2025 Budget Stakes: Millions Could Lose Health Coverage or See Costs Rise

Center on Budget and Policy Priorities

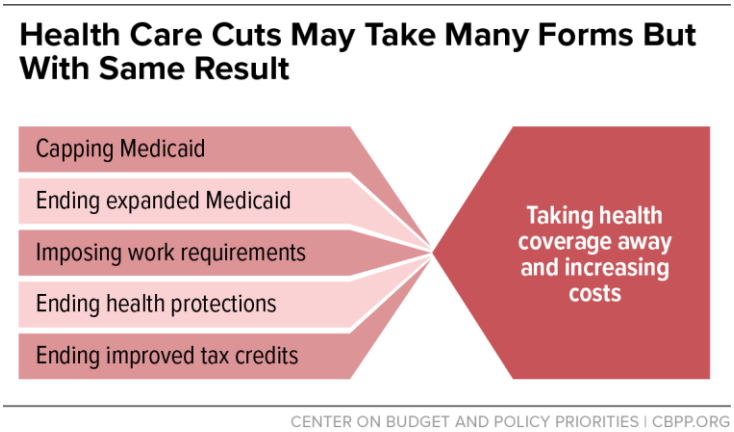
Many millions of people would have a harder time affording and accessing health care under Republican proposals that Congress might consider this year. A range of proposals, including a menu of spending cuts that House Republicans are reportedly considering, would take health coverage away from many people and raise health care costs for many others.

Republican Proposals Put Health Coverage at Risk for Millions

100 million people have health coverage through Medicaid (72 million), the Affordable Care Act (ACA) marketplaces (23 million), or the Children's Health Insurance Program (7 million). When people lose their health coverage, they lose access to preventive and primary care, care for life-threatening conditions, and chronic disease management. For example, a low-income worker who loses coverage would lose the ability to properly manage their diabetes so they can maintain their health and continue in their job.

Proposals that would jeopardize health coverage or increase health care costs for individuals and families, as well as shift more program costs to states, include:

Cutting health coverage by capping federal Medicaid funding. Capping the amount of federal Medicaid funding that each state receives, regardless of residents' health care needs, would shift costs and risks to states, forcing them over time to significantly cut the number of people enrolled and to provide less robust coverage. For example, states might limit prescription drugs, dental care for adults, or the number of seniors and people with disabilities who get services to help them live in their communities.



Capping federal funding would hurt residents in every state, but it could especially harm people in states that already have more restrictive eligibility rules, provide fewer benefits, or pay health care providers less. That's because these states would have less room to further lower costs to stay within the caps.

Taking away Medicaid coverage from people who gained it from the ACA. Forty states have expanded Medicaid coverage under the ACA, covering over 20 million adults with household incomes up to 138 percent of the poverty level ($21,597 a year for an individual). Reducing federal funding for this coverage would likely lead many states to end the expansion, cutting off millions of people who gained health coverage because of the ACA. Most immediately at risk are people living in the nine states that have enacted "poison pill laws" that would end the expansion if the federal government's contribution declines.

Taking Medicaid coverage away from people who can't document that they meet rigid work requirements. Nearly 2 in 3 non-elderly adult Medicaid enrollees work, and most of the rest have a disability, are caring for family members, or are attending school. Real-life experience shows that denying

health care coverage to people who can't meet rigid work requirements that inevitably feature excessive red tape and paperwork won't lead more people to work. Instead, it will significantly increase hardship.

For example, Arkansas's short-lived experiment with Medicaid work requirements found no evidence that the policy increased employment, but 1 in 4 of those subject to the requirement lost coverage. The nonpartisan Congressional Budget Office (CBO) concluded in 2023 that a proposed Medicaid work requirement would lead to coverage loss with no change in employment or hours worked.

Restricting state support for Medicaid. States have flexibility in how they finance the non-federal share of Medicaid matching funds. All states except Alaska use taxes on health care providers or managed care plans to help finance their Medicaid share. Restricting provider taxes would lead to a significant cut in federal Medicaid funding, according to CBO, because states would be unlikely to replace revenues raised by such taxes and would cut state Medicaid funding, which would also reduce federal matching payments. Some people would lose coverage or receive less care as a result of these funding cuts.

Other Proposals Would Mean Fewer Protections, Higher Costs

Raising costs for people enrolled in marketplace coverage. Some 23 million people are paying lower premiums for private health coverage they bought in the ACA marketplaces because of improvements to premium tax credits in place since 2021. But those improvements are set to expire in late 2025. Congress needs to act this year to extend them to prevent disruptions in people's health coverage.

If Congress lets the improvements expire, nearly all marketplace enrollees, in every state, will face significantly higher premium costs. A typical couple making $42,000, for example, will face a $1,550 annual increase. An estimated 4 million people will become uninsured, almost half of whom are Black or Latino. This is just one example of how attacks on the ACA and Medicaid disproportionately harm people of color by undermining recent progress in reducing inequities in health care access.

Undermining protections for people with pre-existing conditions. Before the ACA, insurers could charge higher premiums to people with pre-existing conditions like diabetes, asthma, or pregnancy; exclude conditions from coverage; or exclude people from a plan altogether. The ACA prohibited those practices. Rolling back the ACA protections would create an environment where people with health conditions would pay higher premiums and out-of-pocket costs for reduced coverage or end up uninsured.

Alternative Path Can Make Health Care Less Expensive to Access

The extreme agenda represented by proposals like these, which would make millions of people worse off while extending and expanding tax breaks for wealthy households and businesses, is the wrong direction for our nation. A far better path would be to ensure people have the resources they need to thrive, such as by making affordable, good-quality health coverage accessible to everyone.

In addition to extending the premium tax credit improvements, for example, Congress could close the Medicaid "coverage gap." This would help more than 1.6 million uninsured adults with incomes below the poverty line, who are ineligible for Medicaid because their state hasn't enacted the ACA Medicaid expansion. Reducing deductibles and other cost sharing for marketplace enrollees would also help improve affordability for many people who struggle with health care costs. And streamlining enrollment and renewal processes in Medicaid would help more eligible people get coverage without gaps.

January 30, 2025