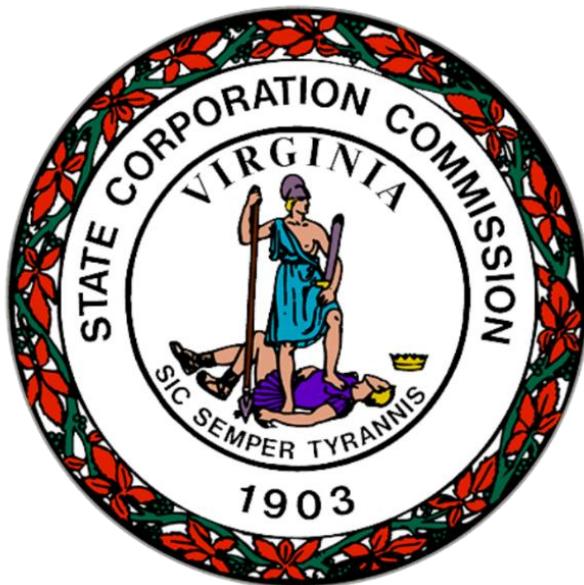


Report on the Effect of the Elimination of the Tobacco Surcharge on Health Insurance Affordability and Purchase

*A Report to the Governor of the Commonwealth of Virginia,
and the Chairs of the Senate Commerce and Labor Committee,
and the House Labor and Commerce Committee pursuant to Chapters 682 and 683
of the 2023 Virginia Acts of Assembly*



State Corporation Commission
Bureau Of Insurance

January 1, 2026



COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

— COMMISSIONERS —

JEHMAL T. HUDSON • SAMUEL T. TOWELL • KELSEY A. BAGOT

January 1, 2026

Transmitted via Email

The Honorable Glenn Youngkin
Governor
Commonwealth of Virginia

The Honorable R. Creigh Deeds
Chair, Committee on Commerce and Labor
Senate of Virginia

The Honorable Jeion A. Ward
Chair, Committee on Labor and Commerce
Virginia House of Delegates

Dear Governor Youngkin, Senator Deeds, and Delegate Ward:

On behalf of the State Corporation Commission, the Bureau of Insurance hereby submits this Report on the Effect of the Elimination of the Tobacco Surcharge on Health Insurance Affordability and Purchase pursuant to Chapters 682 and 683 of the 2023 Virginia Acts of Assembly.

Sincerely,

Scott A. White
Commissioner of Insurance

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Executive Summary

This is the third and final annual installment in the series of tobacco surcharge reports issued by the Bureau of Insurance (Bureau) on behalf of the State Corporation Commission (Commission) in accordance with Virginia's 2023 legislation¹ eliminating tobacco surcharges from health insurance premiums. The legislation requires the Commission to submit annual reports through January 1, 2026, addressing the premium and enrollment impacts. The premium impact analysis was completed in the initial report issued on January 1, 2024, which documented carrier-specific reductions in per member per month rates for tobacco users and the overall market premium adjustment. This report focuses on the second statutory requirement, examining enrollment patterns in the individual health insurance marketplace (i.e., Health Benefits Exchange²) across Virginia's localities based on their tobacco use rates, while providing context for understanding emerging patterns.

The data continues to demonstrate considerable variation and distinct enrollment patterns across different regions. While overall marketplace enrollment reached 386,626 in 2025, new enrollments rebounded to 71,247, an increase of 21.7% compared to 2024. Of the 108 localities that experienced increases in new enrollment from 2024 to 2025, 54 had above-average smoking rates.

However, the relationship between tobacco use rates and enrollment changes continues to be complex. Among localities with the highest smoking rates (25.1% to 27.0%), new enrollment changes from 2024 to 2025 ranged from modest increases to substantial growth. Localities with the lowest smoking rates (8.4% to 10.9%) similarly showed varied patterns, with many experiencing significant enrollment increases.

The wide variations in enrollment changes across localities suggest that tobacco use is just one of many factors influencing insurance enrollment decisions. The sustained enrollment levels provide evidence that the marketplace continues to serve Virginia residents across diverse geographies and communities.

