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February 5, 2026

A Plan to Maintain Insurance Coverage After OBBBA

Coverage is at risk for one million New Yorkers. The State can and should step in to protect their healthcare.

Introduction

The passage of H.R. 1, the One Big Beautiful Bill Act (OBBBA), this summer put health insurance coverage at risk for a vast number of New Yorkers. FPI projects that, under current state plans, over a million New Yorkers will lose coverage over the next two years. The State can prevent this, at relatively modest cost – and it should. By spending approximately $1.1 billion in FY27, New York can avoid a catastrophic loss of coverage and protect the State's health system from the impact of federal cuts. This spending is fiscally manageable in a state with a $260 billion budget and ample cash reserves – particularly since the State recently received over $1 billion in additional revenue due to the unanticipated extension of its MCO tax through December 2026. It will become more so if the State receives federal approval for its Essential Plan transition, which will free up $2 billion in the Fiscal Year 2027 Executive Budget in FY27 and $3 billion a year in later years.

How can the State protect coverage? This report addresses the needs of two populations: The 460,000 Essential Plan enrollees earning between 200 percent and 250 percent of the Federal Poverty Line (FPL), who are expected to lose coverage in July 2026, and Medicaid enrollees subject to work reporting requirements, 800,000 of whom are expected to lose coverage over two years beginning in January 2027. Our proposal is as follows:

- **Essential Plan 200-250 population:** The vast majority of this population will be eligible for federal Premium Tax Credits (PTC) in the individual market, which will cover an estimated 73 percent of their cost of care. Approximately 10 percent of this group will not be eligible for PTC due to their immigration status. For both groups, the State should subsidize the remainder of their healthcare premiums on the individual market. This will maintain access to free coverage for the EP population while bringing premiums down for all market participants by improving the New York individual market risk pool.
- **Medicaid work reporting requirement population:** Experts agree that the vast majority of those subject to Medicaid work reporting requirements either meet the work requirements or qualify for an exemption. However, due to red tape barriers, as many as 800,000 Medicaid enrollees may lose coverage over time. The State should use state-only funds to maintain Medicaid coverage for this population for a six-month period after they lose federal Medicaid

eligibility, ensuring continuity of coverage and giving them time to re-establish federal eligibility.

Table 1: The Cost of Keeping New Yorkers Covered

Program	FY27 State Cost ($ Millions)
Premium Subsidy for EP 200-250 Population	$996
Medicaid Gap Coverage for Work Requirement Population	$130
Total	**$1,126**

The massive potential loss of Essential Plan and Medicaid coverage is the most serious threat facing New York's healthcare system; it has the potential to double the State's uninsurance rate, reversing all the coverage gains New York has made since the passage of the Affordable Care Act. Given the scale of the threat, a modest state intervention to protect coverage in FY27 is wise – and urgently needed.

Populations with Coverage at Risk

Many groups of New Yorkers are at risk of losing healthcare due to recent federal actions cutting Medicaid and the Essential Plan, withdrawing legal immigration status and allowing Enhanced Premium Tax Credits (EPTC) to expire. The overwhelming majority of those who will lose coverage, however, fall into two groups:

- **Essential Plan 200-250% Population:** Due to federal cuts to the Essential Plan, New York sought federal approval this past fall to lower the Essential Plan (EP) eligibility threshold from 250% to 200% of the Federal Poverty Line. This is the right choice for the State: The change, if approved by the federal government, will allow the State to access reserves accumulated by EP between 2016 and 2023 and maintain coverage for the 1.3 million EP enrollees who earn less than 200% FPL. However, those earning more than 200% FPL but less than 250% FPL, or around $40,000 for a single individual, will lose coverage. There are 460,000 enrollees currently in this group. Most (around 90%) will be eligible for Premium Tax Credits (PTC) in the individual market, but even with PTC, many will find this coverage unaffordable and will become uninsured. A minority (around 10%) will not be eligible for PTC due to their immigration status and will almost certainly become uninsured. Overall, FPI expects that perhaps half of those losing EP (230,000 New Yorkers) will lose coverage. According to the State's current timeline, his loss of coverage will begin on July 1, 2026.
- **Population Subject to Medicaid Work Reporting Requirements:** H.R. 1 requires that Medicaid enrollees in the ACA's Adult Expansion population document that they are working, or qualify for one of several exemptions from work requirements, every six months in order to qualify for Medicaid. New York's Medicaid program covers around 2.1 million ACA adult expansion enrollees. Most experts agree that the overwhelming majority of this group do in fact meet work requirements or qualify for an exemption, but the red tape and confusion involved in documenting their status means that many will lose coverage anyway. Given the unprecedented nature of work requirements, estimates of the extent of coverage loss vary, but FPI expects that over time around 800,000 New Yorkers will lose coverage due to this policy. Other experts

