



NEW REPORT: Loss of Health Insurance Premium Tax Credits Projected to Cost States \$34 Billion in GDP and More Than \$2 Billion in Lost Tax Revenue

All 50 States Would Suffer Economic Fallout, with 286,000 Jobs Lost

A new report from the Commonwealth Fund and the George Washington University Milken Institute School of Public Health finds that if Congress allows enhanced premium tax credits to expire at the end of 2025, communities nationwide will experience significant economic impacts. The report projects that state economies would shrink by billions of dollars, hundreds of thousands of jobs — many in the health care sector — would be lost, and more than \$2 billion in state and local tax revenue would disappear, as people become uninsured and health insurers and health care providers lose revenue.

In total, states would lose \$26.1 billion in federal health insurance subsidies in 2026 alone, triggering widespread economic disruptions that would compound over time.

The enhanced premium tax credits, which began in 2021 and were extended through 2025 by the Inflation Reduction Act, have made Affordable Care Act (ACA) health insurance marketplace plans more affordable for millions of Americans. Since their initial implementation in 2021 under the American Rescue Plan Act, enrollment in ACA plans has doubled to 24 million as of early 2025. Without a tax credit extension, marketplace premiums will rise sharply, forcing many consumers to forgo coverage.

The report, *The Cost of Eliminating the Enhanced Premium Tax Credits: Economic, Employment, and Tax Consequences*, projects the impact of expiring tax credits on state economies, employment, and tax revenue across all 50 states and the District of Columbia in 2026.

Key findings include:

- **State economies would lose \$34 billion in gross domestic product (GDP)**, while total economic activity would decline by \$57 billion, leading to 286,000 job losses nationwide — nearly half in hospitals, doctors' offices, and pharmacies.
- **State and local tax revenue would decline by \$2.1 billion**, making it harder for states to fund essential services like education and infrastructure.

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The Commonwealth Fund is a private, nonprofit foundation supporting independent research on health policy reform and a high-performance health system.

- **The hardest hit states would be those that have not expanded Medicaid, where residents depend more on marketplace subsidies due to limited Medicaid coverage.** These states — Alabama, Florida, Georgia, Indiana, Mississippi, South Carolina, Tennessee, Texas, Wisconsin, and Wyoming — would experience nearly 70 percent of the total job losses nationwide, shedding 195,000 jobs, \$23 billion in GDP, and \$1.3 billion in state and local tax revenue.
- **Hospitals and health providers would face major revenue losses.** Some providers would be forced to close or reduce services, leading to longer wait times, fewer available providers — especially in rural areas — and higher uncompensated care costs.

THE ECONOMIC RIPPLE EFFECT

Ending the tax credits would not only increase costs for consumers but also create a cascading decline in economic activity. As insurers receive fewer federal subsidies, they could cut payments to hospitals, doctors' offices, pharmacies, and other providers. In turn, health care employers would likely reduce jobs and spending, leading to broader projected job losses across industries like retail, real estate, and manufacturing. With lost wages and business revenue, states could experience declining consumer spending and tax revenue, putting additional strain on state budgets.

HOW WE CONDUCTED THIS STUDY

Using data on the changes in federally financed health spending that would be lost to states, the researchers analyzed the impact of this loss of funding on state economies, using the IMPLAN economic modeling system. These analyses calculated the direct impacts on health care providers as well as how the effects ripple out to states' economies. These effects include projections of changes in the number of health and other jobs and the state Gross Domestic Products and state and local tax revenue that would be lost if the enhanced premium tax credits expire.

The full report is available here:

<https://www.commonwealthfund.org/publications/issue-briefs/2025/mar/cost-eliminating-enhanced-premium-tax-credits>

Leighton Ku, lead author and Director of the Center for Health Policy Research and professor of health policy and management at GWU's Milken Institute School of Public Health

“Eliminating federal premium tax credits will have serious economic repercussions nationwide. States will face deep job losses, particularly in health care, along with billions in lost economic activity. Without these subsidies, families will struggle to afford coverage, businesses will take a hit, and state and local budgets will be stretched even thinner. The ripple effects will be felt in every community.”

Sara R. Collins, Commonwealth Fund Senior Scholar and Vice President for Health Care Coverage and Access

“Enhanced premium tax credits have been a lifeline for millions of Americans, ensuring they can get the health care they need without financial hardship. Without them, families will face skyrocketing premiums, and many will lose coverage entirely. We know that access to affordable health care is critical to people's long-term health and financial well-being; protecting it must be a priority.”

Joseph R. Betancourt, M.D., Commonwealth Fund President

“The economic impact of millions of people losing their health insurance is deeply concerning. As a primary care physician, I can't help but think about what this will mean for patients — those who will lose insurance and access, and all those who will still have insurance but less access. There's no doubt that those who lose coverage will use the emergency room as their primary source of care, overtaking an already stressed system, with hospitals that are over capacity and a diminishing, demoralized health care workforce. Quite simply, an increase in the uninsured rate is going backwards and will not make America healthy again, as people will struggle to control their chronic illnesses, get the health care they need, and live healthy lives.”