

A small think tank's crusade against Obamacare is making some Republicans nervous

With its well-placed alumni network and aggressive advocacy, Paragon Health Institute is pressuring Republicans to let Obamacare subsidies expire despite urging from GOP centrists.

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One small think tank is driving health policy within the GOP. It has also created friction on Capitol Hill and in the White House as Republicans clash over the future of Obamacare.

Paragon Health Institute was established in 2021 and has only 11 full-time staffers, but founder Brian Blase is credited with formulating many of the proposals that became the basis for nearly \$1 trillion in Medicaid cuts enacted as part of the GOP megabill. The group's success is thanks in large part to its vast alumni network spread out across the highest levels of government, from the speaker's office to the Trump administration.

Now Blase is looking to exert his clout again, mounting a fierce campaign to convince lawmakers to let enhanced Affordable Care Act tax credits expire at the end of the year. Democrats have made an extension of the boosted Obamacare subsidies, first approved by Congress in 2021, as their centerpiece demand in the current government funding fight. Republicans need to figure out if they're willing to deal — and Paragon doesn't want them to bend at all.

"Brian is exceptionally smart, principled, and motivated by good intentions," said Paul Winfree, the president and CEO of the Economic Policy Innovation Center — another conservative think tank — who served as a top economic official in the first Trump White House. "He truly wants to solve problems in health policy and believes — I think correctly — that the government is the cause of many of them."

But Paragon is making a key segment of congressional Republicans uncomfortable, according to interviews with a dozen House GOP lawmakers, senior aides, White House officials and people close to the administration, many of whom were granted anonymity to provide their candid views or describe private conversations.

Though conservatives are largely complimentary of the think tank, a swath of House Republicans, including some of the conference's most vulnerable incumbents, privately say Paragon is dead-set on notching conservative policy wins irrespective of the damage they might do to the GOP's fragile majority in the midterms.

“Kind of feels like they’re giving Brian Blase the keys to the castle,” said an aide to a moderate House Republican of the access given to Paragon on Capitol Hill.

As a government shutdown begins with few off-ramps in sight, Republicans soon will have to make a choice about how closely to heed Paragon’s advice. They have already been working to overcome negative messaging around the drastic Medicaid cuts in their sprawling tax and spending package from over the summer. Now, they’re confronting warnings from pollsters, advisers and vulnerable incumbents that allowing the ACA subsidies to expire at the end of the year will cause out-of-pocket insurance premiums to skyrocket and kick millions of people off their health coverage.

Rep. Greg Murphy (R-N.C.), a member of the tax-writing Ways and Means Committee and a practicing surgeon, said Paragon brings a “30,000 foot view” to the health policy debate. But, he added, “Does that always translate to what’s better for patients? ... I don’t know.”

A presence on the Hill

Mindful of the possible political blowback from inaction, at least a dozen moderate House Republicans support a one-year extension of the subsidies. Some GOP senators are working on their own proposal.

Yet Paragon is forging ahead with its crusade to kill the credits outright. It complains about the cost — an estimated \$350 billion through 2035 if extended permanently — and argues the subsidies have proven to be a huge windfall for the health insurance industry. The group also contends Obamacare itself is rife with fraud and “phantom enrollment” — scenarios where people are on health plans but don’t file any medical claims.

The talking points are flowing directly to congressional conservatives. The Republican Study Committee hosted Blase and members of his team for a staff briefing in August on the expiring subsidies, which was followed by a Paragon-led Hill briefing in September featuring remarks from a top health policy adviser on the House Energy and Commerce Committee.

Paragon isn’t alone in pushing for the Obamacare subsidies to expire. The Club for Growth and Americans for Prosperity are among other prominent conservative groups pushing against an extension, while anti-abortion advocates oppose the tax credits because they cover the costs of terminating pregnancies.

But Paragon’s uniquely close relationship with lawmakers has unnerved many House GOP centrists. Some of them raised concerns with senior members of their party when Blase presented at the RSC staff briefing, according to two people with direct knowledge of the matter.

“We had to hold these people off once before; we will do it again,” said one moderate House Republican who favors an extension, referring to how colleagues successfully mobilized their conference in resisting Paragon’s megabill proposals for even deeper Medicaid cuts.

A spokesperson for the RSC did not respond to requests for comment.

In a statement, Blase said that “Paragon did not draft any language on Medicaid provisions” in the GOP’s new tax and spending law. But Paragon did play a leading role in building support for two major changes to Medicaid payments to states.

One proposal limited the states’ use of provider taxes, the revenue from which allows hospitals to get higher Medicaid payments at federal expense. Paragon derided the status quo as a form of “money laundering.” The group also pushed for a new cap on state-directed payments, which enables states to better direct Medicaid dollars; Paragon said the program lacked transparency.

Paragon’s influence was quiet but not completely unseen: PDF metadata revealed that Blase was the author of a letter the hard-right House Freedom Caucus circulated in May calling for more aggressive Medicaid cuts.

Ultimately, Congress didn’t go as far as Paragon wanted on either priority. But the final provisions were lauded as historic achievements among conservative health policy wonks — and continue to cause political headaches for Republicans in swing districts.

An administration divide

Blase, who holds a doctorate in economics and was special assistant to the president for economic policy during the first Trump administration, disputed the suggestion that Paragon is touting controversial positions. In his statement, he pointed to a recent, Paragon-commissioned poll showing a majority of voters want the enhanced subsidies for insurance premiums to expire.

