BlueCross BlueShield Association

Drivers of Premium Rate Change in the Individual Market

A Survey of BCBS Plan Actuaries

ISSUE BRIEF

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EXECUTIVE SUMMARY

When the cost of care goes up, the cost of insurance goes up. Right now, the cost of care is more expensive than ever. The individual market remains one of the most important pathways to comprehensive coverage for millions of Americans — especially for those who don't have access to employer-provided coverage. As this market experiences additional pressure with the expiration of the enhanced healthcare tax credit, significantly higher premiums have led many to drop coverage. And when healthier consumers leave the market because of costs, more people needing more expensive care pushes costs higher for everyone.

To give policymakers an understanding of the factors driving 2027 individual market premium rate changes and where the pressures are concentrated, the Blue Cross Blue Shield Association (BCBSA) conducted a survey of 24 Blue Cross and Blue Shield (BCBS) companies (Plans), with membership covering roughly one-quarter of the individual market. Proposed 2027 rates rose 13.2% on average, driven primarily by underlying medical and pharmacy cost trend, with pharmacy costs and the expiration of the enhanced healthcare tax credits cited as leading pressures. Plans projected a further 8.7% average increase for 2028 and flagged subsidy changes and other policy factors as emerging concerns.

KEY TAKEAWAYS

- On average, proposed 2027 premium rates increased by 13.2% compared to 2026 rates.
- Premium increases are being driven primarily by underlying medical and pharmacy cost trends, risk pool composition, and policy changes, not administrative costs; rising medical and pharmacy costs increased by 8.1%.
- Pharmacy costs are a leading pressure point for rate increases, with 83.3% of surveyed Plans citing pharmacy trend as a major driver and Plans specifically pointing to specialty drugs and GLP-1s.
- Premium growth is being driven by both rising provider prices and increased utilization of services, with Plans citing medical unit cost, utilization/severity, and provider contracting as key contributors.
- Federal and state policy changes have had a direct impact on premiums. Plans noted that changes to risk pool composition resulting from expiration of the enhanced healthcare tax credits and Independent Dispute Resolution (IDR) established by the No Surprises Act (NSA) as the most important regulatory factors driving rate increases.
- Premium pressure is expected to persist into 2028, with Plans projecting average rate increases of about 8.7%. Plans flagged subsidy changes, costs related to cost sharing reductions (CSRs), Notice of Benefit and Payment Parameters (NBPP) proposals, fraud and AI-driven upcoding as emerging concerns.

BACKGROUND AND OBJECTIVES

The individual market provided coverage to roughly 22 million Americans in 2025, the large majority of whom received healthcare tax credits that lowered their monthly costs. About 87% of 2026 enrollees receive a health tax credit, paying a sliding-scale share of household income rather than the full premium an insurer charges.[1] Each year, insurers file proposed rates with state regulators, and in most years, increases in prices for medical care is the primary driver of premium changes, as evidenced in plan year 2026.[2] However, the expiration of the enhanced healthcare tax credits enacted under the American Rescue Plan Act (ARPA) and extended through 2025 is another major factor affecting premiums.[3] As net-of-tax-credit premiums rise and enrollment is expected to contract, thereby increasing risk pool morbidity as younger and healthier enrollees leave the individual market,[4] separating how much of each increase stems from underlying cost trend versus policy and risk-pool change is difficult to discern from public rate filings alone.

Drawing on a survey of BCBS Plans, this report quantifies the relative contribution of medical and pharmacy costs, risk adjustment, morbidity, and federal and state policy factors to rates filed for 2027 coverage — and assesses Plans' projections and expected drivers for 2028 rates. The findings are intended to inform policymakers, improve public understanding of premium changes and highlight where policy action could most effectively ease affordability pressures in the plan years ahead.

SURVEY METHODS

BCBSA conducted a survey with member Plans in June 2026 to study drivers of premium rate changes anticipated for 2027. The survey was distributed to all BCBS Plans, and 24 Plans responded[5].

The survey questions were structured to align with the data elements and reporting conventions of 2026 individual market rate filings. Respondents were asked to report rates for 2027 individual market coverage and project rates and drivers of change for 2028 coverage, where available.

RESULTS

2026 Enrollment

The 24 Plans that responded to this survey represent 6.1 million members, accounting for around one-quarter of total enrollment in the individual market. The majority of Plans (n=16) reported projected decreases in enrollment for 2027. The remaining eight Plans reported projected enrollment increases or no change in enrollment. Enrollment is expected to decline to 5.1 million covered members, representing a 16.2% decrease.

