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September 21, 2026

The Future of the Essential Plan

UNCERTAINTY REMAINS FOR NEW YORK'S BEST HEALTHCARE PROGRAM.

Key Findings

- 450,000 people lost Essential Plan coverage in July due to recent eligibility cuts, with just 59,000 enrolling in alternative ACA marketplace coverage.
- Essential Plan enrollment fell by 330,000 between March and July, and the overall impact of the cuts will be an increase in uninsured individuals of nearly 350,000.
- New York's decision to maintain high provider payment rates in the Essential Plan despite federal cuts has put the program on an unsustainable trajectory, with deficits of over $4 billion per year starting in fiscal year 2028 and reserves set to be exhausted on December 31, 2028.

Recommendations

- The state must reduce provider payment rates in the Essential Plan to put the program back on a sustainable trajectory at no cost to the state budget.
- The state should commit approximately $440 million to restore healthcare access for those who were stripped of EP this year.

Introduction

On July 1, 2026, over 400,000 New Yorkers covered by the Essential Plan (EP) lost their health insurance and EP enrollment declined by 25 percent from about 1.7 million to 1.3 million—the most rapid decrease in health insurance access in New York history. Federal cuts to New York State healthcare funding were the root cause of these coverage losses, although state policymakers could have intervened and chose not to.

The state did act to preserve EP coverage for most enrollees, but the reprieve was only temporary. The Fiscal Year 2027 Enacted Budget continues EP coverage for enrollees under 200 percent of the federal poverty line (FPL) solely by spending down the plan's ample reserves; this will protect coverage only through December 31, 2028, at which point, absent state action or a reversal in federal policy, the program will be shut down entirely.[1]

That's an outcome the state can and should avoid at all costs. EP is an extraordinarily efficient and successful program, providing high-quality health insurance to working-class New Yorkers at a cost well below that of employer-sponsored insurance and the Affordable Care Act marketplace; the state can and should act to preserve it for the long haul.

What can the state do to protect EP coverage? It can start by reversing the dramatic provider rate increases it enacted in 2023, which caused the cost of EP coverage to skyrocket from less than $5,500 per enrollee per year in 2022 to around $8,000 per enrollee per year today. Those rate increases were defensible when the plan was flush with cash—but now that it is suffering from federal cuts, they should be reversed. As we will show below, simply restoring EP provider rates to their previous level would allow the state to maintain the plan for nearly seven years, even without additional state spending.

The state should also act to restore coverage for the 450,000 New Yorkers who lost it in July. As I argued this spring, the state can offer EP coverage to this population at a reasonable cost, ensuring continued healthcare access for working-class New Yorkers.[2]

