

DECEIVED NATION

THE HEALTHCARE CONTROVERSY AT THE CENTER OF THE GOVT SHUTDOWN

Primer on the ACA Marketplace Tax Credits & Medicaid

October 2025

By now, most people have heard that big changes are coming to America's healthcare system as a result of the Republican reconciliation budget bill (aka the *One Big Beautiful Bill Act*, or "OBBBA") that President Donald Trump signed into law on July 4, 2025. But the public is hearing contradictory reports about what the legislation does. Indeed, although Trump [said over](#) and [over](#) and [over](#) he would not cut Medicaid, OBBBA will result in a massive contraction in federal Medicaid spending and other federal and state-supported health insurance programs. OBBBA is projected to result in [over 14 million](#) more uninsured people by 2034. Nearly [every Republican](#) in Congress voted for OBBBA despite the devastating impacts it will have on their constituents. [Many](#) are [lying](#) about the [impacts](#), while others [acknowledge](#) the catastrophic [consequences](#) for their most vulnerable constituents, but [voted](#) for it anyway, or [didn't read](#) the bill.

OBBBA will [increase health care costs](#) for [everyone](#): Americans with Medicaid, Medicare, ACA Marketplace plans, and job-based private insurance. As millions lose health coverage, fewer people covered by Medicaid and private insurance will [change insurance risk pools](#), and this will result in higher costs for those remaining in the market. In addition, reduced hospital revenues will result in [higher prices for middle-class and wealthy patients](#) covered by private insurance. And private job-related insurance costs will go up because insurance companies will be spending more money caring for sicker people, fewer people will be able to afford the higher premiums so monthly premiums and out-of-pocket expenses will rise.

The Expiring Affordable Care Act Marketplace Tax Credits

As of late October 2025, this is the healthcare issue at the center of the impasse causing the government shutdown.

Since 2014, households earning between 100% and 400% of the [federal poverty level](#) (approx. [\\$128,000 per year for a family of four in 2025](#)) who purchase health insurance through the Affordable Care Act (ACA) Marketplace have been [eligible](#) for refundable premium tax credits to help pay their monthly premiums (aka 'standard premium tax credits'). The [American Rescue Plan Act of 2021](#) temporarily [increased the amount of financial assistance](#), and [extended eligibility](#) to anyone who purchases healthcare coverage through the Marketplace, regardless of income (aka "enhanced premium tax credits"). In 2022, the [Inflation Reduction Act](#) extended the eligibility expansion through 2025. The increased tax credits lowered out-of-pocket expenses, and dramatically increased participation which even more significantly lowered costs. This made health insurance affordable to many more people (which in turn [increased the number of plan options](#)). [The enhanced tax credits also expanded the number of affordable coverage options for workers who were in employer plans they couldn't afford, and provided small businesses with more cost-effective options for their employees.](#) Enrollment in the Marketplace [climbed](#) from 12 million in 2021 to a record 24.2 million in 2025.

When the Republicans passed the OBBBA, they chose not to extend the enhanced premium tax credits, and while Democrats insist it must be included, GOP Party leaders remain [unwilling to extend the enhanced premium tax credits](#) as part of the deal to re-open the budget. Without congressional action to extend the enhanced credits, [net premium costs for eligible enrollees will spike](#) by [25% to 100%](#). [Four million people will likely become uninsured. If healthier people drop their insurance, leaving less healthy people in the marketplace, premiums could further increase](#). Republicans have defended their action by falsely claiming that Democrats want to provide “[free healthcare for illegals](#).” That is a lie. Just as people who are in the U.S. illegally are not eligible to enroll in federally funded Medicaid, [by law](#), they also cannot participate in the federally funded Affordable Care Act (ACA) Marketplace plans.

GOP Medicaid cuts hurt the most vulnerable and increase healthcare costs for all

This is a basic explanation of how the vastly reduced Medicaid spending and new roadblocks in the OBBBA are being implemented, and what it means for those who rely on Medicaid for healthcare coverage. And, because Medicaid currently pays for a whopping [20% of every dollar spent](#) on healthcare in the U.S., the primer also discusses the impact the massive contraction in federal Medicaid spending will have across America’s healthcare system.

