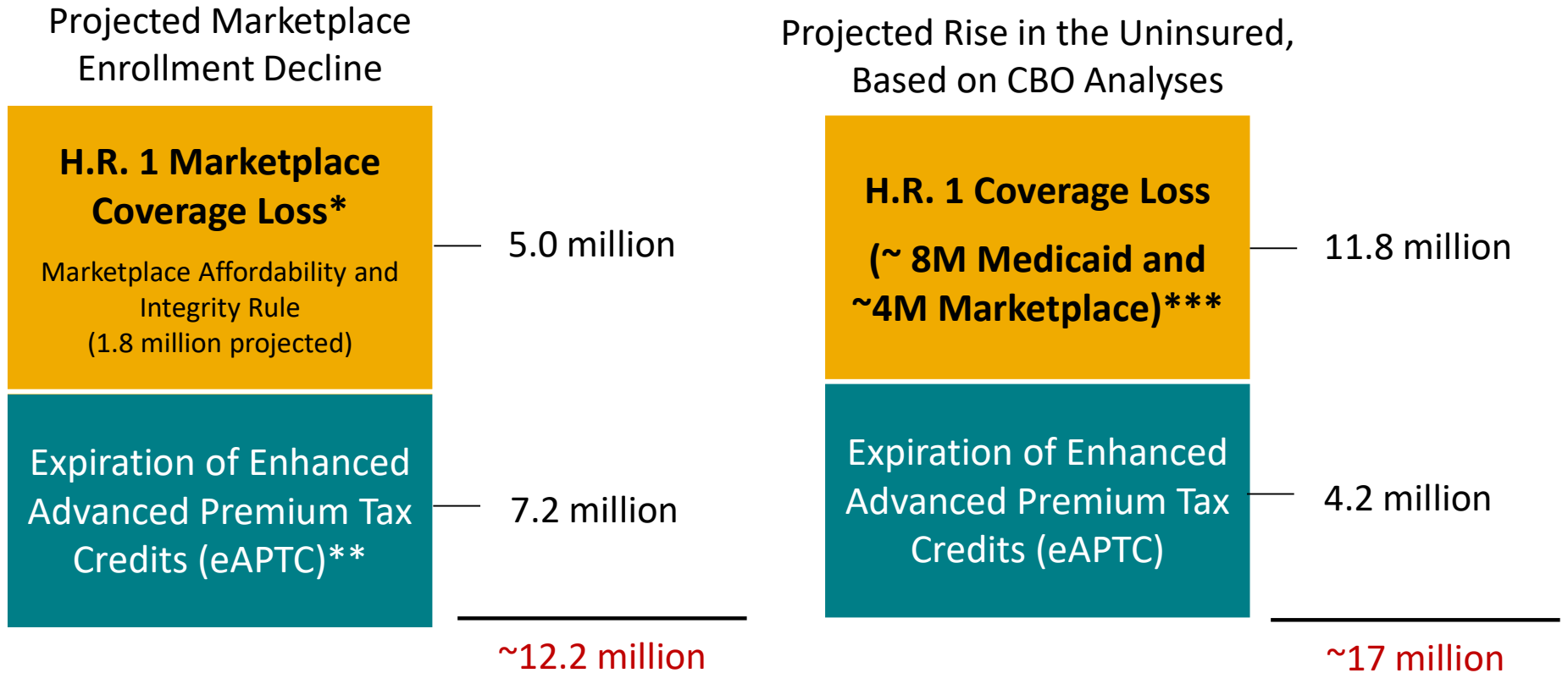


Changes to the Marketplace in the Budget Reconciliation Law (H.R.1) and Federal Action

Presentation to Washington Health Benefit Exchange Board
July 23, 2025

- **Overview of H.R. 1 and Marketplace Final Rule Provisions**
- **Next Steps for Implementation**
- **Panel Discussion**

