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May 22, 2025

Republican Cuts to the Essential Plan Could Cost New York Over \$10 Billion a Year

While most coverage of the Republican proposed reconciliation package has focused on Medicaid, a separate program that provides health insurance to 1.6 million New Yorkers is at even greater risk.

Key Findings

- While most coverage of the Republican reconciliation proposals has focused on Medicaid, the largest financial impact on New York's healthcare system comes from another program – the Essential Plan. The current House Republican budget proposal threatens to cut the program by \$7.6 billion or 57 percent, while increasing state Medicaid costs by \$2.7 billion.
- The Essential Plan is an Affordable Care Act-funded program that provides high-quality insurance for 1.6 million New Yorkers earning less than 250% of the federal poverty line, funded entirely by \$13.2 billion in federal dollars.
- Republican changes to eligibility for the Affordable Care Act's (ACA) Premium Tax Credits would cut funding to the Essential Plan by an estimated \$7.6 billion and eliminate ACA eligibility for nearly one million people – a cut of nearly 57% in total funding. New York would be constitutionally required to cover approximately 506,000 current Essential Plan enrollees, who are lawfully present, through its Medicaid program. This will require \$2.7 billion in state-only Medicaid funds. Ironically, Republicans are *increasing* the State's Medicaid rolls.
- This funding cut puts the Essential Program's financial viability at risk, threatening a program that currently offers affordable or free high-quality health insurance to over 1.6 million New Yorkers.
- Because legal immigrants will no longer have access to Marketplace subsidies, this funding cut also jeopardizes the viability of New York's individual marketplace, which provides health insurance to 260,000 people. Lawfully present immigrants are typically younger and healthier than the average exchange enrollee. If they leave the marketplace, premiums for the remaining (relatively sicker and older) population will rise.

Introduction

Most coverage of the healthcare impact of House Republican budget proposals has focused on threats to Medicaid – and as I explained [earlier this week](#), those threats are indeed dire. But another important New York healthcare program is also under threat – the New York Essential Plan (EP). The EP is less well understood than Medicaid, but it plays a critical role in our healthcare infrastructure as the main source of health insurance coverage for 1.6 million New Yorkers. According to estimates provided by the New York State Department of Health to legislative leaders, however, the Republican reconciliation proposals could severely disrupt the Essential Plan, rendering roughly 725,000 of its enrollees ineligible, reducing funding by \$7.5 billion, and threatening the viability of the program for the remaining enrollees. To understand the threat – and why it has flown under the radar – we need to understand what the Essential Plan is, how it works and how it’s funded.

Background: Understanding the Essential Plan

Note: Readers familiar with the basic funding structure of the Essential Plan can skip to the next section.

The Essential Plan is a unique feature of New York’s landscape. It uses a state option created by the Affordable Care Act to offer high-quality, affordable or free health insurance to low-income New Yorkers. Until recently, New York was one of only two states to use this option, alongside Minnesota, although Oregon joined the club in 2024. To understand how it works, we’ll need to briefly review how the Affordable Care Act (ACA) expanded coverage for low-income New Yorkers.

How the ACA Works in Most States

The ACA is designed to offer Medicaid to US citizens and some immigrants with legal status with household incomes of up to 138% of the federal poverty line. Those with incomes above that level can purchase health insurance on a state or federal “healthcare exchange” (also known as the individual market), and they can receive premium tax credits (PTC) to make that coverage affordable.

The ACA also allows some lawfully present immigrants to purchase coverage on the ACA exchange and receive PTC, even if they earn less than 138% of the federal poverty line. Many immigrants are “lawfully present” (that is, they have a legal right to be in the US and are not undocumented) but are not eligible for Medicaid. The majority of these individuals are green card holders, since green card holders face a five-year waiting period before they become eligible for federally-funded Medicaid. There are a handful of other lawfully present statuses that are also eligible: for example, people who have been paroled into the U.S. for over a year, victims of domestic violence who have been granted special protection, and so forth. To ensure access to healthcare for these groups, the ACA allows immigrants to purchase healthcare on the ACA exchange and receive PTCs even if they earn less than 138% of the federal poverty line.¹ US citizens in this income range would be eligible for Medicaid, as would many other categories of immigrants with legal status – green card holders who are past the five-year bar, refugees, and asylees, for example – but immigrants who are not eligible can receive PTC.

To be clear, the ACA does *not* allow undocumented immigrants to receive federal subsidies for healthcare either through Medicaid or through the exchange. Some states (including New York) offer

¹ Immigrant eligibility for public benefits is a complex issue; see <https://www.healthreformbeyondthebasics.org/key-facts-immigrant-eligibility-for-coverage-programs/> for more details.

state-funded Medicaid coverage for a very small number of undocumented immigrants (e.g., people over the age of 65), but the federal government does not subsidize this coverage, nor can undocumented immigrants receive PTC on the exchange.