The Basics:

Medicaid is an [entitlement program](#), so those who meet the poverty and other eligibility requirements have a legal right to have necessary healthcare payments made to their healthcare providers. Medicaid provides comprehensive healthcare to more than [71 million low income people in the U.S.](#) This [includes](#) over [20 million](#) people enrolled in Medicaid Expansion - nearly a quarter of the total Medicaid enrollment. Although it can vary by state, the income limit for basic Medicaid is generally set at 100% of the federal poverty level. In addition, forty-one states [expanded](#) Medicaid via the Affordable Care Act (ACA) to those with incomes up to 138% of the federal poverty level (\$21,560 for an individual, or \$32,000 to \$44,000 for a family of four) - known as ‘Medicaid Expansion.’ While OBBBA [makes it harder for all eligible Medicaid enrollees](#) to get and keep their healthcare coverage, OBBBA is particularly devastating for those who receive coverage via Medicaid Expansion.

The GOP’s New Bureaucracy:

Republicans defend OBBBA by claiming it merely puts able-bodied enrollees to work. That is a lie. Despite the fact that [Georgia is the only state that currently has a Medicaid work requirement](#), over [90% of eligible Medicaid recipients are already working](#). And, those not working are [due to](#) illness, disability, retirement, [inability to find work](#), and [older women who left the workforce](#) to care for aging parents or children.

Contrary to the GOP’s stated [goal of government efficiency](#), OBBBA creates a confusing new bureaucracy that will push millions of vulnerable Americans off their healthcare insurance. OBBBA purposefully obscures Medicaid eligibility rules, increases and makes more complicated the paperwork for enrollees to get and maintain coverage, and imposes draconian penalties for non-compliance. [Known barriers](#) to Medicaid enrollment, such as enrollees’ lack of computer literacy and internet access, and inability to use an online portal, are exacerbated by the GOP’s new red-tape, which is especially challenging for the homeless and disabled:

- For the first time, OBBBA [imposes federal work and reporting requirements](#) on Medicaid Expansion enrollees. Adults between 19 and 64 years old will have to prove they are working, volunteering or going to school at least 80 hours/month. OBBBA provides exemptions for those who are pregnant, have disabilities or taking care of dependent children 13 or younger, but clouds what it means to have a “serious or medical condition,” and those most vulnerable [will have difficulty complying](#) with the new paperwork.
- For the first time, state Medicaid programs are [required to impose cost-sharing](#) on Medicaid Expansion enrollees, while also allowing [providers to turn away patients](#) who can’t afford to pay those costs.
- OBBBA pauses the requirement for states to update and streamline their application and enrollment systems, making it harder and slower for eligible people to navigate, so fewer people will get and stay signed up.
- Enrollees will be [required to recertify](#) eligibility every 6 months instead of yearly. States can require proof more often. OBBBA requires states to [conduct a 3-month “look-back”](#) to determine eligibility, and verify compliance with work requirements for enrollment and redetermination.
- States are facing [significant technology and system upgrade challenges](#) to deal with the new requirements, making it harder for eligible enrollees to report work compliance and to document exemptions. The laborious paperwork and outdated computer systems will exacerbate the bureaucratic hurdles created by OBBBA, and result in millions being dropped from Medicaid.
- In [Arkansas](#), the only state that implemented work requirements imposed by the first Trump Administration, 18,000 people (25% of enrollees - primarily the most vulnerable) lost Medicaid coverage because the work and paperwork requirements were insurmountable barriers.

OBBBA shifts billions of dollars in federal healthcare costs to the states.