National Coverage Loss Estimate



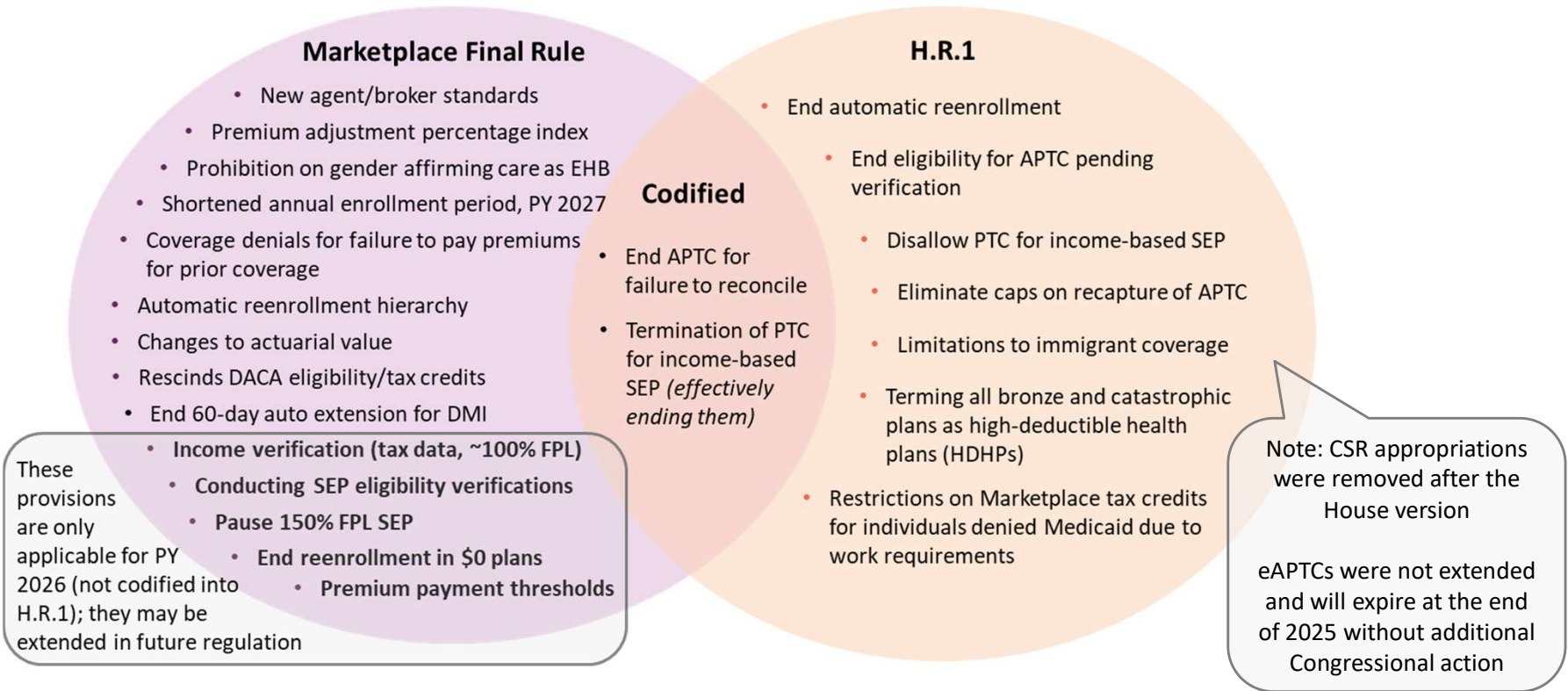
*Based on previous House version where provisions of the Marketplace final rule were included

**Based on Urban Institute analysis

***Based on Senate Finance version and including 1.4 million individuals who would no longer be covered through state-only programs as a result of the now-removed FMAP penalty for coverage of certain noncitizens. Program-specific estimates were not made available in the June 28 analysis. These Marketplace and Medicaid estimates reflect approximate losses in the House-passed, score version.