Continuing enrollment shifts from 2026, Plans anticipate drops in silver plan enrollment and increase in bronze plan enrollment for 2027.

Plans stated that plan benefit design changes, such as expansion of catastrophic plan eligibility to unsubsidized enrollees over age 30, changes in product mix, and expiration of the enhanced healthcare tax credits as contributors to prospective increases in bronze and catastrophic enrollment.

1 Kaiser Family Foundation (KFF). "What We Know So Far About 2026 ACA Marketplace Enrollment, Premiums, and Deductibles." May 19, 2026. https://www.kff.org/affordable-care-act/what-we-know-so-far-about-2026-aca marketplace-enrollment-premiums-and-deductibles/.

2 Peterson-KFF Health System Tracker. "Individual Market Insurers Requesting Largest Premium Increases in More Than 5 Years." Aug. 6, 2025. https://www.healthsystemtracker.org/brief/individual-market-insurers-requesting-largest-premium-increases-in-more-than-5-years/.

3 Congressional Research Service. "Enhanced Premium Tax Credit and 2026 Exchange Premiums: Frequently Asked Questions." Report R48290. https://www.congress.gov/crs-product/R48290.

4 The individual market has seen the sharpest decline in plan sign-ups for adults aged 18 – 34 compared to any other age group. KFF. "What We Know So Far About 2026 ACA Marketplace Enrollment, Premiums, and Deductibles." May 19, 2026. https://www.kff.org/affordable-care-act/what-we-know-so-far-about-2026-aca-marketplace-enrollment-premiums-and-deductibles/.

5 The findings included in this report are a rerelease to include data from three additional responses to the Plan survey.

Rate Changes and Trend Assumptions

At the time that this survey was conducted, most BCBS Plans had either submitted or prepared for submission their 2026 individual market filings for 2027 plan coverage. On average, proposed 2027 rates would be 13.2% higher than rates proposed for 2026 coverage[6]. This rate increase is being driven by medical and pharmacy trends, which have increased by 8.1%, on average, as cited by 21 Plans.

CONTRIBUTOR	PERCENTAGE CHANGE
Medical and Pharmacy Cost	8.1%
Morbidity Load Adjustments	2.5%
Prior Period or Base Period Adjustments	1.4%
Risk Adjustment	0.5%
Administrative Changes	0.4%

The average medical cost trend assumption for 2027 coverage was 7.7%, and the average pharmacy cost trend assumption was 11.8%. Nearly all (n=18) Plans reported that prescription drugs are putting the greatest pressure on trends. Specialty drugs and GLP-1s, in particular, were called out by eight Plans. Although a mixture of service categories was cited as contributors to medical trend, inpatient and outpatient surgeries and hospital services were the most frequently mentioned (n=13).

Morbidity shifts and accompanying changes in composition of the risk pool were noted by four Plans as contributing to increased rates, aligned with reported increases in the utilization and severity of medical services. One Plan that lowered rates indicated that change improved competitiveness in the local market and subsequently lowered the morbidity of their member population.

Changes in provider contracting and higher utilization at the time of 2027 pricing were mentioned by Plans as additional factors contributing to increased trends. Certain regulatory and policy factors were identified as secondary drivers such as the expiration of provisions in ARPA, IDR process established by the NSA, and changes in 1332 waivers. Policy impacts are explained in more detail below.

Key Drivers of Rate Changes for 2027 Coverage

Plans highlighted a mix of contributors that impacted rates for 2027 coverage, including existing cost trends, regulatory changes and risk pool changes. Throughout the survey, medical and pharmacy costs were identified as the most impactful drivers of rate increases. In particular, 83.3% of Plans included pharmacy cost and the medical unit cost (three-quarters of Plans), and about half of Plans included medical services utilization and severity of medical as the factors that contributed the most to their overall rate increase in their 2026 rate filings.

