

Why House Republican Budget Cuts Should Start With Health Insurance Subsidies

The House passed a bill calling for \$2 trillion in cuts. Scrapping this Biden-era spending is low-hanging fruit.

By [Sally C. Pipes](#) | Contributor Feb. 26, 2025, at 5:12 p.m.



GOP Budget Cuts Should Start With This

Last night, House Republicans passed a critical [budget proposal](#) for the upcoming fiscal year that calls for [\\$2 trillion in spending cuts](#) over 10 years to get America's fiscal house in order and address our \$35 trillion national debt. Congress should start by addressing one of the economy's biggest pain points: how we pay for health insurance.

Legislation spelling out the specific cuts to reach the \$2 trillion total likely won't emerge for several weeks or months. But the GOP should start with low-hanging fruit like the billions of dollars in extra subsidies for health insurance premiums that Republicans are looking [at ending](#). Congress expanded the subsidies during the [COVID-19 pandemic](#), and they are scheduled to expire at the end of this year.

[Democrats are apoplectic](#) about this possibility. But the expiration of these enhanced subsidies represents an opportunity to expand access to more affordable, less wasteful forms of health coverage.

When then-President Barack Obama signed the [Affordable Care Act in 2010](#) mandating that virtually all Americans buy health insurance, the legislation included subsidies in the form of tax credits to help people afford the premiums. [Congress effectively repealed the individual mandate](#) that required Americans to purchase health insurance by removing penalties on those who did not get health care, as of 2019. But at the same time, congressional Democrats [expanded the tax credits](#) offered and made more people eligible for them. In 2022, they extended these [enhanced subsidies for three more years](#).

The Congressional Budget Office estimates that making the enhanced subsidies permanent, [as Democrats want to do](#), would increase the federal budget deficit [by \\$335 billion](#) over the next decade.

Enhanced subsidies have insulated people from feeling the true cost of health care coverage. For people who buy insurance on government exchanges – public marketplaces where individuals can obtain health insurance policies – the subsidies have capped the cost of premiums at 8.5% of an individual's income, which means some families with six-digit incomes are eligible for government help. Insurers have made out like bandits. The subsidies are [paid directly to insurance companies](#). That encourages insurance companies to keep raising prices – and rope in as many customers as possible.

That creates an environment with incentives for [fraud](#). A [web of brokers and middlemen](#) – who can make money by exploiting information gaps, misstating applicants' incomes and even signing people up for coverage without their knowledge – has materialized.

Between January and August of 2024, for instance, the Centers for Medicare and Medicaid Services received [more than 180,000 complaints](#) that consumers were enrolled in plans without their consent. Insurance brokers and other middlemen have come under criticism for [switching people's plans without their consent](#) to gain commissions.

Before the enhanced subsidies took effect, individuals earning just above the federal poverty line – [\\$26,500 for a family of four in 2021](#) – would have paid [roughly 2%](#) of their income in annual premiums for a benchmark silver plan on the exchange. Now they can pay nothing. Back then, those making over 400% of the poverty level paid full price. Now those at [these upper middle-class income levels](#) – \$124,800 for a

family of four – have their exchange premiums capped at 8.5% of income. In certain cases, [households with incomes](#) of up to \$600,000 [qualify for government aid](#). If the subsidies expire on time, the exchanges will return to the pre-pandemic Obamacare status quo. Why is that anathema to Democrats?

They say it's because at least 7 million people would lose exchange coverage, according to the CBO. But roughly half of those people would qualify for coverage through their employers instead, the agency [estimates](#).

Of course, coverage will be unaffordable for some without the enhanced subsidies. But that's because between 2013 and 2017, the average monthly individual market premium more than doubled from \$232 to \$476 because the creation of Obamacare – which required insurers to cover 10 essential health care benefits, among other costly regulations – fueled price increases. So Republicans should take additional steps to make insurance affordable again.

Before the election, Vice President JD Vance floated the idea of a [possible solution](#): allowing states to separate patients into different insurance risk pools. Under this approach, people with preexisting conditions would be placed in high-risk pools that receive premium subsidies. But the vast majority of the population, which [has a more conventional risk profile](#), could remain in a separate pool – and enjoy lower premiums as a result.

In 2017, Minnesota [separated its risk pools](#). Over the next four years, state marketplace premiums [plummeted 20%](#).

Expanding access to [short-term health insurance plans](#) – which usually have lower premiums and more comprehensive care, since they're [exempt from Obamacare's mandates](#) – could offer another relief valve. Trump could extend the duration of these plans as he did during his first term (the Biden administration [scrapped the extensions](#)).

Democrats' alarmism over subsidies is misplaced. When they end, low-income Americans will still have access to subsidized coverage. And with the right policies, the rest of the country could have access to even more affordable insurance options. [Sally C. Pipes](#) is president, CEO and the Thomas W. Smith Fellow in Health Care Policy at the Pacific Research Institute. Her latest book is "[The World's Medicine Chest: How America Achieved Pharmaceutical Supremacy – and How to Keep It.](#)" Follow her on X at @sallypipes.