

CHRT Health Policy Issue Brief

The End of Enhanced Subsidies: How Rising Costs are Reshaping Michigan's ACA Marketplace

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Executive Summary

The Affordable Care Act (ACA) Marketplace is a critical source of coverage for Michiganders who don't have access to affordable coverage through a job but earn too much for Medicaid. More generous premium subsidies helped thousands afford coverage, doubling Marketplace enrollment between 2020 and 2025. Enhanced premium subsidies expired at the end of 2025, erasing much of that gain. Early data show Marketplace enrollment falling more in Michigan than the national average. Many enrollees who kept coverage shifted to skimpier plans to hold down premiums. This brief summarizes these changes to the Marketplace and discusses how they are already affecting people in Michigan.

Key Takeaways

What happened

- **Reduced subsidies:** Enhanced premium subsidies for health insurance purchased through the ACA Marketplaces expired at the end of 2025, sharply raising costs for many Michigan enrollees.
- **Bureaucratic hurdles:** Impending regulatory and legislative changes will mean fewer people qualifying for premium subsidies and more paperwork.

Implications for Cost

- **Premium increases:** Between 2025 and 2026, annual enrollee premium payments went up by about \$1,000 on average, an increase of roughly 70% in Michigan. But for many, the loss of enhanced subsidies caused an even greater increase. Premium increases are especially large for Michiganders with individual incomes above \$64,000 (400% of the Federal Poverty Level) because they no longer qualify for any premium subsidy. For older individuals in this income range, such as early retirees, annual premiums increased by more than \$10,000.
- **Out-of-pocket cost increases:** Because many enrollees responded to the premium increases by switching to less generous plans, the average deductible faced by Michigan Marketplace enrollees increased by over \$1,000. Considering both premium payments and patient cost-sharing, total average spending per enrollee is expected to be roughly \$1,800 higher in 2026 than in 2025, an increase of 58%.

Enrollment Impact

- **Initial enrollment decline:** As of February 2026, 130,000 fewer Michiganders have coverage through the Marketplace compared to one year before. This represents a 27% decline, more than twice the nationwide decline of 12% over the same period.
- **Prospect for the future:** Enrollment is likely to drop more in 2026 and 2027 as additional changes take effect and insurers raise premiums further.

The ACA Marketplaces

The Affordable Care Act (ACA) created health insurance Marketplaces in 2014 so that people without access to affordable job-based coverage or public coverage could buy private health insurance. Most enrollees receive a premium subsidy based on their income and the cost of coverage in their area. Between 2021 and 2025, Congress increased those premium subsidies to make coverage more affordable. The result was a surge in Marketplace enrollment: the number of Michiganders with Marketplace coverage roughly doubled between 2021 and 2025.

In 2026, the enhanced premium subsidies expired, sharply increasing the cost of Marketplace coverage for enrollees. Many enrollees dropped coverage. Additional policy changes are narrowing who qualifies for subsidized coverage and will make it harder for those who do qualify to claim their subsidy.

Market Rules and Plan Options

Plans sold in the Marketplaces must offer a set of 10 Essential Health Benefits and abide by consumer protections that were introduced by the ACA.¹ Insurers cannot deny or cancel coverage based on a person's health status and the extent to which they can vary premiums by age is limited.

Marketplace plans are grouped into four “metal levels” based on how much of a typical enrollee's medical costs the plan is designed to cover. Bronze plans have the lowest monthly premiums but require enrollees to pay more out of pocket when they need care. Silver, gold, and platinum plans cover an increasing share of the total cost of care but charge higher premiums for that added protection. A separate category, catastrophic plans, is available to a limited set of consumers and combines the lowest premiums with the highest deductibles.

How Subsidies Work

The Marketplace has two kinds of subsidies to help enrollees: premium subsidies and cost-sharing reductions.

Premium subsidies are set so that what an enrollee has to pay for a low-cost silver plan—known as a “benchmark plan”—is capped. Enrollees who choose a plan that is more expensive than the benchmark will have to pay the additional premium cost of that choice themselves, while those who choose a plan that is cheaper than the benchmark will pay a lower premium (and in some cases may not have to make any premium payments at all).