1. Background and Legislative Context

In 2023, the Virginia General Assembly enacted legislation³ eliminating the ability of health insurance carriers to apply tobacco use surcharges, effective January 1, 2024. Prior to this, carriers could vary premium rates based on limited factors, including:

- Plan coverage, whether an individual or family;
- The rating area where the plan is offered;

¹ House Bill 1375 and Senate Bill 1011 (Chapters [682](#) and [683](#), 2023 Virginia Acts of Assembly) [hereinafter HB 1375 and SB 1011].

² Also known as [Virginia's Insurance Marketplace](#).

³ HB 1375 and SB 1011.

- The enrollee's age (maximum variance of 3-to-1 based on the rate for a 21-year-old); and
- Tobacco use by the enrollee (maximum variance of 1.5-to-1 compared to non-tobacco users).

While the federal Patient Protection and Affordable Care Act⁴ permits insurers to impose tobacco surcharges, states can impose stricter requirements, which Virginia did on January 1, 2024. However, these surcharges cannot be paid by federal Advanced Premium Tax Credits, potentially discouraging people from enrolling.

2. Commission Reporting Requirements

The legislation requires the State Corporation Commission to submit annual reports through January 1, 2026, addressing two elements: first, the premium impact analysis, summarizing the premium reductions related to the elimination of the tobacco surcharge; and second, the enrollment patterns, analyzing the percentage of new enrollees in localities with above-average rates of tobacco use. The premium impact analysis was completed in the initial report issued on January 1, 2024, which documented carrier-specific reductions in per member per month rates for tobacco users and the overall market premium adjustment. This report focuses on the second statutory requirement, examining enrollment patterns in localities based on their tobacco use rates, while providing context for understanding emerging patterns.

3. Previous Market Analysis and Projections

A 2021 Joint Commission on Health Care (JCHC) study examined health insurance affordability in the individual market, focusing on marketplace stability, affordability, and accessibility.⁵ According to this study, the Urban Institute's Health Insurance Policy Simulation Model projected that eliminating the tobacco surcharge would:

- Reduce premiums by 3% to 4.5%;
- Increase individual market enrollment by up to 13,000; and
- Reduce the number of uninsured individuals by up to 14,000 for 2023.⁶

4. Initial Market Impact

In 2023, eight of fifteen carriers in Virginia's individual health insurance market applied tobacco surcharges ranging from 5% to 20%. No carriers in the small group market applied these surcharges. The elimination of tobacco surcharges in 2024 resulted in an

⁴ Public Law 111–148—Mar. 23, 2010.

⁵ ["Health Insurance Affordability in the Individual Market,"](#) Joint Commission on Health Care, Report to the Governor and the General Assembly of Virginia, 2021.

⁶ See the Urban Institute's "report on scenarios" included as Appendix 1 of the JCHC report referenced in fn.3 of this report.

overall premium rate increase of less than 1% across all enrollees.

5. Current Enrollment Findings

The 2025 data showed differing enrollment patterns in the individual health insurance market from that reported in the previous year's reports. Total Health Benefits Exchange marketplace enrollment reached 386,626 in 2025, representing an 11.7% increase from the 2023 baseline of 346,140.

These patterns show distinct phases. From 2023 to 2024, total enrollment increased by 14.2% to 395,461. However, new enrollments during this period declined to 58,557, down 23.6% from 2023 levels. The 2025 enrollment period demonstrated a shift in this pattern. While total enrollment decreased modestly by 2.2% to 386,626, new enrollments increased to 71,247, representing a 21.7% increase from 2024.

The relationship between tobacco use rates and enrollment continued to vary considerably across Virginia's localities. Of the 108 localities experiencing increases in new enrollment from 2024 to 2025, 54 had smoking rates above the state average of 18.8%. This represents 50% of localities with enrollment growth. In the prior report, 24 localities experienced increases in new enrollments, with 87.5% of those having above-average smoking rates.

When looking at the five localities with the highest smoking rates (25.7% to 27.0%), all five showed new enrollment changes from 2024 to 2025 ranging from moderate increases to substantial growth (4.2% to 184.6%).

Similarly, the five localities with the lowest smoking rates (8.4% to 10.9%) all experienced significant substantial enrollment increases, ranging from 19.7% to 61.9%.

These increases in enrollment changes among both the highest and lowest tobacco-usage localities suggest that other factors beyond tobacco use influenced enrollment growth. The data for the three reporting periods is simply too variable to draw conclusions concerning the exact causes of the variations.

Analysis Limitations and Future Reporting

While the available data from the past three years provides insights into enrollment trends following the elimination of the tobacco surcharge, establishing definitive causal relationships between the two remains complex.

