

Republicans want to replace enhanced ACA tax credits with direct payments. Their think tank allies aren't so sure

Conservative think tanks say proposals to give people health care cash would increase government spending

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WASHINGTON — Republicans are proposing a substitute to the enhanced Affordable Care Act premium tax credits that Democrats want to extend, taking their cue from President Trump's demands. But even some opponents to the Democrats' plan are wary of what Republicans are working on.

Trump last weekend called on his party to end the federal subsidies for ACA insurance and instead give an equal amount of cash directly to people to spend on health care.

“In other words, take from the BIG, BAD Insurance Companies, give it to the people, and terminate, per Dollar spent, the worst Healthcare anywhere in the World, ObamaCare,” Trump posted to Truth Social.

Trump's message came a day before a handful of Democrats agreed to vote with Republicans to reopen the government. One of the key concessions Democrats got was a promise of a Senate vote in December on a bill to renew the enhanced ACA tax credits, which expire at the end of this year. The two parties will now enter into negotiations over the subsidies, but the Republicans chosen to negotiate with Democrats have other ideas.

Sens. Bill Cassidy (La.) and Roger Marshall (Kan.) said they want to maintain the original tax credits that help people pay for ACA plans. But they want to take the extra pandemic-era tax credits and put that money in an account that people can use for their health care costs.

Cassidy referred to flexible spending accounts, which generally don't roll over unspent money each year. Marshall said the money could be placed in an account that does roll over, and that he wanted to let people put some of the money into a retirement plan instead.

Michael Cannon, director of health policy studies at the libertarian Cato Institute, opposes the enhanced tax credits, but he said Republicans' approach would increase government spending on health care even more than Democrats' plan because the GOP plan would cause a “woodwork” effect. Under the system that Democrats want to renew, people only get the tax credits if they enroll in an ACA plan. Many don't. But if

you give them that money as cash, more would take the money, sign up for an ACA plan, and maybe leave plans offered by their employers.

“Many who wouldn’t cross the street for free health insurance will cross the street for free cash,” he said.

Cannon said Republicans should instead codify into law the regulation from Trump’s first term that allows people to buy short-term health coverage that lasts up to 12 months and renew that coverage for a maximum of 36 months.

Brian Blase, president of the Paragon Health Institute, which has influenced the GOP health care agenda, supports the general structure of the plan that Republicans are proposing. The think tank published a paper recommending a similar approach more than three years ago for the original cost-sharing reductions that ACA plans were receiving. Paragon’s plan calls for allowing ACA plan enrollees to accept a deposit to an HSA instead of a reduction in their plan’s cost-sharing requirements through the cost-sharing reduction program. But he thinks the enhanced credits should not be renewed, either as tax credits or as money provided to individuals.