Premium Caps

The cap on what enrollees must pay rises with income. Under the ACA as originally written, it ranged from roughly 2% of income for a household at 100% FPL to 9-10% for households between 300 and 400% FPL. Anyone above 400% FPL received no subsidy at all, no matter how high premiums were where they lived.

Enrollees with incomes below 250% of the Federal Poverty Level (FPL) are also eligible for **cost-sharing reductions**, which lower their out-of-pocket costs—deductibles and co-payments—when they use care. Enrollees must choose a silver plan to be eligible for cost-sharing reductions.

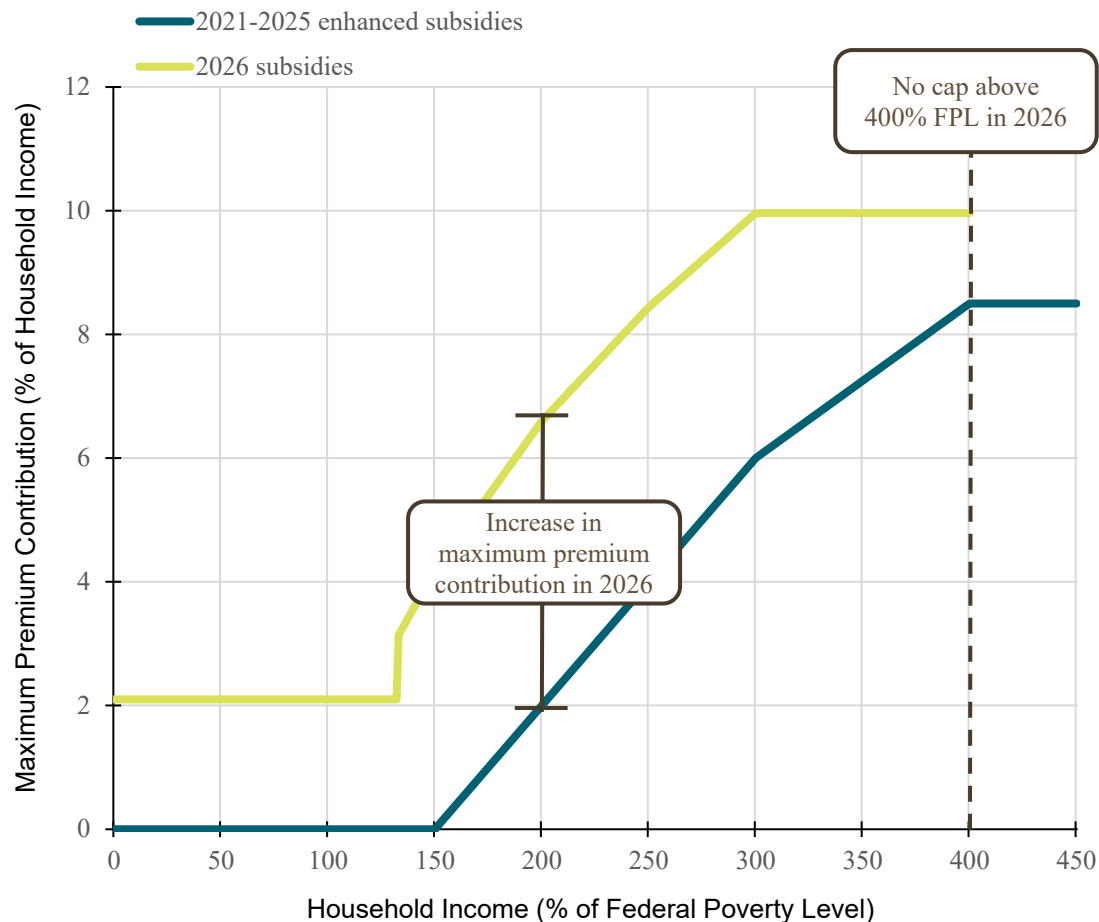
How Premium Subsidies Have Changed, 2021 – 2026

The 2021 American Rescue Plan Act temporarily made premium subsidies more generous at every income level, including enrollees with incomes above 400% FPL who had previously not been eligible for any subsidies. Instead of paying between 2-10% of their income for health insurance, premium payments were capped between 0-8.5% because of the enhanced subsidies.

