



MEMORANDUM

To: White House Staff

From: Council of Economic Advisers Staff

Date: May 17, 2025

Subject: Health Insurance Opportunity Cost if 2025 Proposed Budget Reconciliation Bill Does Not Pass

Overview

This research note models the counterfactual of not passing the 2025 Reconciliation Bill and the possible macroeconomic consequences, specifically, on increases in the level of Americans without health insurance.

What if 2025 Proposed Budget Reconciliation Bill Does Not Pass

Let's assume that expiration of the 2017 Trump tax cuts in 2026 and other shocks trigger a moderate to severe recession. Such a recession will be driven by higher tax rates which will result in a reduction in economic activity that will lead to significant unemployment. This in turn will strain state finances and likely lead to reductions in generosity of benefits including Medicaid for states providing greater benefits than the average Affordable Care Act Medicaid expansion state. Based on our assumptions, we estimate a net increase in uninsured of potentially 8.2 to 9.2 million people if the 2025 Proposed Budget Reconciliation Bill does not pass.

The details driving this estimate are as follows. A major recession will result from the following:

- Reduced consumer spending (from higher individual taxes);
- Lower small business investment and hiring (from higher passthrough individual taxes);
- Global confidence shock (e.g., concerns about U.S. competitiveness);
- Dollar deflation tightening credit and pushing real interest rates higher.

We'll now build a more aggressive estimate of health insurance losses under these conditions. This estimate should be considered an upper bound of the impact of not extending TCJA. We also assume no policy countermeasures — a very unlikely but plausible worst-case for an upper bound estimate.



Macroeconomic Assumptions (Extreme Case + Recession)

Economic Variable	Assumption
GDP contraction	~4% over 2 years (similar to 2008 recession)
Unemployment rise	+4 percentage points (~6.5 million jobs lost)
Employer insurance loss	60% of newly unemployed lose ESI (employer-sponsored insurance)
Individual market shrinkage	15% drop in individual plans (affordability loss)
Medicaid/ACA uptake drop	10% enrollment friction (funding or admin cuts)

Detailed Insurance Loss Estimate

1. Employer-Sponsored Insurance (ESI) Losses

- 6.5 million job losses
- ~60% had ESI → **~3.9 million** lose coverage and become uninsured

2. Loss of Individual/Marketplace Coverage

- Individuals without ESI who purchase coverage through the individual market and are no longer able to afford such coverage as a result of the recession
- 15% drop from ~22 million enrolled in 2026 → **~3.3 million** lose coverage¹

3. Medicaid + ACA Subsidized Plan Enrollment Drop

- Barriers, state retrenchment → **0.5 to 1 million** lose or fail to gain coverage²

4. Non-citizens, gig workers, early retirees disproportionately affected

- Individuals without ESI in these worker classes who are no longer able to afford coverage as a result of the recession
- Insurance loss among vulnerable segments → **~0.5–1 million**

¹ An important consideration here is that the medical care expenditure trend has been increasing relatively significantly over the last year and is projected to be also higher than CPI for several years to come, owing to the aging population's medical demand. This will push premiums higher and make the impact of a severe recession that much greater.

² This estimate is based on the assumption that states which expanded Medicaid with relatively generous eligibility will pull back to meet balanced budget requirements and try to provide more unemployment support during a severe recession.



TOTAL ESTIMATED INCREASE IN UNINSURED (*Extreme + Recession*)

Source	Uninsured Increase
ESI loss due to job loss	3.9 million
Individual market contraction	3.3 million
Medicaid/ACA program friction	0.5 to 1.0 million
Marginal/vulnerable populations	0.5 – 1.0 million
TOTAL	~8.2 to 9.2 million

Underlying Assumptions

- The U.S. had ~27 million uninsured people in 2025.³
- This scenario would push that up to **~36 million uninsured**, far closer to the **pre-ACA levels of 50 million**.
- This assumes **no policy countermeasures — a very unlikely but plausible worst-case** — which would mitigate the increase in uninsured.

Summary

An examination of the consequences of not passing the Reconciliation Bill finds the ensuing recession could result in 8.2 to 9.2 million more Americans without health insurance than today.

³ From CBO: <https://www.cbo.gov/system/files/2024-06/51298-2024-06-healthinsurance.pdf>