Multiple factors influence the decision to purchase insurance, including economic conditions, employment trends, premium rate changes, alternative coverage options, and individual health needs. The geographic variation in enrollment changes, even among localities with similar tobacco use rates, underscores this complexity.

Pursuant to the 2023 legislation, this is the final annual report on this topic.

6. Conclusion

Three years of enrollment data paints a complex picture of Virginia's health insurance marketplace following the elimination of tobacco surcharges. The 11.7% increase in total enrollment from 2023 to 2025 demonstrates sustained marketplace growth, though new enrollment patterns have shown significant variation across the three-year period.

The geographic distribution of enrollment changes does not show a simple linear relationship with tobacco use rates. While 50% of localities with enrollment growth had above-average smoking rates, enrollment patterns varied considerably even among localities with similar tobacco use prevalence. This variation underscores the multiple factors that influence insurance purchase decisions.

The wide variations in enrollment changes across localities suggest that tobacco use is just one of many factors influencing insurance enrollment decisions. The sustained enrollment levels provide evidence that the marketplace continues to serve Virginia residents across diverse geographies and communities.

Appendix A - Virginia Tobacco Usage Rates by Locale

The Bureau previously identified the localities with above-average rates of tobacco use to employ in determining percentages of new enrollees in these areas compared to the statewide average tobacco usage rate. The source of this information was the same source cited in the Affordability Report.⁷

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
Buchanan County	27.0%	368	67	431	59	346	67	13.6%
Dickenson County	26.3%	305	50	359	48	264	38	4.2%
Lee County	26.1%	469	90	510	59	435	99	52.5%
Emporia city	25.7%	176	37	190	13	188	39	184.6%
Wise County	25.1%	756	136	809	130	724	143	4.6%
Russell County	24.3%	628	90	742	100	648	134	-10.0%
Norton city	24.2%	70	10	88	15	82	14	-33.3%
Galax city	24.1%	245	42	247	36	240	56	16.7%
Hopewell city	23.9%	555	115	763	94	648	222	22.3%
Henry County	23.8%	2,274	397	2,240	283	2,157	384	40.3%
Charlotte County	23.7%	433	76	469	52	451	85	46.2%
Buena Vista city	23.5%	176	41	185	27	147	31	51.9%
Danville city	23.4%	1,625	263	1,997	190	1,559	396	38.4%
Bristol city	23.2%	590	128	610	71	548	150	80.3%
Smyth County	23.2%	853	152	863	96	806	149	58.3%
Buckingham County	23.0%	598	94	607	83	562	128	13.3%
Brunswick County	23.0%	583	68	669	79	603	110	-13.9%
Carroll County	22.9%	1,280	188	1,358	207	1,225	226	-9.2%

⁷ Tobacco Usage Source: University of Wisconsin – Robert Wood Johnson Foundation, County Health Rankings - [County Health Rankings & Roadmaps \(CHR&R\)](#) is a program of the University of Wisconsin Population Health Institute. The CHR&R program provides data, evidence, guidance, and examples to build awareness of the multiple factors that influence health and support leaders in growing community power to improve health equity.

Enrollment Source: January 2023, January 2024, and January 2025 Virginia Health Benefit Exchange Individual Enrollment Statistics.

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
Greenville County	22.8%	298	63	331	50	317	95	26.0%
Pittsylvania County	22.6%	2,905	478	2,873	380	2,755	523	25.8%
Tazewell County	22.6%	1,077	218	1,070	134	995	183	62.7%
Grayson County	22.5%	677	94	658	103	609	81	-8.7%
Lunenburg County	22.5%	409	56	475	50	422	87	12.0%
Petersburg city	22.5%	787	204	1,141	131	935	299	55.7%
Scott County	22.5%	544	84	568	88	522	84	-4.5%
Bath County	22.3%	262	42	255	31	231	29	35.5%
Richmond County	22.2%	335	47	353	52	399	73	-9.6%
Alleghany County	22.1%	564	90	611	91	596	110	-1.1%
Nottoway County	22.1%	482	92	521	55	451	101	67.3%
Page County	22.1%	1,033	154	1,059	143	886	191	7.7%
Martinsville city	21.8%	555	133	572	97	563	87	37.1%
Radford city	21.6%	430	71	450	98	406	62	-27.6%
Sussex County	21.6%	243	50	302	33	242	62	51.5%
Covington city	21.5%	202	52	180	18	228	16	188.9%
Halifax County	21.5%	1,193	203	1,250	172	1,167	228	18.0%
Essex County	21.5%	442	82	425	53	381	70	54.7%
Mecklenburg County	21.4%	1,371	217	1,456	187	1,292	206	16.0%
Patrick County	21.4%	805	146	758	112	701	128	30.4%
Accomack County	21.3%	1,316	220	1,433	179	1,364	366	22.9%
Charles City County	21.2%	403	76	565	38	454	117	100.0%
Bland County	21.2%	197	35	211	27	170	30	29.6%
Roanoke city	21.0%	3,526	685	3,871	560	3,457	833	22.3%
Franklin city	21.0%	333	61	394	39	296	78	56.4%
Westmorelan	20.9%	578	111	602	97	561	116	14.4%