Deep Dive: Marketplace Provisions

Final Budget Reconciliation Legislation (H.R.1) and the Marketplace Integrity and Affordability Final Rule




H.R.1: Marketplace and Medicaid Interactions

New Medicaid requirements will also impact Marketplace enrollment and operations



Medicaid Work Requirement Mandate (Section 71119)

- Starting Jan. 1, 2027, states must impose **work requirements for expansion and expansion-like adults** ages 19 to 64.
- States must verify that individuals **complete 80 hours of qualifying activities** for at least one month prior to application and again at least one month within every six-month period.
- **States may implement earlier** via a section 1115 or SPA or may **request an exemption to delay by up to two years**—through December 31, 2028.
- HHS is required to release an **interim final rule** with implementation details by June 1, 2026


Individuals denied Medicaid due to work requirements are not permitted to receive Marketplace tax credits.



Medicaid Redetermination Every Six Months (Section 71107)

- Effective in 2027, states must **redetermine eligibility for expansion and expansion-like adults once every six months.**



Medicaid Restrictions on Noncitizen Coverage (Section 71109,71110)

Effective October 1, 2026:

- **States cannot receive the 90% match for emergency Medicaid** services for individuals who would qualify for expansion but for their immigration status
- Federal Medicaid/CHIP funding is no longer available for full coverage of most noncitizens, **except:** (1) lawfully residing children and pregnant women under the CHIPRA 214 option; (2) LPRs after five years; (3) Cuban-Haitian entrants; and (4) COFA migrants. **States lose enhanced funding for most refugees, asylees, trafficking victims,** and others unless covered under CHIPRA 214

Changes to Who Can Enroll

6



Noncitizen Eligibility Limitations (Section 71301, 71302, Final Rule)

The law and final rule limit eligibility for immigrants.

- **Effective August 2025:** Rescinds 2024 final rule clarifying that **Deferred Action for Childhood Arrivals (DACA) recipients** are considered lawfully present for the purpose of enrolling in the Marketplaces and receiving tax credits.
- **Effective in PY 2026:** The law ends PTCs for people who are ineligible for Medicaid due to immigration status.
 - The **five-year bar population** includes lawful permanent residents (LPRs) and individuals with other lawful statuses that are not otherwise statutorily exempted from the Medicaid 5-year bar.
 - However, lawfully present immigrants in any status—including those subject to the five-year bar—with income between 100% and 400% of the FPL may receive PTC in PY 2026.
- **Effective in PY 2027:** The law layers on new **limitations on the immigrant groups who qualify for PTC** to: LPRs; Certain Cuban and Haitian migrants; and Compact of Free Association (COFA) migrants.
 - **Statuses newly denied assistance include:** refugees, asylees, and victims of human trafficking.



Amends ACA's "guaranteed issue" protection to allow issuers to deny policies to consumers with past-due premiums. *States may impose limits.*



Locking Out Medicaid Enrollees Losing Coverage Due to Work Requirements (Section 71119, Beginning 2027*)

*The law permits states to implement earlier via a section 1115 demonstration or SPA; states may also request HHS Secretary approval for an exemption to delay by up to two years—through December 31, 2028—if the state demonstrates a "good faith effort" to come into compliance.

Changes to How People Enroll and Gain Financial Assistance (1/2)

7



Increased Verification Procedures to Enroll and Receive APTCs

- **Requires Enrollees Receiving APTC to file Taxes and Reconcile the Credit (Section 71303, Final Rule); Beginning PY 2026.** The law requires enrollees who receive APTC to file their tax return and “reconcile” the APTC received against the PTC they are entitled to receive based on actual income and household composition. *Required for all Marketplaces.*
- **Income Verification When Data Sources Indicate Income of Less than 100 Percent of the FPL (Final Rule); August 2025, Only for PY 2026.** the final rule creates an income data matching issue (DMI), requiring additional income verification, when consumer attested income differs from IRS/SSI sources. *Required for all Marketplaces.*
- **Income Verification When Tax Data is Unavailable. (Final Rule); August 2025, Only for PY 2026.** The rule requires substantiation of attested income when no tax data is available. *Required for all Marketplaces.*
- **Removed Automatic Extension of Time to Resolve Income Inconsistencies; Beginning August 2025.** The change removes the requirement for SBMs to provide this 60-day extension, but it continues to allow any Marketplace to offer an extension on a case-by-case basis when an applicant is making a good faith effort to comply.

