



Federal Subsidies for Health Insurance

CBO and the staff of the Joint Committee on Taxation (JCT) prepare baseline projections of the number of people who have health insurance coverage from various sources and of the federal cost associated with subsidizing that coverage.

Table 1 shows CBO's projections of coverage for the Social Security area population (the relevant population for the calculation of Social Security payroll taxes and benefits). Estimates are for the average month of a year and include spouses and dependents covered under family policies but exclude people with supplemental or partial coverage that, on its own, would not provide financial protection against major medical expenses and thus would not meet CBO's definition of health insurance. For more discussion, see Congressional Budget Office, *Federal Subsidies for Health Insurance: 2023 to 2033* (September 2023), Appendix B, www.cbo.gov/publication/59613.

Table 2 shows CBO's and JCT's projections of federal subsidies for the Social Security area population. The table excludes discretionary outlays (such as spending on veterans' health programs) or outlays made by the federal government in its capacity as an employer (such as spending on the Federal Employees Health Benefits program and the military's TRICARE health program).

Table 1.
CBO's Projections of Health Insurance Coverage, by Source

	2025 ^a	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PARTICIPATION INFORMATION												
Millions of people, on average in each month, by calendar year												
Total Population	348.6	349.4	350.3	351.2	352.2	353.3	354.3	355.2	356.1	356.9	357.7	358.5
Insured	322.0	319.4	316.2	315.9	315.6	316.5	317.0	318.0	318.9	319.6	320.3	321.0
Uninsured ^b	26.6	30.0	34.1	35.3	36.6	36.8	37.2	37.2	37.2	37.3	37.4	37.4
Employment-Based Coverage ^c	165.5	166.5	167.2	168.1	168.4	168.9	169.2	169.5	169.8	170.1	170.5	170.7
Medicaid and CHIP ^d												
People age 65 or older in Medicaid	6.0	6.2	6.3	6.4	6.5	6.5	6.6	6.6	6.7	6.7	6.8	6.9
Blind and disabled people in Medicaid	7.5	7.6	7.7	7.8	7.9	7.9	8.0	8.1	8.1	8.2	8.3	8.3
Children in Medicaid	30.2	29.9	29.3	28.8	28.6	29.1	29.8	29.6	29.3	28.9	28.6	28.3
Adults made eligible for Medicaid by the ACA	15.5	15.3	13.8	12.6	11.1	10.5	10.1	9.9	9.8	9.7	9.6	9.4
Adults otherwise eligible for Medicaid	14.0	14.3	14.0	13.7	13.3	13.1	13.0	13.0	13.0	13.0	12.9	12.9
CHIP	<u>7.3</u>	<u>7.3</u>	<u>7.2</u>	<u>7.1</u>	<u>6.8</u>	<u>5.5</u>	<u>3.6</u>	<u>3.5</u>	<u>3.4</u>	<u>3.3</u>	<u>3.2</u>	<u>3.1</u>
Subtotal, Medicaid and CHIP	80.5	80.5	78.4	76.5	74.3	72.7	71.1	70.7	70.4	69.9	69.4	69.0
Medicare ^e	62.8	64.2	65.6	67.0	68.3	69.3	70.1	70.8	71.5	72.3	73.0	73.6
Nongroup Coverage ^f												
Purchased through ACA marketplaces												
Subsidized	20.9	13.4	10.3	9.7	10.0	10.3	11.1	11.4	11.3	11.5	11.6	11.7
Unsubsidized	<u>1.6</u>	<u>3.5</u>	<u>2.8</u>	<u>2.7</u>	<u>2.8</u>	<u>2.9</u>	<u>3.0</u>	<u>3.0</u>	<u>3.2</u>	<u>3.1</u>	<u>3.2</u>	<u>3.2</u>
Subtotal, Purchased Through ACA Marketplaces	22.4	16.9	13.1	12.5	12.8	13.3	14.1	14.4	14.5	14.6	14.8	14.9
Purchased outside ACA marketplaces	<u>3.0</u>	<u>3.1</u>	<u>3.8</u>	<u>4.0</u>	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>	<u>4.3</u>	<u>4.5</u>	<u>4.4</u>	<u>4.5</u>	<u>4.6</u>
Subtotal, Nongroup Coverage	25.4	20.0	16.9	16.4	16.9	17.5	18.4	18.7	19.0	19.1	19.3	19.5
Basic Health Program ^g	1.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other Coverage ^h	8.4	8.0	7.4	7.0	6.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8

Table 1.
CBO’s Projections of Health Insurance Coverage, by Source

	2025 ^a	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Memorandum:												
People With Multiple Sources of Coverage ¹	22.5	20.8	20.2	20.1	20.2	19.8	19.6	19.6	19.6	19.6	19.6	19.6
Uninsured People With Medicare Part A or Part B Only	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Share of the Population That Is Uninsured (Percent)	7.6	8.6	9.7	10.1	10.4	10.4	10.5	10.5	10.4	10.5	10.5	10.4

Source: Congressional Budget Office.

