

The Marketplace Rule Closes the Off-Ramp.

The final rule issued by the Centers for Medicare and Medicaid Services on May 26, 2026 has been covered, properly, as a marketplace story — the weakening of financial protections for the millions of Americans who buy their own coverage on the Affordable Care Act exchanges. It is also, structurally, an employer-side story. When the individual market becomes a worse alternative, the employer-sponsored side loses the release valve it has quietly relied on for the past decade, and the carrier gains pricing cover heading into the 2026 to 2027 renewal cycle. The two markets are connected by the same population. The pressure released on one side reappears on the other.

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For most of the past decade, the employer-sponsored insurance market and the individual marketplace have been treated as separate problems by separate analysts. They are not separate. They are two parts of the same private health insurance system, drawing from the same labor force, sharing the same carriers, and connected through the choices employers make about whether to offer coverage at all and which workers to extend it to. A regulatory action that materially changes one market changes the other. The May 2026 final rule is one of those actions, and its effect on the employer side has not yet been priced in.

The rule itself, as written by Rapfogel and Sullivan for the Center on Budget and Policy Priorities, "adds to the burdens of millions of people in the United States who are already struggling to afford their health care costs" and "advances deeply unpopular policies that weaken financial protections for marketplace enrollees, expose them to thousands of dollars more in deductibles and other out-of-pocket costs, and subject them to untested plan designs that could increase insurers' profits at enrollees' expense." That is an accurate description of what the rule does to the people who buy coverage on the marketplace. What follows is a description of what it does to the employer that does not.

The Off-Ramp Most Employer Strategies Have Quietly Depended On

For the past five years, a meaningful share of employer benefits strategy has assumed that the individual marketplace functions as a viable alternative destination for some portion of the workforce. The Individual Coverage Health Reimbursement Arrangement, introduced in regulation in 2019 and adopted in growing numbers since, is the cleanest example. An employer funds a defined contribution. The employee shops the marketplace, selects a plan, and is reimbursed up to the contribution amount. The employer transfers the open-ended actuarial risk of a group plan to a stipend with a known annual ceiling, and the employee in theory accesses the broader plan menu of the individual market.

The strategy has worked, where it has worked, because the destination market was credible. When the marketplace offered plans with meaningful subsidies, predictable cost-sharing, and recognizable network architectures, the off-ramp was real. The employer could move workforce risk off its own balance sheet and the employee could buy something that resembled coverage. The same logic, in less formal versions, has shaped decisions about part-time eligibility thresholds, the design of low-deductible plan tiers, the use of waiting periods, and the structuring of contract and gig labor arrangements. In each case, the unstated assumption was that the marketplace stood behind the decision as a workable Plan B.

The May 2026 rule weakens every part of that assumption. It raises out-of-pocket exposure for the enrollees most likely to be on a defined-contribution arrangement, it permits plan designs whose actuarial value has not been empirically validated, and it changes the economics of marketplace participation for the carriers who currently price those plans. The destination market becomes a less credible Plan B. The off-ramp narrows.

"When the alternative market gets worse, the original market gets more expensive. The employer that has been quietly relying on the marketplace as a release valve will now hold the risk it has been routing elsewhere."

The Workforces That Come Back to Group

The populations most affected by this shift are not random. They concentrate in specific employer sectors: restaurants and food service, retail, hospitality and lodging, home health and personal care, gig and platform labor, certain construction trades, staffing and temporary services, and the lower-wage tiers of manufacturing and logistics. These are the workforces that have historically been the most marketplace-dependent. They are also, on the available

epidemiological evidence, the workforces with the heaviest metabolic loading. Shift work, food access constraints, sleep disruption, and physically demanding labor concentrate the precursors to type two diabetes, hypertension, and obesity in exactly the populations that the marketplace rule pushes back toward employer enrollment.

The implication for the employer is concrete. A larger share of a metabolically loaded population shifts from a defined-contribution arrangement, where the actuarial risk sat on the marketplace, back to a defined-benefit group plan, where the actuarial risk sits on the employer's plan year. The carrier prices accordingly. The renewal absorbs the migration. The employer pays for the regulatory change in a quieter line item than the one the press has been covering.

The Air Cover Carriers Just Received

Heading into the 2026 to 2027 renewal cycle, the major benefits consultancies and the carriers themselves have been openly forecasting a baseline medical trend of approximately nine percent. Aon, Willis Towers Watson, Mercer, and PwC have all published projections in that range, each with slight methodological differences but a consistent direction. The figure was already the highest sustained trend forecast in more than a decade. The May 2026 rule provides the carriers with regulatory and market context that supports presenting that figure, and revising it upward where appropriate, as a function of the broader environment rather than as a function of carrier pricing discretion.