Although many people think about Medicaid as a federal program, it is administered and jointly funded by states within broad federal rules. Federal Medicaid dollars are the major funding source used by states to provide health coverage and [long-term care](#). Importantly, most states offer coverage beyond the federal Medicaid minimum standards. If these ‘optional services’ are cut, as has happened in previous recessions, it will leave many people unable to meet basic needs. The OBBBA [reduces federal Medicaid spending](#) by \$1 trillion from 2025 through 2034. [States will also lose millions](#) of dollars due to the phaseout of the hospital and provider tax, which states levy on healthcare providers to increase the amount of Medicaid funds. These cuts will [force states](#) to raise revenues, cut other state spending, or reduce coverage, services and provider rates.

- **Impacts on Seniors:** In the past, [seniors and those with disabilities](#) have been hit the hardest when state funds dried up. OBBBA cuts will result in nursing homes being forced to close or scale back services, making it harder for seniors to find a spot in a facility. With little else to trim, states are likely to [cut optional services](#) including Home and Community-Based Services (HCBS), which allow those with disabilities to age in place in their homes. Moreover, new OBBBA rules [make it harder](#) for states to fund HCBS by disallowing funds if wait times increase. As states contend with massive Medicaid cuts, [wait times for HCBS](#) are expected to lengthen.
- **Impacts on Children:** Children will lose coverage when their parents who rely on Medicaid for coverage are cut. It is [projected](#) that 7.5 million children who are [currently eligible for Medicaid](#), particularly low income and children with disabilities, will lose coverage due to insurmountable red-tape barriers faced by their parents. In addition, the

[optional](#) coverage that provides children with comprehensive and preventative healthcare to promote healthy development, is now likely to be cut, especially for children who do not meet basic eligibility requirements.

- **Impacts on Caregivers:** About 4.3 million people who care for sick parents and grandparents (aka family caregivers) rely on Medicaid for their [own healthcare coverage](#). On average, they provide 35 hours of care per week for loved ones, with nearly 20% dedicating 40+ hours per week. Many are unable to manage an additional 80 hours of work per month. There is no exemption for those who care for people over age 14. Moreover, hourly work and volunteer requirements are [document heavy](#), making it difficult to prove 80 required hours.
- **Impact on Hospitals:** Many [rural hospitals](#) are already in financial trouble, especially in the 10 states that have not expanded access to Medicaid. Increased uncompensated care costs from patients without coverage and with no ability to pay will drive these hospitals closer to the brink. The contraction of OBBBA Medicaid reimbursement for rural hospitals and clinics (including federal and state cuts) is projected to reach \$155 billion over the next ten years. Medicaid also provides “disproportionate share hospital” (DSH) payments to [hospitals](#) that serve a large number of Medicaid and low-income uninsured patients to offset uncompensated care costs. OBBBA reduces DSH payments by [\\$24 billion dollars](#). This will devastate hospitals in rural areas and those that serve low income and uninsured clients.
- **Impacts on NY:** Medicaid covers [6.9 million New Yorkers](#), roughly 35% of the state. With OBBBA, [over 1.5 million](#) New Yorkers will lose healthcare coverage. OBBBA also [cuts \\$8 billion](#) annually from NY hospitals and providers, eliminating nearly 65,000 jobs, which could force hospitals to curtail critical services such as maternity care and psychiatric treatment, to downsize operations, or close. [Over 10,000 local healthcare jobs](#) will be lost, and the local economy will lose nearly \$1.5 billion. Emergency services will be overwhelmed by the uninsured seeking care.

When eligible recipients lose Medicaid insurance, they are less likely to seek [preventative health services](#) and will [delay necessary care](#), leading to serious health problems and [poorer health outcomes](#). As uninsured individuals get sicker, they are likely to end up seeking [expensive](#) emergency room care, which costs more than [three times](#) the cost of office visits. [Research](#) shows that being in poor health is associated with increased risk of job loss, while access to affordable health insurance has a positive effect on the ability to [obtain and maintain](#) employment. Access to preventive healthcare to manage chronic conditions, access medications, and address health issues [before they worsen](#) help [support work](#).

Medicaid Cuts are Lose-Lose!