It is important to note that insurance purchased on the ACA exchange is generally very heavily subsidized, with PTC paying 82 percent of the premium on average.² While commentators often describe the ACA as offering Medicaid for the poor and allowing middle-class people to purchase their own insurance on the individual market, in fact the individual market in most states serves a predominantly low-income population and is very heavily subsidized.

The Essential Plan

That's how it works in *most* states – but not in New York. In 2015, New York implemented a state option in the ACA called the “Basic Health Program”: Under this option, a state can offer a state-sponsored health program for people with incomes up to 200% of the FPL between the ages of 19 and 65, who would otherwise be eligible for PTC. (In 2024, New York expanded the Essential Plan up to 250% of the FPL and shifted the program to a different authority, under a Section 1332 waiver.)

In the Essential Plan, the federal government calculates how much it would cost to provide PTCs for eligible New Yorkers, then gives this money to the state. The state uses this funding to operate a separate health program for eligible enrollees. The federal government isn't paying more for the Essential Plan than it would be for PTC, but the state gets the flexibility to provide a health program tailored to the EP population.

This program has been extremely successful for New York. Federal PTC turned out to be more than enough to pay the entire cost of the Essential Plan; indeed, for many years the state operated the plan at a surplus, accumulating an excess of \$10 billion.³ This funding has allowed the state to steadily improve benefits and provider payment rates – and to expand the plan to people earning up to 250 percent of the federal poverty line. The state estimates that the plan saves enrollees an average of \$4,700 per year relative to enrolling in the individual market.⁴ Thus the Essential Plan represents a rare “win-win” situation in healthcare policy: The federal government pays no more than it would to subsidize consumers on the individual market, the state provides coverage to 1.6 million New Yorkers at no cost to state taxpayers, and enrollees get high-quality, free health insurance with no onerous deductibles.

² <https://www.kff.org/affordable-care-act/state-indicator/marketplace-average-premiums-and-average-advanced-premium-tax-credit-aptc/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

³ <https://www.crainsnewyork.com/health-pulse/states-hands-tied-using-10b-essential-plan-surplus-cover-more-new-yorkers>

⁴ <https://info.nystateofhealth.ny.gov/EP-tool-kit>

Immigrants and the Essential Plan

Lawfully present immigrants are among the biggest beneficiaries of the Essential Plan. New York is home to 4.5 million immigrants, of whom 1.8 million are non-citizens.⁵ While an estimated 670,000 of these non-citizens are undocumented and ineligible for the Essential Plan, that leaves an estimated 1.13 million lawfully present non-citizens – including green card holders (“lawful permanent residents”) as well as refugees, asylees, those covered by Temporary Protective Status, and many other categories.⁶ Many of these lawfully present immigrants have incomes that would qualify them for Medicaid (less than 138% of the federal poverty line) but are not eligible for federally-funded Medicaid due to their immigration status. 506,000 such immigrants are enrolled in the Essential Plan.

In fact, one major reason why New York implemented the Essential Plan was to cover immigrants in this category – lawful residents whose incomes would qualify them for Medicaid but who are not permitted to enroll in Medicaid due to immigration status. Historically, New York’s Medicaid program was open to immigrants, but the state chose to withdraw coverage in 1997 in the wake of the Clinton welfare reform: When the federal government cut federal funding for Medicaid provided to immigrants, New York chose to end coverage. New York’s decision was challenged in court, and in 2001, the New York Court of Appeals ruled in *Aliessa v. Novello* that the state was constitutionally obligated to provide Medicaid for immigrants who were lawfully present.

Thus after 2001, these so-called “Aliessa immigrants” were again allowed to enroll in Medicaid – but at state expense, with no federal matching funds. After the passage of the ACA, this situation made the Essential Plan a uniquely attractive option for the state: Here was a funding stream that would allow the state to offer Medicaid-quality coverage to immigrants, and do it with federal rather than state dollars. Thus, while hundreds of thousands of non-immigrant New Yorkers have benefitted from EP, immigrant healthcare has always been a significant element of the program.