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
Bedford County								
Prince Edward County	20.7%	617	126	617	84	598	136	50.0%
Wythe County	20.6%	1,117	189	1,047	205	886	178	-7.8%
Amelia County	20.5%	587	97	636	92	601	91	5.4%
Surry County	20.3%	238	49	256	31	248	51	58.1%
Pulaski County	20.3%	1,024	172	1,105	201	901	204	-14.4%
Campbell County	20.1%	2,333	389	2,211	327	2,035	462	19.0%
Floyd County	20.1%	1,093	172	1,084	171	1,002	192	0.6%
Washington County	20.0%	2,061	368	2,055	276	2,038	393	33.3%
Shenandoah County	20.0%	1,677	268	1,746	267	1,610	282	0.4%
Franklin County	19.9%	2,665	412	2,789	416	2,537	443	-1.0%
Appomattox County	19.9%	801	121	806	95	680	137	27.4%
Augusta County	19.7%	3,580	570	3,513	540	3,096	621	5.6%
Giles County	19.7%	536	109	572	89	549	90	22.5%
Amherst County	19.7%	1,363	220	1,358	223	1,219	221	-1.3%
Portsmouth city	19.5%	2,646	514	2,918	373	2,490	712	37.8%
Harrisonburg city	19.4%	2,251	392	2,172	321	1,799	480	22.1%
Norfolk city	19.4%	7,886	1,353	8,499	1,011	6,606	2,031	33.8%
Dinwiddie County	19.4%	798	165	883	120	712	168	37.5%
Cumberland County	19.4%	391	70	400	44	384	88	59.1%
Warren County	19.3%	1,544	325	1,409	208	1,242	249	56.2%
Northampton County	19.3%	634	94	715	106	672	141	-11.3%
Louisa County	19.3%	1,573	290	1,602	245	1,457	310	18.4%
Waynesboro city	19.2%	864	169	855	160	746	185	5.6%
Rockbridge	19.1%	1,112	177	1,062	177	1,023	158	0.0%

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
County								
Southampton County	19.1%	547	112	531	68	465	87	64.7%
Madison County	18.8%	774	108	757	108	695	123	0.0%
Craig County	18.5%	192	25	165	23	168	28	8.7%
Caroline County	18.4%	1,108	244	1,190	146	1,042	240	67.1%
Hampton city	18.4%	4,065	741	4,292	506	4,024	1,009	46.4%
Middlesex County	18.3%	574	84	584	109	523	96	-22.9%
Orange County	18.3%	1,489	261	1,511	263	1,428	289	-0.8%
Lexington city	18.2%	242	47	234	39	242	38	20.5%
Staunton city	18.2%	1,115	202	1,040	160	974	168	26.2%
Highland County	18.1%	168	23	171	13	169	23	76.9%
Lynchburg city	18.0%	3,163	617	3,040	482	2,796	587	28.0%
Nelson County	17.9%	767	139	777	141	714	120	-1.4%
Newport News city	17.9%	6,059	1,096	6,456	851	5,323	1,525	28.8%
King and Queen County	17.9%	266	47	293	31	287	65	51.6%
Gloucester County	17.6%	1,557	262	1,552	247	1,489	280	6.1%
Culpeper County	17.6%	2,325	405	2,408	329	2,174	426	23.1%
Colonial Heights city	17.6%	680	140	747	127	621	126	10.2%
Greene County	17.5%	813	129	828	133	772	139	-3.0%
Prince George County	17.5%	799	170	905	144	780	179	18.1%
King William County	17.4%	798	109	869	138	797	161	-21.0%
Bedford County	17.4%	4,536	680	4,420	668	4,076	687	1.8%
Winchester city	17.4%	1,029	247	1,030	158	891	232	56.3%
Lancaster	17.3%	601	87	639	91	590	109	-4.4%

