additional requirements on state-based Marketplaces, and significant changes to regulation of coverage for small businesses effective in the 2026 plan year. As recently announced market exits by national carriers indicate, the proposed policy changes combined with general uncertainty in the market will have a broad negative impact that jeopardizes the health of the broader insurance markets. We encourage Congress to preserve states' unique and valuable role in shaping their health care systems and regulating their health insurance markets. We would appreciate the opportunity to review more of the legislation with you and your staff as Congress completes its reconciliation work.

Thank you for your attention to these important priorities.

Sincerely,

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