The 2022 Inflation Reduction Act extended these enhanced subsidies through the end of 2025, but Congress allowed them to expire in 2026. As a result, expected enrollee premium payments in 2026 have gone back to roughly what they were in 2020: households between 100-400% FPL must pay between 2-10% of their income for the benchmark plan, and anyone above 400% FPL is no longer eligible for a subsidy at all (Figure 1).

Figure 1

Maximum Household Premium Contribution for a Benchmark Plan as a Share of Income, by Income Relative to FPL



Illustrative Consumer Profiles

How much this matters for a given household depends on their age, income, and local cost of coverage. Table 1 illustrates with estimated 2026 premiums for three illustrative consumer profiles in Michigan's Kent, Wayne, and Marquette counties. These consumer profiles are chosen to reflect a range of potential enrollees, from young, lower-income people, who tend to face the lowest premiums, to older, higher-income people, who tend to face the highest premiums; and both low- and high-premium counties. The table shows the full, unsubsidized premium; the premium payments enrollees would have to make if enhanced subsidies were still in effect; and the required premium payments in 2026 after the subsidies have returned to their earlier, lower levels.

Illustrative Profiles

Three illustrative profiles provide a sense of how premiums vary:

- A 26-year-old young adult with an income of \$22,000 (141% FPL)
- A 40-year-old entrepreneur with an income of \$50,000 (319% FPL)
- A 63-year-old early retiree with an income of \$70,000 (447% FPL)

Table 1

Annual Premium Payments With and Without Enhanced Subsidies: Three Illustrative Profiles in Three Michigan Counties^a

	Kent County			Wayne County			Marquette County		
	Young Adult	Self-Employed	Early Retiree	Young Adult	Self-Employed	Early Retiree	Young Adult	Self-Employed	Early Retiree
Pre-Subsidy Benchmark Premium	\$4,533	\$5,658	\$13,068	\$4,881	\$6,092	\$8,121	\$8,750	\$10,920	\$25,554
Silver Plan Premium									
With Enhanced Subsidy	\$0	\$3,245	\$5,950	\$0	\$3,245	\$5,950	\$0	\$3,245	\$5,950
With Actual 2026 Subsidy	\$794	\$4,980	\$13,068	\$794	\$4,980	\$14,071	\$794	\$4,980	\$25,224
Difference	\$794	\$1,735	\$7,118	\$794	\$1,735	\$8,121	\$794	\$1,735	\$19,274
Bronze Plan Premium									
With Enhanced Subsidy	\$0	\$1,864	\$2,760	\$0	\$1,337	\$1,543	\$0	\$0	\$0
With Actual 2026 Subsidy	\$0	\$3,599	\$9,879	\$0	\$3,072	\$9,664	\$0	\$398	\$14,640
Difference	\$0	\$1,735	\$7,119	\$0	\$1,735	\$8,121	\$0	\$398	\$14,640

^a Source for premiums is the KFF online calculator (<https://www.kff.org/interactive/calculator-aca-enhanced-premium-tax-credit/>). All profiles are assumed to be one-person households. The pre-subsidy premium is what each individual would pay if they did not receive any subsidy. Premiums with enhanced subsidy represent what each individual would have paid in 2026 if the enhanced subsidies had not expired.

The expiration of the enhanced subsidies caused premium payments for the benchmark silver plan to increase for all consumer profiles. The annual cost of the benchmark plan increased by \$794 for the young adult profile and by \$1,735 for the 40-year-old self-employed worker. Without the enhanced subsidy, Marketplace enrollees with incomes above 400% FPL must pay the full premium, which varies across geographic markets. If the retiree lived in Wayne County, the annual cost of the benchmark silver plan would increase by \$8,121. If the same person lived in Marquette County, which has some of the highest premiums in the state, losing the subsidy would cause costs to increase by over \$19,000 per year.²

While subsidies are determined by the full, unsubsidized premium for the benchmark silver plan, they can be applied to any available plan. For the young adult, lower income profile, even without the enhanced subsidy, the subsidy is enough to pay the full cost of a bronze plan. For the 40-year-old self-employed worker, the elimination of enhanced subsidies increases the cost of a bronze plan, with the effect varying across local markets. Enrollees who, like the early retiree in our example, no longer receive any subsidy, can reduce their monthly premium cost by selecting a bronze plan, but the cost is still very high: over \$7,000 in Kent County and nearly \$15,000 per year in Marquette County.