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
County								
Isle of Wight County	17.3%	1,294	213	1,297	197	1,134	258	8.1%
Botetourt County	17.2%	1,710	261	1,792	221	1,681	318	18.1%
Richmond city	17.2%	10,508	2,276	11,098	1,833	9,250	2,268	24.2%
Frederick County	17.0%	3,722	707	3,840	622	3,322	687	13.7%
Montgomery County	16.9%	2,962	549	2,953	543	2,785	498	1.1%
Northumberland County	16.9%	546	83	536	64	532	83	29.7%
Rockingham County	16.9%	4,474	706	4,089	659	3,654	656	7.1%
Salem city	16.9%	929	171	974	145	968	158	17.9%
Rappahannock County	16.4%	493	90	439	70	407	57	28.6%
Mathews County	16.4%	431	60	380	58	359	54	3.4%
Powhatan County	16.4%	1,468	268	1,388	222	1,328	225	20.7%
Roanoke County	16.3%	4,336	700	4,458	659	4,350	837	6.2%
Suffolk city	16.3%	2,849	535	2,915	397	2,694	652	34.8%
New Kent County	15.9%	896	154	821	112	789	137	37.5%
Charlottesville city	15.9%	1,841	305	1,873	295	1,672	315	3.4%
Manassas Park city	15.8%	1,440	248	1,529	190	1,123	387	30.5%
Williamsburg city	15.6%	630	111	626	114	410	129	-2.6%
Clarke County	15.5%	688	116	743	111	635	134	4.5%
King George County	15.3%	646	116	711	128	595	149	-9.4%
Spotsylvania County	15.2%	5,266	1,128	5,152	827	4,575	1,036	36.4%
Fredericksburg city	15.1%	1,323	249	1,402	182	1,284	384	36.8%
Chesapeake city	14.9%	7,989	1,372	8,117	1,152	7,262	1,760	19.1%
Fluvanna County	14.9%	1,066	179	1,124	166	1,036	232	7.8%

Locality Name	% Smokers	2025 Totals	2025 New	2024 Totals	2024 New	2023 Totals	2023 New	Change in New 2024-2025
Fauquier County	14.8%	3,165	560	3,244	550	2,876	524	1.8%
Chesterfield County	14.7%	16,193	3,133	16,621	2,599	14,134	3,076	20.5%
Manassas city	14.7%	3,112	480	3,367	424	2,455	630	13.2%
Virginia Beach city	14.5%	18,781	3,409	18,429	2,732	17,483	3,849	24.8%
Henrico County	14.3%	17,169	3,324	17,127	2,651	15,023	3,329	25.4%
Hanover County	14.3%	4,898	836	4,814	817	4,324	842	2.3%
Stafford County	14.1%	5,593	1,220	5,499	980	4,652	1,152	24.5%
Goochland County	14.0%	1,423	211	1,438	224	1,232	246	-5.8%
Poquoson city	13.9%	401	75	363	60	309	50	25.0%
York County	13.3%	2,417	408	2,270	406	2,075	397	0.5%
James City County	12.7%	3,155	561	3,042	538	2,719	527	4.3%
Prince William County	12.7%	30,565	5,778	31,943	4,745	26,140	6,390	21.8%
Albemarle County	12.3%	5,283	897	5,316	854	4,891	1,040	5.0%
Fairfax city	11.1%	1,347	297	1,329	187	1,293	242	58.8%
Alexandria city	10.9%	9,230	2,026	9,676	1,411	7,671	2,144	43.6%
Loudoun County	9.5%	22,795	4,464	22,469	3,424	19,440	4,129	30.4%
Fairfax County	9.4%	66,505	12,137	68,520	9,736	59,725	12,883	24.7%
Arlington County	9.0%	10,016	2,070	10,344	1,730	8,728	2,075	19.7%
Falls Church city	8.4%	1,062	170	1,123	105	921	258	61.9%
Grand Totals		386,626	71,247	395,461	58,557	346,140	76,683	21.7%