That distinction matters more than it appears. When a carrier raises a renewal in a quiet market, the broker and the employer have room to question the underlying assumptions. When a carrier raises a renewal in an environment of federal action that has objectively reduced cost protection elsewhere in the private market, the question becomes harder to ask. The carrier has not changed its model. It has acquired a new sentence to put around the model's output. The buyer, without an instrument of equal analytic weight, has fewer places to push back from.

Why This Is an Employer-Side Story, Not Just a Marketplace One

The press coverage of the May 2026 rule has been concentrated, correctly, on the marketplace enrollee. That coverage is doing its job. What has not yet entered the coverage in any concentrated way is the second-order effect on the roughly one hundred fifty-five million Americans who receive coverage through an employer. That population does not appear in the marketplace data sets. It does not show up in the rule's regulatory impact analysis. It is held on

the balance sheets of fifty thousand mid-market and enterprise employers whose finance functions are now planning the next renewal cycle without yet having metabolized the regulatory shift.

The connection runs through three concrete mechanisms. The first is the narrowing of the off-ramp, which routes workforce risk that had been moving outward back inward. The second is the concentration of that returning risk in metabolically loaded sectors, which raises the actuarial loading on group plans that already carried it. The third is the air cover the rule provides to carrier pricing, which compresses the band within which a buyer can credibly negotiate the renewal. Each mechanism is independently meaningful. Compounded across the same plan year, they materially change the employer-side renewal math.

A WORKING DEFINITION

A closed off-ramp, in this context, is the regulatory or market condition under which an employer's prior strategy of routing some portion of its workforce risk to the individual marketplace ceases to be a credible alternative to holding that risk on the group plan. The risk does not disappear. It returns to the employer's plan year, where it is priced by the carrier with full forward visibility into what is coming and limited buyer-side visibility into how to argue with it.

What an Employer-Side Forecast Changes in This Environment

An employer that arrives at the 2026 to 2027 renewal table with its own forecast of workforce metabolic trajectory changes the structure of the conversation in three specific ways relevant to the post-rule environment. First, it can quantify the share of returning workforce risk that is metabolically tractable, and the share that is not, so the renewal is priced against a real population rather than a generic loading. Second, it can model the trajectory of that population forward under intervention, so the renewal is priced against a forecast of where the risk is going rather than a snapshot of where it has been. Third, it can hold the carrier's general environmental language up against a specific buyer-side projection in the same financial register, so the carrier's air cover is met with an instrument of equal analytic weight.

None of this reverses the rule. The rule is the rule. What it does is convert the regulatory shift from an unmitigated headwind into a forecastable input, which is the form in which finance functions actually plan against any other macro change. The employer that operates without a forecast pays the full price of the regulatory shift. The employer that operates with one pays a meaningfully smaller share of it.

What Brokers and Consultants Can Do Inside the Window

For the brokers and benefits consultants whose books concentrate in the sectors most affected by the rule, there is a short and material window in which the analytical work has not yet been done by the major consultancies. Mercer, Aon, and Willis Towers Watson will publish their own versions of this analysis within thirty to sixty days. Before that publication arrives, the brokers who connect the regulatory shift to the renewal math for their clients first will hold a defensible position with those clients for several years. The connection is not difficult to make. It is currently uncovered.

The work, in practical terms, is to identify the employer clients whose workforces have been most reliant on the marketplace as an off-ramp, model the migration back to group coverage, layer the carrier's stated trend on top of that migration, and bring the resulting forecast into the renewal conversation as the buyer-side counter to the carrier's environmental framing. Where Metra is involved, the metabolic trajectory of the returning workforce is the input that distinguishes a generic migration model from a specific one. The output is a forecast the employer's finance function can plan against and the broker can carry into the carrier meeting.

Closing Note

The May 2026 rule will be litigated, analyzed, and contested in the marketplace policy conversation for the better part of a year. The employer side does not have a year. The next renewal cycle begins now, and the carriers have already begun pricing it. The buyer-side instrument that closes the asymmetry in any other quarter closes it in this one as well. What is different about this quarter is that the asymmetry has been widened by federal action and the buyer side has less time to build a counter than usual. The brief is short for a reason.

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