believe that the number may be lower.[1] Work requirements go into effect on January 1, 2027, and coverage losses are expected to accumulate gradually beginning at that time.

Overall, then, we expect around 1.03 million New Yorkers – one in twenty state residents – to lose coverage over the next two years.

Fiscal Context: A $12B Budget Surplus and a Likely $2B Medicaid Surplus

In the short term, New York has ample fiscal reserves to provide alternative coverage for these populations. As FPI has shown, the State has a substantial budget surplus in FY 26 and FY27 of $12 billion.[2] Its fiscal situation strengthened further last week when the federal government unexpectedly allowed New York's MCO tax to continue through December 2026, placing an additional $1 billion in federal revenue at the State's disposal. The State also has the capacity to raise revenue substantially.

In addition, under the FY27 Executive Budget proposal, the State's Medicaid program is likely to have a $2 billion surplus in FY27. That's because the Executive Budget currently assumes a "worst-case" scenario in which the State's plan to access Essential Plan reserves is blocked by the federal government. Under this scenario, the State would be forced to move 500,000 people currently enrolled in EP into state-funded Medicaid, at a cost of $2B in FY27 and $3B annually thereafter.[3]

It is prudent to plan for the worst. But most experts agree that the State has a legal right to transition the Essential Plan and access its reserves, and that CMS will either approve the transition in the coming months or be ordered to do so by a court after litigation. Thus, it is very likely that the State will *not* need to spend the $2B it now projects spending on Medicaid coverage for the low-income EP population. In that case, the State will have freed up $2B in state-share Medicaid funding for other uses – and will have ample resources to cover the populations described above without increased state funding.

Unfortunately, the timeline for Essential Plan transition approval is not clear; the federal government could approve the EP transition in the next two weeks, or approval might come months from now, well after the state budget is settled, and potentially after the State sues to demand it. In either case, the State should plan to use this potential extra funding to maintain coverage.

The Plan, Part 1: Supporting the EP 200-250 population.

As discussed above, 460,000 New Yorkers currently enrolled in the Essential Plan who earn between 200% and 250% of FPL (between $31,000 and $39,000 for a single individual) are expected to lose EP coverage beginning July 1, 2026. They will be forced to purchase coverage in the individual market or become uninsured. While the Essential Plan is premium-free and provides high-quality coverage, a benchmark Silver plan in New York costs $9,804 per year or $817 per month and has much higher cost-sharing than EP.

The population losing EP coverage falls into two broad groups:

[1] https://www.steptwopolicy.org/post/how-many-new-yorkers-will-become-uninsured-due-to-the-one-big-beautiful-bill-act
[2] https://fiscalpolicy.org/wp-content/uploads/2026/01/Executive-Budget-First-Look-Jan-22-2026.pdf
[3] https://www.budget.ny.gov/pubs/archive/fy27/ex/book/briefingbook.pdf page 68.