Changes to How People Enroll and Gain Financial Assistance (2/2)

8



Eliminate Reenrollment in \$0 Plans (Final Rule); PY 2026 Only

No enrollee will be permitted to reenroll in a zero-premium plan people automatically reenrolled will have their monthly APTC decreased by \$5 (creating a \$5 premium) until the enrollee re-confirms their personal information and plan choice. *Healthcare.gov only.*



Eliminate Automatic Reenrollment (Section 71303); Beginning PY 2028

The law ends passive reenrollment. All enrollees must return to the Marketplace to verify information on their application (e.g., household income, family size, immigration status, enrollment in or eligibility for other health coverage) and enroll in a health plan, even if nothing has changed.

- Marketplace and reliable third-party resources may be utilized.
- Allows for an extended verification period that could begin no later than August 1.

In PY 2025, 10.8 million of the 24.3 million Marketplace enrollees chose to automatically reenroll in their plan, constituting 45% of all Marketplace enrollment. The automatic reenrollment rate was **38% in the Federally Facilitated Marketplace (FFM)** and, on average, **60% in State-Based Marketplaces (SBMs)**. Automatic reenrollment in SBMs is as high as 75%.



End Eligibility of APTC Pending Verification (Section 71303); Beginning PY 2028

The law prevents enrollees from using their APTC until all verification is complete.


- Individuals may be unable to pay their binder payment or have difficulty paying the gross premium while verification progresses, which may lead to attrition. Enrollees may be eligible for APTC for a previous coverage month, if eligibility is successfully verified.
- This requirement may be waived for individuals enrolling through a SEP for a change in family size.

Changes to When People Can Enroll

Shortening the Open Enrollment Period (Final Rule); Beginning in PY 2027

The open enrollment period must **start no later than November 1 and end no later than December 31**, not to exceed nine weeks. Specifically, the rule requires that all OEP enrollments take effect on January 1 of the plan year.

 Requires **verification of eligibility for SEPs prior to enrollment** only for HealthCare.gov states

 The rule temporarily (for PY 2026 only) **ends the SEP that allows individuals with income at or below 150% of the FPL** to enroll in a Marketplace plan or change plans in any month. *For all Marketplaces.*

Note: There is a date discrepancy in the rule language. CMS has indicated flexibility to implement the later date

End Tax Credits for Income-based Special Enrollment Periods (SEP) (Section 71304); Beginning PY 2026

The law **prohibits enrollees from receiving PTC if they enroll through an income-based SEP**, unless the SEP is also tied to a life change. Considered with the final rule change above, this effectively ends the SEP for people with income up to 150% of the FPL beyond 2026.

Changes to What People Enroll In

10



Under the rule: “All people will be able to access covered items and services as EHB, so long as the items and services do not meet the definition of “specified sex-trait modification procedures.” States may continue to include gender-affirming care in their EHB plans, but they will be **subject to defrayal** rules.



This rule **widens issuers leeway in designing plans** above and below the actuarial value target that range to +2/-4 percentage points for all individual and small group plans (currently +2/-2), +1/-1 for CSR variations, and +5/-4 for expanded bronze. *States can impose tighter AV limits.*



Term All Bronze and Catastrophic Plans as High-Deductible Health Plans (Section 71307); Beginning in PY 2026

The law considers all **bronze and catastrophic Marketplace plans to be high-deductible health plans (HDHPs)**, making them eligible to be paired with a health savings account (HSA)

- Some Marketplace plans already qualify as HDHPs, but other plans with high deductibles do not, often because they cover additional services prior to meeting the deductible.