⁵ <https://immresearch.org/publications/the-economic-and-fiscal-impacts-of-mass-deportation-whats-at-risk-in-new-york/>

⁶ The data cited are based on ACS, but administrative data suggest an even higher number of lawful residents: a report from the US Department of Homeland Security claims that New York is home to 1,570,000 lawful permanent residents (Green Card holders) alone, not including undocumented residents and those with other legal status. https://ohss.dhs.gov/sites/default/files/2024-11/2024_1108_ohss_lawful_permanent_resident_population_estimate_2024_and_revised_2023.pdf

The Essential Plan Today: A New York Policy Success Story

For the past decade, the Essential Plan has been an astonishing success story. It provides higher-quality insurance (with zero deductible and much lower co-pays) than the private market could at no cost to enrollees or the state, using funds that the federal government would otherwise use to subsidize lower-quality insurance for this population. The EP offers far better coverage for less than is available on the private market: The state spends around \$8,250 per year to insure people on the Essential Plan, compared to around \$9,200 for employer-sponsored insurance, and the Essential Plan comes with a \$0 deductible, compared to deductibles approaching \$2,000 for private insurance. It's no wonder that the state has chosen to expand the plan in recent years – offering it to New Yorkers with incomes of up to 250% of the federal poverty line beginning in 2024. The plan now covers 1.6 million New Yorkers.

Table 1. Access to healthcare by income and eligibility status: New York compared to other states.

Income	US Citizen	Lawfully Present Immigrant	Undocumented Immigrant
Less than 138% of the federal poverty line.	Expansion (most states: Medicaid. New York: Medicaid	All states: ACA exchange New York: Essential Plan	Most states: No eligibility (with some exceptions). ⁷ New York: No eligibility for many, state-only Medicaid for children and those over 65
138% - 250% of the federal poverty line.	All states: ACA exchange. New York: Essential Plan.	All states: ACA exchange New York: Essential Plan.	Most states: No eligibility New York: No eligibility for many, state-only Medicaid for some groups.
More than 250%	All states: ACA exchange. New York: ACA exchange.	All states: ACA exchange. New York: ACA exchange.	Most states: No eligibility. New York: No eligibility.

⁷ Several states cover pregnant people and/or children through state-only Medicaid. New York covers children through Child Health Plus and seniors through state-funded Medicaid.

Busting Myths About the Essential Plan

The Essential Plan is a complex topic – and complexity breeds confusion. Two widespread misunderstandings about plan should be clarified:

- 1) **The Essential Plan covers undocumented immigrants.** Bill Hammond of the Empire Center recently argued that the EP covers people who “crossed the border illegally or overstayed visas.”⁸ In fact, undocumented immigrants are not eligible for the Essential Plan, just as they are not eligible for federal Medicaid or premium tax credits. Only people with legal permission to be in the US are eligible for the Essential Plan.⁹ Most EP enrollees are green card holders who work and pay taxes in New York State.
- 2) **The Essential Plan allows New York to get more money than it deserves from the federal government, and that’s why the program stays funded.** The fact that the Essential Plan is fully funded by the federal government has led some observers to wrongly infer that New York is getting something for nothing. Hammond has described the plan as “wacky math” and “a bubble.”¹⁰ In fact, *all* states receive federal funding to cover the populations enrolled in the Essential Plan; it’s just that in most states the federal government pays out this money as PTC, while in New York it pays for the Essential Plan.

The Reconciliation Bill’s Assault on Immigrant Healthcare

That could all change, however, if the reconciliation bill passes in its current form. The House Ways and Means reconciliation package does two things that would cripple New York’s Essential Plan and threaten coverage for hundreds of thousands of people:

- 1) It eliminates Premium Tax Credit eligibility for *all* lawfully present immigrants (including “legal permanent residents” or green card holders barred from Medicaid for the first five years) who earn less than 138 percent of the federal poverty line, effective January 1, 2026.
- 2) It eliminates Premium Tax Credit and Basic Health Program eligibility for lawfully present immigrants *other than* legal permanent residents, effective January 1, 2027. This would include recipients of and applicants for asylum, immigrants with Temporary Protected Status, those on temporary work or student visas, DACA recipients, and many others.¹¹

Across the country, these two provisions will have a disastrous impact on immigrants. Immigrants who earn less than 138% of the Federal Poverty Line will become ineligible for *both* Medicaid *and* Premium Tax Credits. This will be true even for immigrants with a green card. Meanwhile, lawfully present immigrants who earn more than 138% of the FPL will be eligible for PTC only if they are green card holders. Residents with other statuses – refugees, asylees, those with Temporary Protective Status, etc. – will be ineligible. This group will likely become uninsured.