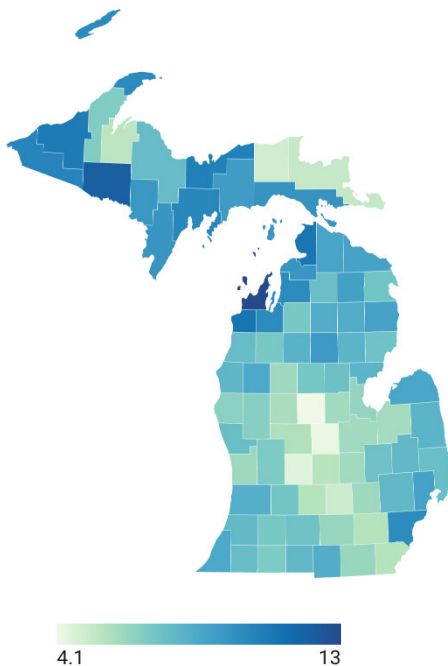


Figure 2.

Percent of Adults (18-64) with Marketplace Coverage, 2025^{b,3}

What We Know About 2026

The expiration of enhanced tax credits resulted in many fewer people in Michigan choosing Marketplace coverage. This is evident in both initial plan selections, which reflect the number of people who signed up

^b Enrollment data are from the 2025 County-Level OEP Public Use File. <https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2025-marketplace-open-enrollment-period-public-use-files>. Population data are from the 2024 American Community Survey.

for 2026 coverage during open enrollment, and effectuated enrollment as of February 2026. Effectuated enrollment is defined as the number of people with active policies who have paid their premiums.

Initial Plan Selections

Faced with the prospect of higher costs, initial Marketplace signups for 2026 were much lower than 2025: 497,000 vs 531,000, a drop of approximately 6%, comparable to the national decline of 5%.⁴ In addition, those who made an initial plan selection for 2026 chose less generous plans than in 2025, shifting from silver and gold plans (higher premium, lower deductible) to bronze and catastrophic plans (lower premium, higher deductible).⁵

- Combined **gold and silver** plan selections fell by 8%, from 59.4% to 51.2%
- **Bronze** plan selections rose from 40.6% to 48.8%
- **Catastrophic** plan selections rose from 0.3% to 1.7%

The effect of these shifts was to increase the average annual deductible faced by Michigan Marketplace enrollees by roughly \$1,000. Even with the shift to less generous plans, the average premium payment increased by nearly 70%, from \$1,572 to \$2,664. Considering both premium payments and patient cost-sharing, average total spending will be roughly \$1,800 higher in 2026 than in 2025, an increase of 58%.⁶

2026 Average Plan Deductibles (individual)

The shift to higher deductible plans carries major cost consequences.