Changes to Reenrollment Hierarchy; Beginning PY 2026

Ends the practice of **cross walking enrollee policies from Bronze to Silver plans** if there was one available in the same product, with the same provider network, and the same or lower premium. *Applies to all Marketplaces.*

Changes to What People Pay

11

Expiration of Enhanced Advanced Premium Tax Credits; Beginning in 2026

Congress has not taken action to extend the eAPTCs set to expire at the end of 2025. Returning to the original tax credit schedule will **increase consumer premium contributions** across the income spectrum and **end financial assistance for individuals over 400% FPL**.

Eliminate the Cap on APTC Recapture (Section 71305); Beginning in 2026

The law removes the limitation on APTC repayment, meaning that enrollees will be responsible for repaying all APTC in exceeding the PTC calculated on the tax return.

- **Current statutory limits:** For the 2025 tax year, the repayment limit for a single filer is \$375 for a person with income less than 200% of the FPL, up to \$1,575 for a person with income between 300% and 400% of the FPL.
- **Current regulatory exception:** Current regulations create a special exception for the lowest-income tax filers.

Effective beginning in the 2026 tax year, APTC repayment limits are removed, including the exception for low-income filers.

Change to Premium Adjustment Percentage Index

Changes the methodology to include annual growth in the individual market (alongside employer-sponsored coverage), effectively **increasing the maximum out-of-pocket maximum by more than 15%**; and increasing cost-sharing maximums for people with CSRs by as much as 14.75%

Operational Considerations for Marketplaces: Short-Term

12

The Marketplace final rule and H.R.1's provisions will require significant systems and business operation changes, especially for SBMs; all states are grappling with how to proceed given the compressed implementation timeline

2025

Jun 25: Marketplace rule finalized

Jul 4: H.R. 1 signed into law

Aug 25: **Select Policies Apply:** *Non-payment changes, end of DACA eligibility, new agent/broker standards, end of 60-day DMI extension, income verification requirements (~100% FPL, missing tax data)*, premium payment threshold**

Oct 24: Pause of Monthly SEP for >150% FPL*[^]

Dec 31: Enhanced APTCs (eAPTC) Expire

Nov 1: 2026 OE Begins**

2026

Jan 1: **Select Policies Become Effective:**

End of reenrollment in \$0 premiums [FFM only]; end of APTC for income-based SEP; new SEP verification requirements [FFM only]; prevents APTCs for failure to reconcile, changes to premium adjustment; methodology; AV variation; reenrollment hierarchy; end of APTC recapture cap; prohibition on gender-affirming EHBs; end of tax credits for certain noncitizens; terming Bronze/Catastrophic plans as HDHPs