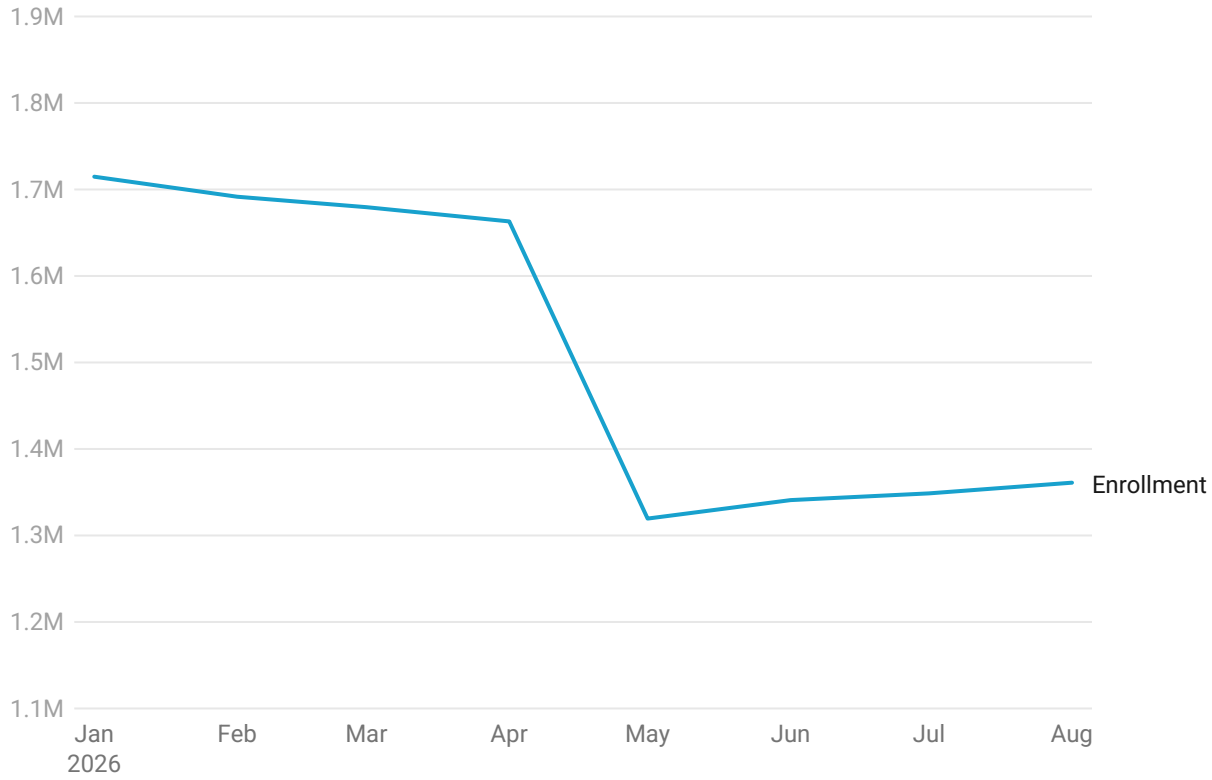
By undoing changes from 2023 that made the program dramatically more expensive, and by investing a modest amount of state funding in restoring coverage, New York can reinstate and preserve EP coverage indefinitely.

Misleading State Data Understates the Scale of the Essential Plan Cliff

As predicted by many observers, coverage loss in the Essential Plan has been dramatic and rapid: enrollment decreased from 1.68 million in March 2026 to 1.34 million as of July 5 (see figure 1).

[1] Kathy Hochul and Blake G. Washington, *FY 2027 Enacted Budget Financial Plan*, New York State Division of the Budget, June 2026, 22, https://www.budget.ny.gov/pubs/archive/fy27/en/fy27fp-en.pdf.
[2] Michael Kinnucan, "Will Essential Plan Enrollees Find Employer-Sponsored Coverage? Don't Bet On It." Fiscal Policy Institute, Mary 1, 2026, https://fiscalpolicy.org/will-essential-plan-enrollees-find-employer-sponsored-coverage-dont-bet-on-it.

Figure 1: Essential Plan Enrollment Losses, January–August 2026.



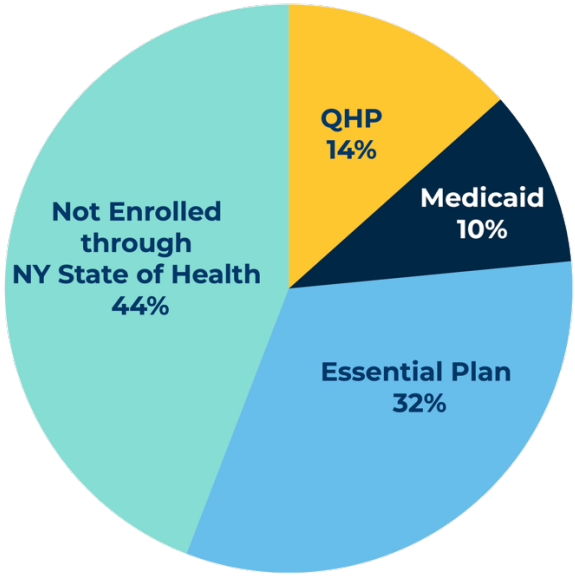
Source: New York State of Health monthly enrollment reports. Figure for May reflects enrollment as of June 22.

