STATE OF MICHIGAN
GRETCHEN WHITMER
GOVERNOR
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES
LANSING
ANITA G. FOX
DIRECTOR

Federal Budget Reconciliation Could Result in 120,000 Michiganders Losing Health Insurance
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Background
On May 22, 2025, the United States House of Representatives passed H.R. 1, a budget reconciliation package that proposes sweeping changes to the Patient Protection and Affordable Care Act (ACA) and several federally funded programs that currently ensure health insurance accessibility and affordability for Michiganders. The Michigan Department of Insurance and Financial Services (DIFS) analyzed the potential impacts of these changes on Michigan.

The bill severely restricts access to tax credits, complicates enrollment procedures, and introduces restrictive Marketplace eligibility rules. Based on Congressional Budget Office estimates and CMS Marketplace data, an estimated more than 120,000 Michiganders could lose health insurance if these changes go into effect. These changes would limit health insurance options for Michiganders, sharply increase the uninsured and underinsured rates, negatively impact Michiganders' health, and increase insurance costs for all consumers.

Health Insurance Marketplace Access
More than 530,000 Michiganders enrolled in high-quality affordable health insurance for 2025 through the Health Insurance Marketplace. A number of changes in H.R. 1 limit access to coverage and increase insurance costs for Michiganders, especially lower income families. Beginning as early as 2025, working families will find it harder to change or purchase health insurance, and will have limited ability to change their insurance and keep their tax credits following a life event.

In addition, starting in 2026, the open enrollment period for all Marketplace users will be one month shorter, limiting the opportunity for Michiganders to enroll in coverage. Beginning in 2028, nearly all Marketplace consumers will not be able to auto enroll, which could result in families paying more for their health plan or losing their health insurance altogether.

Cost Increases for Marketplace Plans
Federal cost sharing limits and tax credits have made health insurance plans more affordable for Michiganders. The bill takes away the federal supports that have led to the lowest uninsured rates in our state's history. These changes would be in addition to recent federal adjustments that will result in a $450 increase in maximum out-of-pocket costs and lowered coverage for plans on the Marketplace.

Income Verification
Starting in 2026, families who qualify for low monthly premiums will no longer be automatically renewed for cost savings based on federal tax return data. These families, primarily at or below 150% of the federal poverty limit (FPL), will be required to go through additional income verification to renew tax credits, placing new burdens on families to keep their coverage. In addition, families with verification issues, for example a delayed birth certificate for a new baby, will have less time to resolve those issues

Street/Delivery Address: 530 W. ALLEGAN STREET, 7TH FLOOR, LANSING, MICHIGAN 48933
Mailing Address: P.O. BOX 30220, LANSING, MICHIGAN 48909-7720
www.michigan.gov/difs • TOLL FREE 877-999-6442 • LOCAL 517-284-8800

and will no longer receive temporary eligibility for tax credits, which will mean they will have to pay full premiums upfront and would lose coverage if they cannot afford it.

Coverage Gaps Between Medicaid and Marketplace

Under this bill, low-income, working families who are removed from Medicaid due to work requirements will be ineligible to receive tax credits to purchase a Marketplace plan. This means they will not have Medicaid coverage or lower cost health insurance through the Marketplace, severely limiting their choices for affordable health insurance.

Employer-Provided Coverage

In addition to changes impacting the Health Insurance Marketplace, the bill would also make changes to employer-provided health insurance. The changes would make it easier for employers to use plans that shift more health care costs onto employees and exempt employers from requirements to provide health insurance options that include consumer protections for things like preexisting conditions.