

# LEGAL UPDATE

## Federal Court Strikes Down Key Restrictions on ACA Exchange Eligibility and Enrollment



The U.S. District Court for the District of Maryland recently [invalidated](#) key aspects of a [final rule](#) that imposed stricter eligibility and enrollment standards for the Affordable Care Act's (ACA) Marketplaces (or Exchanges). While this court ruling mainly affects Exchange operators and health insurance issuers, employers with workers enrolled in Exchange coverage should note that the final rule's stricter standards will not take effect and that existing parameters will remain in place.

### Background

The U.S. Department of Health and Human Services (HHS) published the final rule on June 25, 2025, to reduce what it described as "waste, fraud and abuse" by strengthening the integrity of the Exchange's eligibility and enrollment systems. Many of the final rule's new standards were scheduled to take effect on Aug. 25, 2025.

After the rule was issued, three U.S. cities, a coalition of doctors and an interest group representing small business owners brought a lawsuit against HHS, alleging that the final rule violated the Administrative Procedures Act (APA) and created barriers to affordable health coverage. On Aug. 22, 2025, the District Court for the District of Maryland stayed the implementation of several key provisions of the final rule while the litigation proceeded.

The U.S. Supreme Court has [limited](#) the ability of federal courts to issue universal injunctions of government policies. In most instances, federal courts may only grant relief to the plaintiffs who brought the lawsuit. However, broader relief may be obtained where a plaintiff asks a judge to set aside a new agency rule under the APA.

### Court Ruling

On June 12, 2026, the court struck down the following provisions of the final rule because it determined that HHS lacked the authority to make these changes under the APA:

- Imposing a \$5 per month premium on reenrollees in fully subsidized Exchange coverage until they confirm their eligibility information;
- Allowing health insurance issuers to require payment of past-due premiums before effectuating new coverage;
- Reinstating a policy that makes individuals ineligible for the advance premium tax credit (APTC) if they failed to file their federal income tax return and reconcile the APTC for the prior year;
- Expanding preenrollment eligibility verifications for special enrollment periods;
- Shortening the annual open enrollment period so that it begins no later than Nov. 1 and ends no later than Dec. 31 each year; and
- Imposing stricter requirements for verifying applicants' household income.

The court upheld the final rule's revisions to the premium adjustment methodology, which is used to set numerous ACA parameters, including the maximum annual limitation on cost sharing.