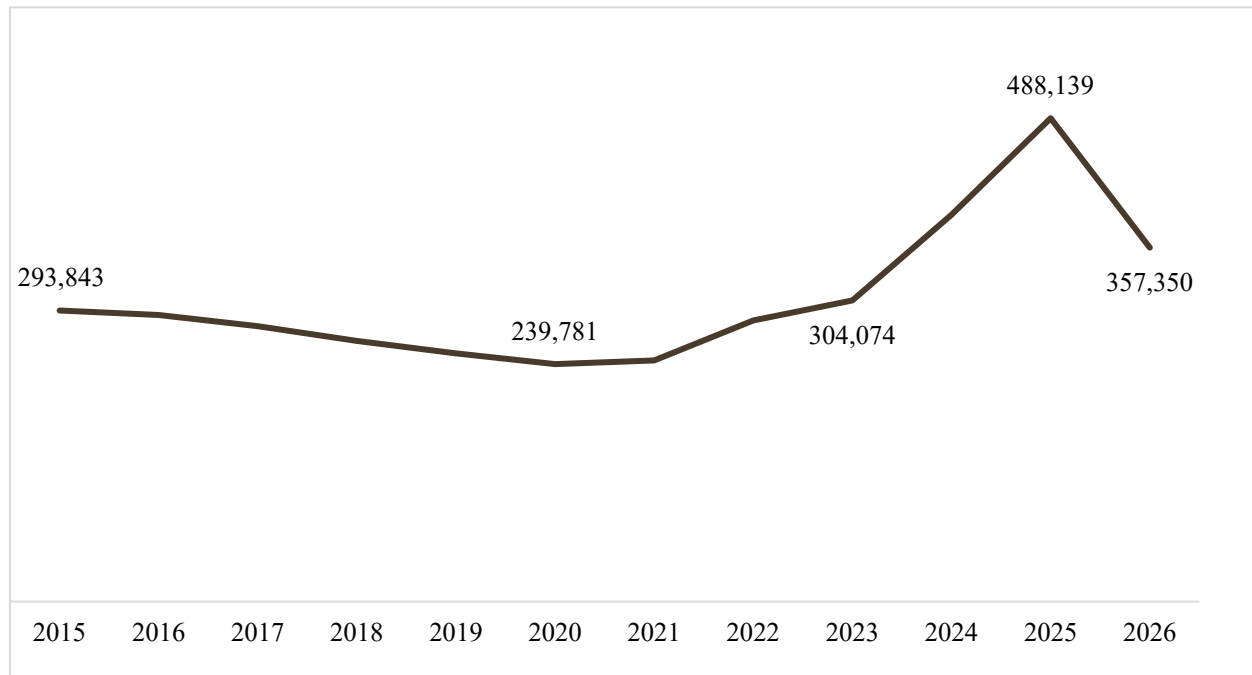
- Gold: \$1,500
- Silver: \$5,000
- Bronze: \$8,300
- Catastrophic: \$10,600

Effectuated Enrollment as of February 2026

The actual number of people enrolling fell even further than initial plan selections. The most recent data from CMS on effectuated enrollment indicate that in February 2026, 357,350 Michiganders were enrolled in the Marketplace, 130,000 less than at the same point in 2025. This 27% decline is more than double the national decline of 12% over the same period. As shown in Figure 3, this decline is a sharp departure from the trend in recent years.⁷

Other Federal Policy Changes Affecting the Marketplace

Beyond the loss of enhanced premium subsidies, the Trump administration has made several other changes to Marketplace rules through both regulation (the 2025 Marketplace Integrity and Affordability Rule and the 2027 Notice of Benefit and Payment Parameters) and legislation (HR1, also known as the One Big Beautiful Bill Act).⁸ Some are already in effect; others will phase in over the next few years, pending litigation.⁹ Taken together, they move in the same direction: narrowing who is eligible, shortening the enrollment window, adding new paperwork requirements to claim a tax credit, and raising costs for enrollees who remain.

Figure 3**Michigan Marketplace Effectuated Enrollment, 2015 to 2026**

Note: Effectuated enrollment for March 2015 and February 2016-2026. Source: <https://data.cms.gov/summary-statistics-on-beneficiary-enrollment/health-insurance-marketplace/health-insurance-exchanges-monthly-effectuated-enrollment>.

Looking Ahead: What Comes Next

The trends described above capture only the early response to higher costs. More consumers are likely to drop coverage as the year goes on and their bills mount. Looking ahead to 2027, health insurers in Michigan are requesting individual market premium increases of 14 percent on average, which is comparable to the median rate increase requested nationally.¹⁰ Insurers attribute much of that to rising health care costs generally, but they have also cited an anticipated change in who remains in the risk pool: as more low-cost, healthy enrollees drop coverage, premiums for those who stay must rise to cover the costs of a comparatively sicker pool.¹¹

Michigan consumers who remain in the Marketplace now face a difficult choice: make higher premium payments to keep their existing plan, or switch to a less comprehensive plan with a higher deductible and more cost-sharing. Either way, coverage has become less affordable. And with more policy changes to come, affordability is likely to deteriorate further in 2027, making it even harder for Michiganders to stay insured.

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