⁸ <https://www.empirecenter.org/publications/house-budget-would-burst-new-yorks-essential-plan-bubble/>

⁹ <https://empirejustice.org/wp-content/uploads/2020/02/Crosswalk-Stand-Alone-January-2020.pdf>

¹⁰ <https://www.empirecenter.org/publications/house-budget-would-burst-new-yorks-essential-plan-bubble/>

¹¹ <https://www.healthaffairs.org/content/forefront/house-republican-budget-reconciliation-legislation-unpacking-coverage-provisions>

Assessing the Impact on New York

How would this impact New York? For a summary, see Table 2. Under the proposal, 47 percent of Essential Plan enrollees would be forced out of the plan. The major impacts would be:

- 1) **506,000 Essential Plan Enrollees Under 138% of the Federal Poverty Line would be forced out of the plan.** This group – including legal permanent residents (green card holders) and those with other lawfully present statuses – are on the Essential Plan and earn less than 138% of the FPL. *All* of these individuals are ineligible for federal Medicaid and *all* would become ineligible for the Essential Plan under the Republican proposal. They would still be eligible for State-only funded Medicaid.
- 2) **\$2.7 billion in increased state Medicaid costs.** Since the group in (1) above consists of “Aliessa immigrants” – immigrants whom the state has a constitutional obligation to cover – they would become eligible for completely state-funded Medicaid. The state has estimated the cost of covering this population at \$2.7 billion.
- 3) **224,000 lawfully present immigrants earning more than 138% of the FPL would become uninsured:** 245,000 New Yorkers – lawfully present immigrants, including green card holders subject to the 5-year bar – would become ineligible for the Essential Plan under the proposal. They would also be ineligible for Premium Tax Credits, so they would likely become uninsured. Individual coverage on the New York State exchange costs nearly \$10,000 a year, so very few people from this group could afford coverage without PTC.
- 4) **The state would lose \$7.5 billion in Essential Plan funding:** The Essential Plan would lose 47 percent of its enrollment, but state estimates indicate that it would lose 57 percent of its funding – a total of \$7.5 billion.¹² This is likely because those losing coverage are lower-income than the average enrollee and therefore qualify for a higher Premium Tax Credit subsidy than the average enrollee.
- 5) **This loss in funding could force cuts to Essential Plan provider rates and benefits – or even threaten the viability of the program.** The state would be left with an Essential Plan program with less than half the money. A smaller (and likely somewhat sicker) risk pool could also drive up costs. In this situation, the state might be forced to reverse recent increases to provider rates, increase premiums and cost-sharing for enrollees, or even – in a worst-case scenario – make the program unviable and send enrollees back into the individual market. All of these circumstances could threaten the
- 6) **Many immigrants would also exit the New York individual market, potentially threatening the viability of that market.** New Yorkers over 250% of the federal poverty line, including lawfully present immigrants, typically purchase coverage in the individual market and receive PTC to help them do so. Under the reconciliation proposal, lawfully present immigrants would lose PTC – and many would be unable to afford coverage without it. This would leave them uninsured. Since immigrant enrollees are typically younger and healthier than the average enrollee, pushing them out of the market could raise costs for everyone – and even induce a death spiral in New York’s small individual market, threatening coverage for all of its 260,000 enrollees.

¹² <https://www.governor.ny.gov/news/governor-hochul-updates-new-yorkers-impact-house-republican-budget-bill-new-york-states-health>

Table 2. Impact of the Republican proposal on Essential Plan populations.

Essential Plan Category	Enrollment (April 2025)	Impact of Reconciliation Bill
0-138% of FPL, Lawfully Present or Legal Permanent Resident (Green Card)	506,000	This group will be ineligible for Premium Tax Credits, the Essential Plan, and federal Medicaid. Under Aliessa, they will become eligible for state-funded Medicaid at a cost to the state of \$2.7 billion .
138-250% of FPL, Lawfully Present	~225,000	This group will be ineligible for Premium Tax Credits, the Essential Plan and federal Medicaid. They will also be ineligible for state Medicaid due to income. They will become uninsured .
138-250% of FPL, Legal Permanent Resident or US Citizen	~869,000	This group will remain eligible for the Essential Plan. However, loss of funding for the Essential Plan may impact benefit quality or even threaten its viability. If the Essential Plan were eliminated, this group would be eligible for Premium Tax Credits on the ACA Exchange – lower-quality coverage that would cost them, on average, an additional \$4,600 per year in premiums and copays relative to the Essential Plan.

Sources: Total Essential Plan enrollment and enrollment in under-138% plans drawn from New York State of Health. Estimate of lawfully present immigrants in 138%+ EP population drawn from communications with NYS officials.

Conclusion

While threats to the Essential Plan have received far less attention than threats to Medicaid, their impact on New York could well be larger. Governor Kathy Hochul recently estimated that the total impact of the reconciliation bill could be \$13.5 billion in annual losses to New York – and approximately \$10.2 billion of that figure comes from the Essential Plan alone. This \$10.2 billion impact would come from Republican efforts to withdraw healthcare coverage from legal immigrants who work and pay taxes in New York State, including green card holders. The reconciliation bill would be a catastrophe for them – and for New York’s budget and healthcare system more broadly.