CAPITOL STREET

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CMS: ACA Enrollment -13% as Medicaid Declines -6% As Well

Medicaid Attrition Will Only Continue 2H26 Into 2027

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Our Take & Next Up

New CMS data shows Marketplace and Medicaid enrollment continuing to contract, with ACA enrollment (-13%) amid program integrity efforts and affordability pressure, and Medicaid enrollment falling LSD through procedural disenrollments. In ACA plans, 4 M people dropped out of marketplaces in the first month of coverage, from 23.1 M plan selections to 19.2 M by February, in line with our prior estimates (our take here) and Dr. Oz's ~19 M figure. We believe the decline reflects both fraud and phantom enrollee removal (~2.9 M removed to date) and affordability attrition driven by EPTC expiration and premium increases.

On Medicaid, 74.3 M remain enrolled, down 4.2 M (-6%) year-over-year, although the pace of declines moderated in March. We note that procedural disenrollments are already contributing to enrollment losses before work requirements take effect in January 2027.

Key Points

ACA

We will get CMS effectuation data in early-to-mid July. We previously flagged April as an effectuation deadline given the 90-day grace period for subsidized enrollees, and still anticipated this data around July (our take here). Importantly, the data released by CMS estimates approximately 2.6 M improper or phantom enrollments remain in the Marketplace, suggesting enrollment declines could continue if CMS pursues additional program integrity actions.

CMS released June 2026 enrollment data illustrating 19.2 M enrollees, in line with Dr. Oz's prior estimate (19 M) and Wakely's estimates (17–26% drop), reflecting a combination of fraud removal and affordability-driven attrition. The 19.2 M figure represents a drop of approximately 4 M from the 23.1 M who selected plans during the 2026 open enrollment period. We continue to believe the decline is driven by both fraud removal and affordability attrition.

The -13% decline in effectuated enrollment reflects both the removal of improper, phantom, and fraudulent enrollments and premium-related attrition, rather than affordability pressures alone. Improper, phantom, and fraudulent enrollment peaked at an estimated 5.6 M in 2025, representing roughly half of all enrollment growth since 2021. CMS program integrity measures include: (1) Medicaid dual-enrollment matches (2) failure-to-file rechecks (which verify whether subsidized Marketplace enrollees filed and reconciled their federal taxes) (3) expanded pre-enrollment verification for special enrollment periods (SEPs) and (4) removal of unauthorized enrollments, together removing ~2.9M improper or phantom enrollees.

Of the 2.9 M removals, about 1.5 M were removed via CMS integrity actions and ~1.4 M ending or blocked through policy changes such as eliminating the year-round SEP for 100–150% FPL enrollees. As a reminder, the recent marketplace rule that implemented various OBBBA provisions eliminated the 150% FPL SEP (special enrollment period), reducing unauthorized enrollments and plan switching (our take here). An estimated 2.6 M improper enrollees are believed to remain in the system, representing approximately 13% of current enrollment.

Zero-premium plans were a primary driver of improper enrollment growth, with enrollment among individuals between 100–150% FPL increasing by 7.6 M from 2021–2025 (59% of total growth). CMS also found that 40% of $0 silver CSR (cost sharing reduction) plan enrollees had no claims in 2024, suggesting significant phantom enrollment. The administration, and groups like Paragon, continue to target these plans through stronger broker oversight and enrollment verification in the 2027 NBPP (our take here).

Reduced eligibility verification requirements further enabled improper enrollment. The administration argues that Biden-era policies, including a year-round SEP for individuals between 100–150% FPL, elimination of pre-enrollment verification, and a pause on Medicaid dual-enrollment checks, created the structural opening for FWA. Several of these policies were later stayed by the courts (City of Columbus v. Kennedy), and the final 2027 NBPP re-finalizes them, permanently eliminating the 150% FPL SEP and requiring pre-enrollment verification for at least 75% of new SEP enrollments, closing one of the primary entry points for unauthorized enrollment.

We note risk pool implications from phantom enrollees vs. affordability-driven attrition.

- Removing phantom enrollees likely has little impact on utilization given many never used services, while affordability-driven attrition may disproportionately remove healthier members.
- Together, these trends could leave a smaller but higher-cost risk pool heading into 2027.

MEDICAID

The March 2026 Medicaid enrollment snapshot shows 74.3 M enrollees, with declines continuing at a LSD (more muted) pace than earlier in the year. Medicaid enrollment stood at 67.1 M and CHIP at 7.2 M, down 4.2 M (6%). Month-over-month, enrollment fell 580K (1%) from February, a slower rate than earlier in the year, suggesting the most pronounced phase of attrition may be leveling off.

The administration frames declining Medicaid enrollment as a result of program integrity, as States return to normal eligibility verification after the COVID-era continuous enrollment requirement ended. The renewal data shows of 6.2 M individuals due for renewal, 68% were renewed and 20% disenrolled.

However, most disenrollments were procedural rather than based on confirmed ineligibility, suggesting paperwork and administrative barriers remain a meaningful driver of coverage loss.

The March data is notable given work requirements have not yet kicked in (start January 1, 2027) and we expect further enrollment declines. The recent data shows procedural disenrollments already account for 15 of 20% points of disenrollments, before any additional documentation burden has been imposed. The OBBBA work requirements provision (our take here) projects an additional 15% disenrollment rate once implemented, split between 9% from individuals not meeting the 80-hour monthly threshold and 6% from paperwork failures.

We expect Medicaid enrollment to decline further in 2H26 and 2027. States have seven months to build compliant systems, and CMS projects ~2.3 M losing coverage in 2027, rising to ~3.2 M annually. Although, the agency does acknowledge outcomes depend heavily on state implementation choices that are not yet finalized.

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