Components may not sum to totals because of rounding; ACA = Affordable Care Act; CHIP = Children’s Health Insurance Program.

Coverage estimates are for the Social Security area population (the relevant population for the calculation of Social Security payroll taxes and benefits). Estimates are for the average month of a year and include spouses and dependents as applicable. Estimates exclude people with supplemental or partial coverage that, on its own, would not provide financial protection against major medical expenses and thus would not meet CBO’s definition of health insurance.

- a. Estimates are preliminary and subject to revision.
- b. CBO considers people to be uninsured if they are not covered by an insurance plan or enrolled in a government program that provides financial protection from major medical expenses. Estimates include people enrolled only in Medicare Part A or Part B, people receiving only partial Medicaid benefits, and people enrolled in some short-term plans.
- c. Includes enrollees in the military’s TRICARE program and health care provided by the Department of Veterans Affairs but does not include people with Medicare wraparound coverage provided through a former employer.
- d. Medicaid enrollment includes only enrollees with full benefits. Estimates have been adjusted to account for people enrolled in more than one state.
- e. Includes only people who are enrolled in both Medicare Part A and Part B.
- f. The marketplaces established under the ACA are operated by the federal government, state governments, or partnerships between the two. Estimates do not include enrollees in supplemental medigap plans.
- g. The Basic Health Program allows states to establish a coverage program primarily for people whose income is between 138 percent and 200 percent of the federal poverty level. The federal government provides states with funding equal to 95 percent of the amount in subsidies for which enrollees would otherwise have been eligible through a marketplace. Only the District of Columbia, Minnesota, and Oregon currently operate such programs. Estimates include enrollment in New York’s Essential Plan, which is funded through an ACA waiver and mirrors the Basic Health Program, with eligibility up to 250 percent of the federal poverty level. New York’s Essential Plan is anticipated to transition to the Basic Health Program in 2026.
- h. In 2026, the largest sources of coverage in this category are student health plans (3 million people), correctional facilities (2 million people) and state-sponsored health plans (2 million people). The Indian Health Service and foreign sources of coverage account for most of the remaining people in this category.
- i. Some people enroll in multiple sources of coverage. The estimate for that group is calculated as the sum of the individual coverage categories and the uninsured minus the total population. CBO did not assign enrollees to a primary source of coverage.

Table 2.
CBO and JCT's Projections of Net Federal Subsidies for Health Insurance

	2025 ^a	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2036
BUDGET INFORMATION													
Billions of dollars, by fiscal year													
Employment-Based Coverage ^a													
Tax exclusion for employment-based coverage ^{b, c}	n.a.	471	508	540	572	603	636	670	705	743	784	827	6,587
Income tax deduction for self-employment health insurance	n.a.	7	8	8	9	9	10	10	11	12	12	13	103
Small business health insurance tax credit ^c	n.a.	*	*	*	*	*	*	*	*	*	*	*	*
Gross collections of penalty payments by employers ^d	<u>n.a.</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>**</u>	<u>-3</u>
Subtotal, Employment-Based Coverage	n.a.	478	515	548	580	612	645	680	716	755	796	840	6,687
Medicaid and CHIP ^e													
People age 65 or older in Medicaid	123	131	139	146	152	158	164	171	178	186	194	202	1,690
Blind and disabled people in Medicaid	187	197	206	215	223	233	242	253	265	278	290	303	2,510
Children in Medicaid	85	88	91	93	95	99	105	109	113	116	119	124	1,064
Adults made eligible for Medicaid by the ACA	144	153	148	145	134	132	131	132	137	141	145	150	1,396
Adults otherwise eligible for Medicaid	68	73	75	76	75	77	79	83	86	90	94	98	834
CHIP	<u>23</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>24</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>198</u>
Subtotal, Medicaid and CHIP	629	668	685	702	708	723	737	763	796	826	858	892	7,691
Medicare ^f													
	977	1,051	1,128	1,190	1,272	1,342	1,422	1,511	1,622	1,735	1,841	1,952	15,015
Premium Tax Credit and Related Spending													
Outlays for the premium tax credit ^a	111	88	69	66	70	77	86	92	95	101	108	116	878
Revenue reductions from the premium tax credit ^a	n.a.	17	9	8	8	9	10	11	11	12	12	12	103
Outlays for ACA section 1332 waivers and the Basic Health Program ^g	18	12	11	11	11	12	12	13	14	15	15	16	131
Collections for risk adjustment ^h	-11	-13	-12	-11	-12	-12	-14	-15	-16	-16	-17	-18	-144
Payments for risk adjustment ^h	<u>11</u>	<u>12</u>	<u>13</u>	<u>12</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>18</u>	<u>142</u>
Subtotal, Premium Tax Credit and Related Spending	n.a.	117	90	85	89	97	108	116	120	127	135	144	1,110
Other Federal Subsidies Associated With													
Supplemental or Partial Benefits ⁱ	<u>n.a.</u>	<u>51</u>	<u>54</u>	<u>56</u>	<u>59</u>	<u>62</u>	<u>65</u>	<u>69</u>	<u>73</u>	<u>77</u>	<u>81</u>	<u>86</u>	<u>682</u>
Net Subsidies	n.a.	2,365	2,471	2,581	2,708	2,837	2,978	3,139	3,328	3,520	3,711	3,913	31,185