- **Eligible for PTC:** According to the Department of Health, approximately 90% (414,000) of these enrollees are eligible for federal Premium Tax Credits. While the expiration of Enhanced PTC has substantially raised costs in the individual market, in 2026, PTC will still cover most of the cost of coverage for low-income people. For someone in a household earning 225% FPL and facing a benchmark premium of $9,804, PTC will cover 73% ($7,156 per year or $596 per month) – but enrollees will still need to cover $2,648 per year or $221 per month of coverage. This burden is likely to be out of reach for many people earning around $35,000 per year, and a large number of people in this group are likely to become uninsured.
- **Ineligible for PTC:** Because of cuts to healthcare for immigrants in H.R.1, an estimated 10% of the EP 200-250% population – lawfully present immigrants including Green Card holders – will become ineligible for PTC beginning in January 2027. In theory, this population can still purchase health insurance on the market with no subsidy – but in practice, given their low income and the extremely high cost of insurance, they are very likely to become uninsured.

The State can keep this population covered at relatively low cost by **subsidizing their premiums on the individual market.** This will be relatively low-cost, since the vast majority of enrollees are eligible for PTC which cover 73% of the cost of coverage. See Table 2.

Table 2. Cost Estimate to Protect Those Disenrolled from the Essential Plan

Category	Number	Benchmark Silver Premium	Federal PTC	Annual Cost per Enrollee	Annual Cost to State (millions)	FY27 Cost to State (millions)
Eligible for PTC	414,000	$9,804	$7,156	$2,648	$1,100	$822
Ineligible for PTC Beginning 1/1/27	46,000	$9,804	$0	$9,804	$451	174
Total	**460,000**				**$1,547**	**$996**

Note: FY27 costs for the PTC-ineligible population assume six months of PTC coverage (July-December 2026) followed by three months of full state coverage (January-March 2027). FY27 costs for the PTC-eligible population represent 75 percent of annual costs.

As shown in Table 2, the cost of offering this population $0 premiums in FY27 would be $996 million. The cost is relatively modest because the federal government, through PTC, will assume most of the cost of coverage – the State is covering only the "last mile." In effect, by paying around $2,600 per year in State-funded subsidy, the State is allowing enrollees, and the State's healthcare system, to benefit from a federal subsidy worth over $7,100.

This proposal would have an additional benefit for the State: Beginning in Calendar Year 2027, it would likely have the result of substantially lowering individual market premiums for *all* participants, including new enrollees switching over from EP and the 220,000 existing market participants. This is because the EP population is substantially younger, healthier and lower-cost than the existing New

York individual market population. By lowering premiums to encourage enrollment, the State can reduce costs for everyone. This will mitigate the impact of the loss of Enhanced PTC due to federal inaction.

The Plan, Part 2: Preventing Medicaid Work Requirement Disenrollment Through State-Funded Continuity of Coverage

As discussed above, 2.1 million New Yorkers will be subject to Medicaid work requirements beginning January 1, 2027, meaning that work requirement-related disenrollment will begin to impact us in the final quarter of FY27. Most experts agree that the vast majority of the population subject to work requirements either meets the requirements already or qualifies for an exemption – but the bureaucratic burden of qualifying for an exemption likely means that many will lose coverage regardless. NYS DOH has announced its intention to use new data sources, such as state payroll and tax records, to verify eligibility, which may limit impact for enrollees in traditional employment, but others – including students, those with disabilities or complex medical conditions, those providing care to children or elderly relatives, and those in gig or other nontraditional employment – will be especially vulnerable to disenrollment. The federal government has required that work requirements be implemented on a very rapid timeline, which will compromise the State's ability to implement work requirements fairly, particularly in the early months of implementation.

Given the unprecedented nature of these work requirements, it is difficult to precisely estimate the scale of likely disenrollment, but FPI has reviewed precedents and expert estimates to project work requirement-related disenrollment of roughly 800,000. It is important to note that disenrollment will occur on a "rolling" basis as people apply for Medicaid renewal, rather than all at once, so disenrollment at the end of FY27 (after a single quarter of implementation) is likely to be around 200,000.

What can the State do to prevent this loss of coverage? The State can, and should, simply keep people on state-funded Medicaid when they lose federal Medicaid coverage, at least temporarily. A six-month "continuity of coverage" period funded with state-only dollars would give people time to re-enroll in federal Medicaid while preventing disruption, medical debt and program "churn," which has been shown to raise costs. The process would be seamless from the enrollees' perspective – they would simply remain in their current Medicaid coverage while the State worked with them to renew federal coverage.