This decline in coverage was to be expected. But, prior to the EP cuts, observers debated to what extent those removed from EP would find alternative coverage through the individual market or an employer. Governor Hochul and others argued that former EP enrollees would switch to employer coverage; I strongly disagreed, pointing out that EP enrollees are not eligible for employer-sponsored insurance and that most would find individual market insurance unaffordable.[3]

On July 31, the state released data suggesting that the impact of the cuts was somewhat less severe than critics had projected: Of the approximately 450,000 people removed from EP, 56 percent had found alternative coverage through the state, either in a Qualified Health Plan (QHP) on the individual market, in Medicaid, or in the Essential Plan, leaving only 44 percent, around 200,000 people, of unknown insurance status to likely remain uninsured (see figure 2). In fact, only 14 percent enrolled in a QHP on the individual market, well below previous projections, while a far larger group saw their incomes decline enough that they either remained eligible for the Essential Plan (32 percent) or became eligible for Medicaid (10 percent)—meaning that their incomes had fallen below 200 percent of the Federal Poverty Line.

[3] Michael Kinnucan, "Will Essential Plan Enrollees Find Employer-Sponsored Coverage? Don't Bet On It." Fiscal Policy Institute, May 1, 2026, https://fiscalpolicy.org/will-essential-plan-enrollees-find-employer-sponsored-coverage-dont-bet-on-it.

Figure 2. New York State of Health Breakdown of Outcome for Those Disenrolled from EP



Source: "Impact of H.R.1 on the Essential Plan," New York State of Health, July 31, 2026, https://info.nystateofhealth.ny.gov/sites/default/files/HR1_EP%20Fact%20Sheet_7.31.26.pdf.

Why did 42 percent of EP enrollees see their income decline so much that they remained eligible for EP or Medicaid?

It may be in part that some enrollees are choosing to earn less by working fewer hours or changing jobs in order to preserve their coverage. This is certainly occurring to some degree, and it is an extraordinarily perverse result of state and federal policy decisions: People who reduce their income to stay insured are worse off themselves and contribute less to the state's economy and tax revenue, while the state continues to pay for their health insurance.

However, this phenomenon likely accounts for only a small share of the income changes. It is likely that many EP 200–250 enrollees simply happened to experience income changes over the past year that dropped them below the 200 percent threshold (around $32,000 for a single individual or $66,000 for a family of four). Low-income working people may see year-to-year income changes for all sorts of reasons—they may change jobs, or work more or fewer hours, or pick up a part-time job, or have a child. Many EP enrollees likely work in the "gig economy," where incomes can be especially unstable. As a result, they may happen to fall above the 200 percent threshold in one year and below it the next.

This instability implies a less positive interpretation of NYSOH's data. If 42 percent of EP enrollees who were in the 200–250 percent income bracket last year dropped into a lower income bracket that year, allowing them to maintain their coverage, it is likely that a similar number of EP enrollees who fell *below* the 200 percent line last year will find themselves *above* it this year—meaning that they will no longer be eligible for the Essential Plan and will likely lose coverage.

Indeed, the data suggests that this is the case (see table 1). Looking at all forms of health insurance regulated by the state—Medicaid, EP, and QHP—in combination shows a very large dropoff in EP coverage, over 330,000 people, which is not offset by increases in QHP and Medicaid enrollment.

Indeed, while QHP enrollment grew, largely because of people switching over from EP, Medicaid enrollment declined, leading to a net decline of nearly 350,000 across all three programs.

Table 1: QHP, EP and Medicaid enrollment, March and July 2026

	March 2026	July 2026	Change
QHP	202,548	267,296	64,748
EP	1,679,514	1,348,653	-330,861
Medicaid (Mainstream Managed Care)	4,359,587	4,276,958	-82,629
Total	**6,241,649**	**5,892,907**	**-348,742**

Source: NYSOH enrollment data, NYSDOH Medicaid Managed Care enrollment reports.

Thus, the result of EP cuts is even worse than the NYSOH data appears to suggest. Many of the specific people who were in EP 200–250 prior to July may have found alternative coverage due to changes in income, but other people who were in EP and earning below 200% FPL appear to have lost it. And these coverage losses are likely to continue over the next several months, as people still enrolled in EP whose incomes have risen come up for renewal and find they are above 200% FPL and no longer eligible for EP. A few of these people will enroll in QHP coverage, but most will not. The overall insurance loss due to EP cuts is thus likely to be substantially higher than NYSOH suggests—on the order of 350,000 people. A fraction of the people who would have been on EP 200–250 if it had not been eliminated may preserve their coverage, either by intentionally reducing their income or by paying up for QHP coverage, but the majority will be uninsured.