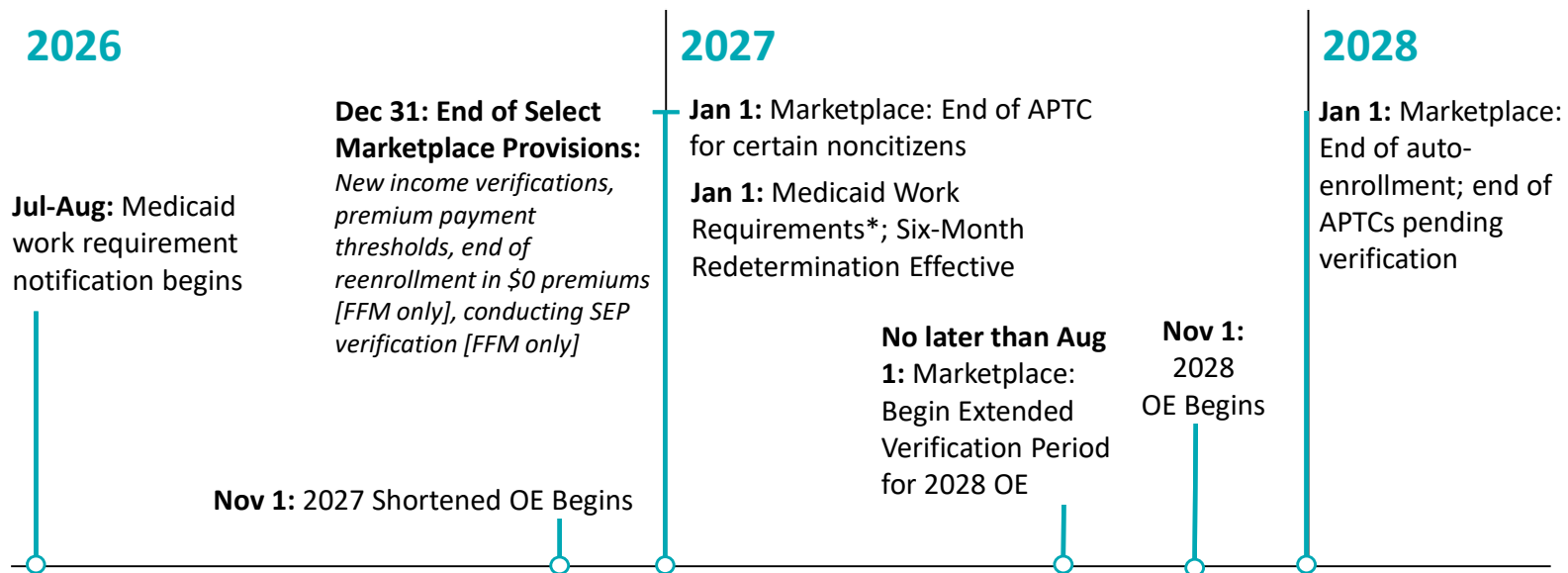
Key Operational Questions:

- Given bandwidth constraints, what does the 2026 minimal viable product look like, particularly for PY 2026 only provisions? What work should be prioritized to get there and minimize consumer disruption?
- What clarification is needed from CCIIO on implementation parameters?
- What additional staffing and contracting resources will be needed to handle increased paperwork and consumer interaction?
- What will these modifications cost? And how/when will user fees be adjusted to compensate?
- What additional data sources and technology can be used to increase automation?
- How to incorporate reporting and analysis to measure/document the impact of policy changes?

*Only applicable for PY 2026 **Existing length: Nov 1 to Jan 15 [^]There are discrepancies in the final rule about when then provision is effective; CCIIO has indicated that states will be given flexibility. October 24 is 60 days after the rule effective date.

Operational Considerations for Marketplaces: Longer-Term

Changes to Marketplace auto-reenrollment and the Medicaid program will require continued advancement of changes implemented for 2026 and new Marketplace functionality



*The law permits states to implement earlier via a section 1115 demonstration or SPA; states may also request HHS Secretary approval for an exemption to delay by up to two years—through December 31, 2028—if the state demonstrates a “good faith effort” to come into compliance.

What Marketplaces Will Need to Start ASAP—Reimagining of OE

14

- **Design for the End of Auto Renewal.** Eligibility and enrollment systems and interfaces will need to be built to reflect a new open enrollment progression (pre-verification window and a shortened open enrollment period) and verification requirements.
- **Marketplace-Medicaid System Changes Coordination.** Given work requirements and six-month renewals, Marketplaces and Medicaid agencies will need to align on communications, operations and system work.
- **Streamlined Enrollment Systems.** Applications will take longer to complete and require additional interaction with Marketplaces and application assisters, warranting additional streamlining and customer support to prevent attrition.
- **Continued Consumer Communication/Education.** Build off the short-term work to continue awareness campaigns for consumers, particularly related to new pre-enrollment requirements.

Near-Term Threshold Questions to Prepare To Provide Runway for Operational Changes

For example:

- Pre-verification as new module vs. existing OE ecosystem
- Investing heavily in the pre-OE period vs. maximizing engagement during OE
- Third-party data maximization, manual efficiency/automation, or both

Key
Operational
Questions