It is important to note that achieving this aim would not require building a new Medicaid program. The State already provides state-funded Medicaid for certain populations of immigrants; these immigrants are *funded* exclusively by the State, but they participate in the same *program* as enrollees in federally-funded Medicaid. Work requirement disenrollees could be given the same status.

How much would this cost? In FY27, it would be relatively cheap, at just $130.5 million (see Table 3). DOH reported this summer that enrolling an adult in Medicaid costs the State an average of $5,800 per year.[4] DOH reported this summer that providing Medicaid coverage for an adult enrollee costs $5,800 per year, and in the ACA Expansion population the State already pays for 10% of this cost, or $580; the State would need to pick up the additional cost of $5,220 currently paid by the federal government.

[4] https://media.uhfnyc.org/filer_public/e6/06/e6067fc7-e4ce-4223-9505-5c69412de9ca/2025_medicaid_conference_slides.pdf Slide 14

How many people would the State need to cover, and for how long? Assuming disenrollment takes place continuously throughout the year, 200,000 people will have been disenrolled from federal Medicaid by the end of FY27. Some people will be disenrolled at the beginning of FY27 and will require 3 months of gap coverage, while others will be disenrolled at the very end of FY27 and will require 0 months of gap coverage in that fiscal year. The average FY27 disenrollee will require 1.5 months of "gap" coverage in FY27.

Adding these estimates up, the total cost of FY27 gap coverage will be just $130 million.

Table 3. Cost estimate to provide gap coverage for Medicaid disenrollees in FY27.

Measure	Estimate
Number Losing Federal Medicaid	200,000
Annual Cost of Coverage	$5,800
Current State Cost of Coverage (With Federal Match)	$580
New State Cost (Loss of Federal Match)	$5,220
State Cost per Enrollee for 1.5 Months	$653
Total Cost (FY27)	**$130,500,000**
Runout Cost (FY28, Assuming 2 months coverage)	**$261,000,000**

The estimate covers only FY27. Even if the State implemented the policy only for FY27, there would be substantial "runout" costs in FY28, as individuals who lost federal coverage in FY27 remained on State coverage into FY28. We assume that this population remains on State coverage for 2 months into FY28 on average before re-enrolling in federal Medicaid or finding additional coverage, creating an additional $261M in state spending.

What if the State continued to provide continuity coverage indefinitely? Extending the program indefinitely would, of course, incur additional costs. However, there is substantial uncertainty involved in estimating an annualized cost for this policy at this stage, since it is unclear (1) how many people will lose eligibility per year and (2) how long, on average, they will remain uninsured. Illustrative calculations are provided in Table 4.

Table 4: Estimating the Annual Cost of State-Funded Continuity of Coverage

	Low-Cost Scenario	High-Cost Scenario	Moderate-Cost Scenario
State Additional Cost per Month of Coverage	$435	$435	$435
Average Annual Coverage Loss	300,000	800,000	500,000
Average Length of Coverage Loss	2	6	4
Annualized Cost ($ millions)	$261	$2,088	$870

As these calculations show, in an optimistic scenario where 300,000 people cycle off the program each year and this population re-enrolls very quickly, total costs may be quite modest, just $261M. In a very pessimistic (and unlikely) scenario – where 800,000 people lose coverage every year, and none of them either re-enrolls or finds alternative private coverage during the entire duration of their state-funded coverage period – costs would be over $2 billion.

Given the uncertainties involved in these calculations, we recommend that the State implement a continuity of coverage policy covering the first six months of work requirement implementation (January to June 2027). Next year, the State will have substantially more information on the scale of disenrollment due to work requirements and the success of interventions to encourage disenrolled members to re-enroll, and can make a more informed decision on whether to continue the policy.

Conclusion

Allowing 1 million New Yorkers to lose coverage would be catastrophic for New York's healthcare system. The State is in a position to prevent this loss of coverage – possibly using money already reserved in the Executive Budget for DOH Medicaid. Policymakers should leap at the opportunity to protect New Yorkers from Trump's cuts.