It is important to note that even those former EP enrollees who do pay up for QHP coverage still face dramatic financial impacts due to the federal cuts. EP coverage is free for enrollees and comes with very low or $0 deductibles, while QHP coverage is expensive and comes with deductibles in the thousands of dollars. Most former EP enrollees who purchased QHP coverage purchased the lowest-tier "Bronze" plans, likely because this was all they could afford; Bronze plans come with deductibles of $4,000–$6,000 per year, meaning that even those who stay enrolled will struggle to access healthcare.

This massive loss of coverage was by no means inevitable and could easily be reversed if Albany policymakers chose to prioritize it. As excellent research from the Community Service Society (CSS) has shown, the state could restore EP access for around $440 million per year.[4] That's a small cost in the context of a $277 billion state budget, and far less than the legislature chose to spend on far less valuable programs, such as the one-time "utility rebate" tax refund included in the FY27 budget at a cost of $1 billion.[5]

[4] Elisabeth R. Benjamin and Mia Wagner, "Mitigating the Impact of HR 1 on New York's Health Insurance Landscape," Community Service Society, March 2026, figure 11, 10, https://smhttp-ssl-58547.nexcesscdn.net/nycss/images/uploads/pubs/CSSNY_Preserving_Health_Coverage_March_2026.pdf.
[5] Andrew Perry, "One-Off Handouts Impede the Affordability Agenda," Fiscal Policy Institute, May 14, 2026, https://fiscalpolicy.org/one-off-handouts-impede-the-affordability-agenda.

The Essential Plan is Still Under Threat

Despite these cuts, the Essential Plan continues to operate at a substantial deficit. On an annualized basis, the plan currently costs $11.3 billion a year to run but receives only $6.9 billion in federal subsidies, leaving it $4.3 billion in the red. That deficit is currently funded by reserves from prior years—but those reserves are due to run out at the end of calendar year 2028, which will end the plan absent policy changes.

To understand why EP has a deficit despite eligibility cuts, and how the state might address it, we must review some fiscal history of EP (see table 2).

The Fiscal History of the Essential Plan

The Essential Plan was inaugurated in 2015, covering enrollees earning less than 200 percent of the Federal Poverty Level who were not eligible for Medicaid. In most states, this population is eligible for individual market coverage, and for low-income enrollees that coverage is very heavily subsidized through federal Premium Tax Credits (PTC), which cover around 90 percent of their premiums. New York chose a different model of coverage, allowed for under a provision of the Affordable Care Act known as the Basic Health Program: Instead of PTC flowing directly to enrollees, the state received a federal subsidy equivalent to 95 percent of New Yorkers' share of federal PTC and used this to provide coverage for PTC-eligible enrollees via the Essential Plan.

This model worked far better than expected. New York's public plan was far cheaper to operate than the marketplace plans in other states, costing less than $5,500 per enrollee per year. (For comparison, a benchmark "Silver" plan in New York costs around $9,800 per year and has far higher deductibles; nationally, Silver plans cost on average $6,500.) In part, these low costs were the result of regulated provider rates—EP originally paid just 125 percent of the Medicaid rate, well below the rates typically paid by commercial insurance. The plan's low price point also helped keep costs down by encouraging healthy people to enroll in coverage.

As a result of these dynamics, between 2015 and 2024 the Essential Plan operated at a significant surplus, as federal subsidies more than covered the cost of providing high-quality coverage. The surplus was so great that New York accumulated nearly $10 billion in its Basic Health Program Trust Fund—money that could be spent only to improve care for EP enrollees. New York did spend some money improving care, by lowering premiums and deductibles and incorporating vision and dental care, but even with these added costs the plan continued to operate at a surplus.

Seeking ways to spend the extra cash, the state was granted federal authority to make two significant changes to EP:

- Nearly doubling provider payment from 125 percent of the Medicaid rate to 225 percent of that rate. This increase was rolled out for higher-income EP enrollees beginning in 2022 and for all others beginning in 2023.[6] This substantially increased the cost of providing coverage, from around $5,500 per enrollee per year to $8,000 per enrollee per year.

