The Daily Dish

Shutdowns, Health Policy, and Arithmetic

DOUGLAS HOLTZ-EAKIN | OCTOBER 7, 2025

As readers know, the federal government has been shut down over the issue of extending the enhanced premium tax credits (EPTCs) that were introduced in the American Rescue Plan Act and extended in the Inflation Reduction Act but which are set to expire at the end of the year. At its core, this act reflects a decision about the relative costs of closing the government versus extending the EPTCs. Fortuitously, AAF's Michael Baker has research dedicated to doing exactly that math.

Skipping the details – the paper is clear and concise on those – a one-year extension of the enhanced EPTCs would cost approximately $38 billion. As he notes, the cost of the government shutdown is harder to calculate definitively, but $35.4 billion lost gross domestic product (GDP) per week is a plausible estimate.

But that's not what Eakinomics wants to talk about.

Spoiler Alert! The author has no soul. Could have been missing at birth. May have been surgically removed. Either way, the readers should interpret the following accordingly.

The whole shutdown has resurfaced a frustration with the way health insurance and health care issues are discussed. As an example, consider this statement from an opinion piece in *The New York Times* discussing the sunset of the EPTCs:

> *Imagine a single 28-year-old making a salary of $39,000. She might be a content creator, a hairstylist, a child care provider — she's already operating on a tight budget. This coming year, she'll see her annual silver plan premium close to double, from about $1,500 to nearly $3,000. She'll have to weigh whether to pay for that increase on an already overstretched budget or forfeit health insurance altogether.*

I get it; I'm supposed to be sympathetic. And I am, to a degree. But I just wonder: How much should she pay? Is $3,000 unreasonable from an economic perspective? Instead of emoting, let's do some math. Using 2023 data (the most recent available), health care expenditures were $4.9 trillion, or 17.6 percent of GDP. So, if everyone were in a large health insurance pool that covered all the health care costs, a premium equal to 17.6 percent of each person's income would cover the health care bills.

Notice that this would be an extremely progressive policy because the affluent would pay a lot more for their insurance. But it also means that this 28 year old would pay $6,864, or more than double the $3,000 price tag. And from this perspective, $1,500 is insurance that is way too underpriced. Americans consume a lot of health care, but nobody seems to think they should pay for theirs. Why not?

Notice also that these large subsidies increase the demand for health insurance and drive up premiums in the individual market. The same simulation model that yields a $38 billion price tag for the one-year extension indicates that the premium for a silver plan goes up by $200 (single) to $600 (family) because of the subsidies. Letting them sunset would do the reverse.

Finally, the real issue is not insurance; it is the underlying level of health care spending.

So, on behalf of the soulless among us, please stop wailing about insurance that is a good deal, stop bankrupting the taxpayer to further inflate the cost, and focus policies on delivering quality health care at a lower cost.