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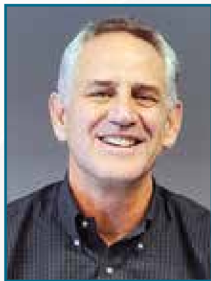

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For many years, health insurance has been one of the most valuable benefits employers have offered their workers. It helps employees and their families access medical care, protects them from potentially devastating financial losses caused by illness or injury, and serves as a critical tool for attracting and retaining talented workers. Unfortunately, the health insurance market continues to face significant challenges. Rising medical costs, increasing prescription drug expenses, provider shortages, regulatory changes, and shrinking insurer participation in certain markets have combined to create an environment of uncertainty for consumers, employers, insurers, and health care providers alike.

Although health insurance remains widely available throughout the United States, the choices available to individuals and employers continue to evolve. Understanding these changes can help employers make informed decisions regarding employee benefits and prepare for future market developments.

Executive Summary

- **Health insurance remains available throughout the United States,** but consumer choice has decreased in several markets as insurers have reduced participation or exited certain states and products.
- **Health care costs continue to rise** faster than general inflation, placing pressure on both employers and employees.
- **Several health insurers have reduced their Affordable Care Act (ACA or Obamacare) marketplace participation** in recent years, while others have concentrated on specific geographic areas or product lines. This has further limited available options, which has reduced competition and added additional pressure on insurance premiums and provider access.
- **Employer-sponsored health insurance remains the primary source** of coverage for working Americans and their families.
- **Employers should regularly evaluate** their benefit offerings to ensure they remain competitive while maintaining affordability.

THE CHANGING Health Insurance LANDSCAPE

Health Insurance Coverage in America

The United States health insurance system is unlike that of most developed nations because it relies on a combination of employer-sponsored coverage, government programs, and individually purchased insurance. According to the most recent data available from the Centers for Medicare & Medicaid Services (CMS), approximately 69 million Americans are enrolled in Medicare, and 78 million Americans get their coverage through other government programs like Medicaid and the Children's Health Insurance Program (CHIP). Employer-sponsored health insurance remains the largest source of coverage, protecting roughly 154 million Americans.

The ACA provides an additional avenue for employers and individuals to access insurance coverage; however, according to recent analysis by KFF and data projections from the Congressional Budget Office (CBO), the ACA marketplace is currently experiencing its sharpest contraction since inception. This enrollment decline is primarily due to the impact of expired enhanced subsidies at the end of 2025 and continued rising healthcare costs that have made insurance coverage unaffordable to many Americans. Further exacerbating this access problem is the fact that ACA marketplace deductibles rose by 37% ($1,027 per person) in 2026 and reached a record high of $3,786!

While it's difficult to get an accurate number of Obamacare insureds (due in part to CMS's insistence on using mere plan "selections" as opposed to the more legitimate metric of "effectuated" coverage where premium is actually paid), recent data shows a clear and steep reduction in those who access health insurance through the ACA. In fact, while roughly 23.1 million individuals "selected" plans for 2026—a decrease from the 24.3 million seen in 2025 — industry sources anticipate that actual "effectuated" enrollment may fall closer to 17.5 million by year-end.

Fewer Insurance Choices in Some Markets

While these figures demonstrate that health insurance coverage remains broadly available, they also illustrate the complexity of the American health care system and the importance of maintaining a healthy and competitive insurance marketplace. One of the more significant developments in recent years has been the reduction of insurer participation in certain individual and marketplace insurance markets. More specifically, several insurance carriers have either exited certain states, reduced the number of counties they serve, or narrowed their product offerings. In some areas, consumers have fewer carrier choices than they enjoyed just a few years ago.