[6] New York State Department of Health, Essential Plan Guidance, revised February 2025, https://www.health.ny.gov/health_care/managed_care/essential/guidance.htm.

- Raising the eligibility threshold from 200 percent of FPL to 250 percent. These higher-income enrollees received substantially lower federal subsidies per enrollee than the under-200 group—and the surplus generated by federal subsidies for lower-income enrollees financed their coverage.

The first change—increasing rates paid by EP to providers—was a priority for provider groups and aimed to "bring rates more in line with Commercial reimbursement for inpatient and outpatient hospital-based services."[7] Private commercial insurance typically pays much higher rates to providers than does Medicaid. When EP was rolled out, it was widely viewed as a Medicaid-like program and enrolled many people who had previously been covered by Medicaid. As EP grew, however, providers became less willing to accept low Medicaid-like rates for a growing enrolled population, many of whom would have enrolled in commercial plans through the ACA Marketplace if EP had not existed—particularly since EP was running a large surplus.

The effects of these two changes is visible in table 2. Prior to FY24, EP enrolled around 1.1 million people at a cost of less than $5,500 per enrollee and operated at a substantial surplus. (State budget documents do not reveal the total federal subsidy available prior to FY26, but it is clear that the surplus was substantial, in the $1 billion range.) By FY25, EP was substantially bigger—enrolling over 1.7 million people—and its cost per enrollee was substantially higher, nearly $7,500, due to higher provider payment rates. The plan was no longer operating at a surplus but breaking even, since it insured more people at a higher cost per person with a lower average subsidy per enrollee.

[7] New York State Department of Health, Essential Plan Guidance, revised February 2025, https://www.health.ny.gov/health_care/managed_care/essential/guidance.htm.

Table 2. The Fiscal History of the Essential Plan, $ in millions for aggregate spending and dollars for per-enrollee costs.

	FY22 Actuals	FY23 Actuals	FY24 Actuals	FY25 Actuals	FY26 Actuals	FY27 Projected	FY28 Projected
Federal Receipts	$9,130	$9,615	$8,821	$12,613	$14,586	$9,140	$6,938
Plan Spending	$5,552	$6,341	$9,832	$12,859	$14,122	$11,280	$11,251
Surplus/Deficit	$3,578	$3,274	-$1,011	-$246	$464	-$2,140	-$4,313
Individuals Covered	1,037,196	1,163,584	1,266,722	1,733,429	1,751,922	1,408,809	1,435,735
Cost per Enrollee	$5,353	$5,450	$7,762	$7,418	$8,061	$8,007	$7,836

Source: FY22–25 Actuals are drawn from the Enacted Budget Financial Plans for the subsequent fiscal years and from BHP Trust Fund balance figures provided by the New York State Comptroller. Federal funding for these years is not provided in the state Financial Plans and is calculated by adding plan spending and increase in the BHP Trust Fund balance. FY26–28 figures are drawn from the FY27 Enacted Budget Financial Plan.

The 2024 transition eliminated EP's *ongoing* surplus but did not impact its *accumulated* $10 billion trust fund. The transition meant that the state could no longer use these funds—but they remained in the trust fund, awaiting future changes.

Federal Cuts to the Essential Plan and State Response

The Essential Plan's successful expansion was disrupted last summer when President Donald Trump signed the One Big Beautiful Bill Act. This law eliminated PTC for lawfully present immigrants, including approximately 750,000 of the 1.7 million EP enrollees in New York. The law did not directly cause these enrollees to become ineligible for EP but it cut federal subsidies to the plan dramatically, since subsidies are linked to PTC eligibility. In effect, nearly half of enrollees—including many of the lowest-income enrollees who were entitled to the largest federal subsidies—would no longer be subsidized. As a result, the plan was set to lose more than half of its funding, approximately $7.5 billion per year out of a FY26 total of $14.6 billion.