FACTOR	PERCENT OF PLANS[7]
Pharmacy Cost	83.3%
Medical Unit Cost	75.0%
Medical Utilization and Severity	50.0%
Prior Period / Base Period Adjustment	33.3%
Risk Adjustment	29.2%

6 Reported averages are weighted by actual 2026 enrollment.

7 Plans were able to select more than one option, so percentages do not add up to 100%.

Morbidity Load	25.0%
Reinsurance / 1332 Waiver Reduction	8.3%
Regulatory or Policy Change	4.2%
Administrative Charge Increase	4.2%
Contribution to Reserve Increase	4.2%

The Contributing Policy Environment

Along with premium components reported in rate filings, Plans also mentioned specific regulatory and policy factors that impacted premium rates. At the federal level, the expiration of the enhanced healthcare tax credits (79.2%), the effect on risk pool composition (63.6%), and the NSA's IDR process (39.1%) were the three leading policy factors that increased rates for 2027 coverage. The remaining policy factors had limited impact on individual market rates.

POLICY AND REGULATORY FACTORS	PERCENT OF PLANS		
	Increased	**Decreased**	**No Impact**
Expiration of Enhanced Healthcare Tax Credit Subsidy Cliff	79.2%	0.0%	20.8%
Effect of Enhanced Healthcare Tax Credit on Risk Pool Composition	63.6%	9.1%	27.3%
No Surprises Act & IDR Arbitration	39.1%	4.3%	56.5%
Pharmacy Pricing Regulation	28.6%	4.8%	66.7%
ACA Risk Adjustment Methodology Changes[8]	30.4%	13.0%	56.5%
Preventive Care Coverage Mandate Changes	14.3%	0.0%	85.7%
Mental Health Parity and Addiction Equity Act (MHPAEA)	4.8%	0.0%	95.2%

Comparatively, state policy changes had less impact on rate changes. Approximately one-quarter of responding Plans noted state regulations that increased rates, primarily state benefit mandate changes, reinsurance program changes and state assessments or taxes.

POLICY AND REGULATORY FACTORS	PERCENT OF PLANS		
	Increased	**Decreased**	**No Impact**
State Assessments or Taxes	33.3%	0.0%	66.7%
State Benefit Mandate Additions or Expansions	30.4%	4.3%	65.2%
State Reinsurance Program Changes	20.8%	4.2%	75.0%
State Rate Review Process Changes	12.5%	4.2%	83.3%
State-Specific Network Adequacy Requirements	4.3%	0.0%	95.7%
State Hospital Price Cap or Affordability Standard Changes	4.3%	4.3%	91.3%

Across state and federal policy changes, 66.7% of Plans (n=14) identified expiration of the enhanced healthcare tax credit as the single policy factor that had the largest impact on premium rates.

8 As included in the final 2027 HHS Notice of Benefit and Payment Parameters

Anticipated 2028 Changes

Most Plans projected total rates in the next filing cycle for 2028 coverage to increase by an average of 8.7%[9]. The majority of Plans (n=13) expect that trend will continue to drive rate changes for 2028 coverage with 71.4% of Plans expecting trend assumptions to hold steady or trend up modestly.

DIRECTION OF TREND ASSUMPTION	PERCENT OF PLANS (EXCLUDING UNCERTAIN)
Trending Down	21.4%
Holding Steady	50.0%
Trending Up Modestly (<2 percentage points)	28.6%

In the 2028 policy environment, future changes to subsidies would contribute to rate increases in the next filing cycle. Four Plans highlighted CSR funding, administrative costs associated with CSR reporting, and eligibility verification for healthcare tax credits as potential policy levers. Additionally, two Plans cited proposals in the 2027 NBPP, such as the implementation of non-network plans, as secondary drivers of potential rate increases. Two Plans also indicated the necessity for policymakers to become more aware of fraud in out-of-state claims and AI-driven upcoding as emerging challenges that may impact rate changes in the individual market. Two additional Plans noted changes in Medicaid eligibility, such as upcoming work requirements, will subsequently impact the single risk pool for the Individual Market.

CONCLUSION

Annual rate filings in the individual market reveal how premiums change from year to year. This survey of BCBS Plans showcased that, amid enrollment declines, average rates increased largely in response to increased pressure from medical and pharmacy costs. Plans continued to feel impacts from the expiration of the enhanced healthcare tax credits and expect that uncertainty around implementation of proposals from the 2027 NBPP will add to rate increases. Rates for 2028 are projected to continue upwards, offering opportunity to introduce policies to offset pressures on Plans — and deliver affordable, quality healthcare to millions of Americans.

9 This estimate corrects a computational error from the previous release of this report.

BCBSA is an association of independent, locally operated Blue Cross and Blue Shield companies. The survey findings in this brief are presented in aggregated form and reflect responses from participating Plans. Nothing in this brief should be read as guidance, agreement, or encouragement regarding any Plan's competitively sensitive business decisions.

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