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THE CHANGING Health Insurance LANDSCAPE continued

Insurance carriers' decisions about which markets to serve and how best to serve them are often driven by a combination of factors, including:

- **Rising** medical claims costs
- **Increased** utilization of health care services
- **Higher** prescription drug expenses
- **Regulatory** uncertainty
- **Difficulty** achieving sustainable profitability

While insurer withdrawals do not necessarily mean consumers lose access to coverage, they can reduce competition and limit available choices. In some rural areas, consumers may have only one or two carriers from which to choose. Furthermore, reduced competition can also place upward pressure on premiums over time, although premium rates are influenced by many factors including medical inflation, provider reimbursement rates, and government regulations. Recently several major insurance carriers began exiting various insurance markets, and while this list isn't exhaustive, it gives an idea of the challenges facing employers and insurance regulators in the Rocky Mountain region:

- **PacificSource** is exiting the entire state of Montana and the individual ACA market in Oregon and Idaho
- **Providence Health Plan** is winding down nearly all of its commercial and public health insurance lines in Oregon, Washington and California
- **Aetna** fully exited the ACA individual/family marketplace after 2025
- **Cigna** is exiting the entire ACA marketplace at the end of 2026 and several other regional health plans are exiting the ACA marketplace entirely for 2027

Why Health Insurance Costs Continue to Rise

Employers frequently ask why health insurance premiums continue to increase year after year. The answer is simple in concept but complicated in practice: health care itself continues to become more expensive. Several factors contribute to rising costs:

- **Medical Inflation** - The cost of hospital services, physician services, outpatient procedures, and specialty care continues to increase. Health care providers face many of the same challenges affecting other industries, including wage pressures, staffing shortages, and increased operating expenses.
- **Prescription Drug Costs** - Prescription drug spending remains a significant driver of health insurance costs. While many traditional medications have become less expensive due to generic competition, newer specialty medications can cost tens of thousands of dollars annually and, in some cases, substantially more.
- **Increased Utilization** - Americans are using more health care services than ever before. Advances in medicine have improved outcomes and extended life expectancy, but these innovations often come with increased costs.
- **An Aging Population** - As the population ages, demand for health care services naturally increases. Older individuals generally utilize more medical services and prescription medications than younger populations.
- **Provider Consolidation** - Another significant contributor to rising costs is provider consolidation. Across the country, hospitals and physician groups continue to merge into larger health systems. While consolidation can improve efficiency and care coordination, it may also reduce competition and increase the bargaining leverage providers have when negotiating reimbursement rates with insurance companies. Those increased costs are often passed along to employers and insureds in the form of higher premiums.

The Continuing Importance of Employer-Sponsored Coverage

Employer-sponsored health insurance remains the backbone of the American health insurance system. For most working families, employer-sponsored coverage offers several advantages:

- **Employer contributions** significantly reduce employee premium costs
- **Coverage** is generally more comprehensive than many individual market options
- **Premium contributions** are typically made on a pre-tax basis
- **Employers** often absorb a substantial portion of annual cost increases

In fact, many employers contribute thousands of dollars annually toward employee health insurance premiums. Without those contributions, coverage would be unaffordable for many workers and their families. This reality highlights the important role employers continue to play in maintaining access to affordable health care.

What this Means for Employers

The health insurance market has changed dramatically over the past decade and will undoubtedly continue to evolve in the years ahead. Employers who remain informed and proactive will be best positioned to navigate these changes while continuing to provide meaningful benefits to their employees and families. Here are a few takeaways for employers:

First, health insurance remains one of the most valuable employee benefits available. Workers consistently rank health coverage among the most important components of their compensation package.

Second, employers should periodically review their benefit offerings to ensure they remain competitive within their industry and geographic market.

Third, companies should focus not only on premiums, but also on deductibles, out-of-pocket costs, provider networks, and overall employee satisfaction.

Finally, employers should prepare for continued cost pressures. While no one can predict future premium increases with certainty, most experts expect health care costs to continue rising for the foreseeable future.

If you have questions about Medicare and Medigap policies or would like a free copy of the federal government's Medicare handbook, please visit our website at ***wmimedigap.com*** or contact our office at ***(801) 263-8000***.