The state responded to these cuts by undoing the 2024 EP expansion, reducing the income eligibility threshold from 250 percent of the Federal Poverty Line to 200 percent. This is what caused the mass disenrollment of 450,000 New Yorkers described above. In fiscal terms, it had two major impacts:

- Significantly reducing the total cost of EP from $14.1 billion to $11.3 billion.
- Granting the state access to the nearly $10 billion in accumulated reserves in the Essential Plan's trust fund, which could be used to temporarily subsidize the plan.

What the state chose *not* to do is reduce provider rates to their pre-2024 levels. New York dramatically increased provider payment rates when the program was flush with cash but did not reduce them when the plan's funding was cut. Instead of asking providers to accept rate cuts, the Executive and legislature chose to reduce healthcare access for working-class New Yorkers—eliminating coverage for 450,000 people immediately and threatening the health of the remaining 1.3 million in the next two years.

Rate Adjustments Can Preserve EP

Would restoring provider payment rates to their pre-2024 level make EP sustainable at current enrollment levels? Research from the Community Service Society suggests that the answer is yes. According to Elisabeth Benjamin and Mia Wagner's study "Mitigating the Impact of HR 1 on New York's Health Insurance Landscape," even a modest reduction in rates from 225 percent of Medicaid to 200 percent would sustain EP through at least 2032; fully restoring the pre-2024 rates would keep the program permanently solvent.[8]

For unclear reasons, the state's EP projections appear to be more pessimistic than those of CSS; CSS estimates that even *without* a rate adjustment the plan would run out of funding only in 2031, while the state puts the date much earlier, to the end of 2028.[9]

The state's figures may well be overly conservative, but even with these figures a back-of-the-envelope calculation suggests that EP could be sustained far longer with a rate adjustment (see table 3).

Table 3: Impact of Rate Adjustment on EP Sustainability

	FY28 Enrollment	Cost per Person ($)	Total Cost ($m)	Federal Subsidy ($m)	Deficit ($m)	Years to Exhaust Trust Fund
No Rate Intervention	1,435,735	$7,836	$11,250	$6,938	-$4,312	2.2
Rate Adjustment to 125% Medicaid	1,435,735	$5,800	$8,327	$6,938	-$1,389	6.8

Reducing EP rates to their pre-2024 level (125 percent of Medicaid) would reduce per-enrollee spending to around its pre-2024 level (less than $6,000 per year). This in turn would reduce the overall cost of the plan dramatically—to $8.3 billion per year rather than the $11.3 billion currently projected. The plan

[8] Benjamin and Wagner, "Mitigating the Impact of HR 1," figure 5, 6.
[9] Benjamin and Wagner, "Mitigating the Impact of HR 1," figure 4, 5.

would still operate at a deficit and would still need to spend down the trust fund over time, but the process would take far longer—nearly seven years. This would give the state ample time to press for federal policy changes. Alternatively, the state could simply choose to begin subsidizing the plan itself, rendering it sustainable indefinitely.

Of course, the state doesn't need to cut provider rates all the way back to 125 percent of Medicaid. Cutting more modestly—for example to 175 percent of the Medicaid rate—would preserve EP at least through the first year of the next presidential administration, giving the state room to evaluate federal policy changes before winding down the program.

Reducing EP rates would not be painless. Such a move would reduce funding to the providers that serve EP patients, some of which are struggling financially. But the state's current policy trajectory puts EP at risk of complete elimination, which would dramatically increase the uninsurance rate in New York and expand the demand for charity care; such an outcome would also harm providers. Extending the life of EP by reducing provider rates is a sensible way to preserve coverage.

Conclusion: Protecting a Critical Program

The Essential Plan is an exceptionally successful public program, providing high-quality insurance to over 1 million New Yorkers far more cheaply than the private sector could. Today that program is in crisis, with hundreds of thousands of people recently kicked off its rolls and over 1.3 million more threatened with loss of coverage in less than eighteen months.

Federal cuts are the immediate cause of this crisis, and voters can and should hold politicians accountable for them at the federal level. But state-level politicians have the power to protect the program, and they should do so. A modest investment of state resources to cover the EP 200–250 population and the restoration of provider rates to where they were just three years ago would render the program solvent for the long term and protect New York's most successful health policy innovation.