“We appreciate the difficulty that leaders have in shepherding legislation through Congress,” said Blase. “That’s why President Trump, Speaker [Mike] Johnson, [Senate Majority] Leader [John] Thune and members and staff involved with the reforms of the past year deserve enormous credit for enacting the most meaningful health policy reforms in a generation.”

When asked to address concerns from some vulnerable Republicans about letting the ACA subsidies expire, Blase replied that premiums would rise anyway as a result of “flaws in the original design of Obamacare” and that Congress could respond by pursuing other legislative overhauls of the American health care system.

Just as Paragon is driving an ideological split among Republicans on Capitol Hill, a similar dynamic has played out inside the White House over the future of the ACA credits.

According to five people familiar with administration dynamics, including two White House officials, Paragon alumnus Theo Merkel — who now serves as a senior domestic policy adviser at the White House — hasn't seen eye-to-eye on the issue with members of Trump's political team and other influential political advisors close to the administration.

That includes White House deputy chief of staff James Blair and Trump pollster Tony Fabrizio, who are more of the mind that extending the credits in some form would be politically advantageous for Republicans, those people said.

While Trump has not yet come out publicly for or against extending the subsidies, he privately said he was willing to negotiate on the matter and other health care proposals during a closed-door meeting with Democratic leaders Monday. Fabrizio in July touted findings in a poll published by his firm showing that a failure to preserve the credits "could hand the GOP majority to Democrats." He did not respond to a request for comment.

Merkel, however, has been promoting the Paragon view that the subsidies are bad policy in meetings with staff and lawmakers. While still at the think tank in September 2024, he testified before the Senate Finance Committee that the credits amounted to "paying insurers more to hide the flaws of the ACA" and should be "allowed to expire."

"Generally speaking, the political people want it, and the policy people don't," said one of the people aware of internal conversations taking place inside the administration.

A House Republican aide described Merkel and Corey Ensslin — another domestic policy advisor in the administration who has been working on the ACA policy — as "conservative brainiac guys" who "don't give a shit about politics."

Merkel and Ensslin do appear to be coming around to the political demands of their current jobs, however, as the White House is privately readying a variety of options around the ACA subsidy issue, according to two other people with direct knowledge of the matter.

When reached for comment, Kush Desai, a White House spokesperson, declined to share the Trump administration's current stance on the matter of a subsidies extension but denied there was a rift inside the president's circle.

"Every member of the Trump White House is playing from one playbook — President Trump's playbook," he said in a statement. "The idea that there is any daylight between Special Assistant Merkel and Deputy Chief of Staff Blair is completely fake news."

Far-reaching influence

Blase said in his statement he founded Paragon to provide “high quality research” and “show how important incentives are in health care” — while also “expos[ing] the incentives that reward the manipulation of government programs to draw down more funding and more corporate welfare.”

Regarding the expanded ACA subsidies, Paragon says its research shows the enhanced subsidies have led to the improper enrollment of more than 25 percent of all individuals with insurance through Obamacare marketplaces — more than 6 million people.

The conservative activist orbit has responded favorably to Paragon’s work. According to tax records obtained by InfluenceWatch, Stand Together — a right-leaning organization connected to Charles Koch — donated \$2 million in 2021; the 85 Fund, which has ties to the conservative judicial activist Leonard Leo, gave \$1 million in 2022.

Paragon’s influence is also reflected in its alumni network, with think tank veterans now serving in prominent places throughout the Trump administration — from Merkel at the Domestic Policy Council to Abe Sutton, who leads the Center for Medicare and Medicaid Innovation, and Marty Makary, the head of the Food and Drug Administration.

Joel Zinberg, a former director for a public health initiative at Paragon, was tapped by Trump in January to serve on the National Economic Council with a focus on health care and deregulation.

Paragon itself also counts several health policy heavyweights among its advisers, including the Economic Policy Innovation Center’s Winfree, American Enterprise Institute’s Yuval Levin and the Ronald Reagan Institute’s Tevi Troy.

Other alumni have regularly cycled in and out of GOP congressional leaders’ offices as senior health policy advisors. For instance, Johnson brought on Drew Keyes, a former senior policy analyst at Paragon, to be his senior policy advisor in 2023 following his ascension to the speakership.

Keyes took the spot formerly held by Ryan Long, the senior policy advisor to then-Speaker Kevin McCarthy, who was ousted before Johnson won the gavel. Now Long serves as director of congressional relations at Paragon and has spoken to Republicans in at least one Hill briefing this fall on the expiration of the enhanced Obamacare subsidies.

Johnson said in an interview with Fox Business over the weekend he thinks the subsidies are “bad policy.”

Rep. Kevin Hern of Oklahoma, a member of House GOP leadership, said Paragon has been effective in highlighting the message that the enhanced subsidies were intended as Covid-era relief, not a permanent tax credit.

“Democrats and reporters, from time to time, forget about what the premise was,” said Hern. “And so Paragon does a great job of reminding us of the policy conversation at that time.”

Rep. Chip Roy (R-Texas), a vocal member of the Freedom Caucus, said Paragon adds “a lot of value because they get the health care issue in figuring out ways to manage the problems created by the obviously failing ACA and subsidies.”

“Brian and the guys have been publicly talking about this stuff,” Roy continued. “We are having conversations.”