Table 2.
CBO and JCT's Projections of Net Federal Subsidies for Health Insurance

	2025 ^a	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027-2036
Memorandum:													
Net Subsidies as a Percentage of Gross Domestic Product	n.a.	7.4	7.4	7.4	7.5	7.6	7.7	7.8	8.0	8.1	8.2	8.4	—

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding.

ACA = Affordable Care Act; CHIP = Children's Health Insurance Program; JCT = staff of the Joint Committee on Taxation; n.a = not available; * = between zero and \$500 million; ** = between -\$500 million and zero.

Estimates of federal subsidies are for the Social Security area population (the relevant population for the calculation of Social Security payroll taxes and benefits). Discretionary outlays (such as spending on veterans' health programs) and outlays made by the federal government in its capacity as an employer (such as spending on the Federal Employees Health Benefits program and the military's TRICARE health program) are excluded.

- a. Estimates are preliminary and subject to revision.
- b. These estimates, provided by JCT, reflect the tax value of the exclusion of employment-based health insurance from federal income and payroll taxes and penalty payments by employers. They do not include the tax value of the exclusion associated with Medicare wraparound coverage for former employees. The tax value is the change in tax revenues that would result if the exclusion from federal income and payroll taxes was repealed and the total compensation paid by the employer (including the employer's payroll taxes) remained constant by increasing wages. The estimates differ from those of the tax expenditure for the exclusion. The tax expenditure is the change in tax revenues that would result if the amount of excluded compensation was taxed and was larger than the tax value.
- c. Includes increases in outlays and reductions in revenues.
- d. Excludes the associated effects on revenues of changes in taxable compensation, which are included in the estimates of the tax exclusion for employment-based insurance. If those effects were included, net revenues from penalty payments by employers would total \$2 billion over the 10-year period.
- e. Medicaid spending is for medical services for enrollees with full Medicaid benefits.
- f. Spending for Medicare beneficiaries enrolled in Part A and Part B. Estimates include Part D benefits, which are calculated net of premiums and certain other payments to the government and have been adjusted to exclude the effects of shifts that occur in the timing of monthly payments when October 1 falls on a weekend.
- g. Section 1332 of the ACA allows states to apply for federal waivers for some of the act's rules governing insurance markets and to receive federal assistance in paying for programs that offer health insurance. To obtain a waiver, a state's proposal must be budget neutral and must provide insurance coverage that is comparable to coverage required by the ACA.
The Basic Health Program allows states to establish a coverage program primarily for people whose income is between 138 percent and 200 percent of the federal poverty level. The federal government provides states with funding equal to 95 percent of the amount in subsidies for which enrollees would otherwise have been eligible through a marketplace. Only the District of Columbia, Minnesota, and Oregon currently operate such programs. Estimates include enrollment in New York's Essential Plan, which is funded through a section 1332 waiver and mirrors the Basic Health Program, with eligibility up to 250 percent of the federal poverty level. New York's Essential Plan is anticipated to transition to the Basic Health Program in 2026.
- h. The risk adjustment program is intended to stabilize premiums in the nongroup and small-group markets. The federal government collects fees from insurers with enrollees who are relatively more healthy and makes roughly offsetting payments to insurers with enrollees who are relatively less healthy.
- i. Includes federal subsidies for supplemental or partial coverage that, on its own, would not provide financial protection against major medical expenses and thus would not meet CBO's definition of health insurance. Estimates include the tax value of the exclusion associated with Medicare wraparound coverage provided to former employees; Medicare spending on enrollees who receive only Part A or Part B benefits; and Medicaid spending for enrollees who receive partial benefits, such as beneficiaries who also are eligible for Medicare and for whom Medicaid pays only Medicare premiums or cost sharing.