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How ACA Expirations Will Crush Small Businesses and Entrepreneurs

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The expiration of the Affordable Care Act's enhanced tax credits will raise premiums for millions, and small businesses and entrepreneurs will be

among the hardest hit. These tax credits provide vital support for those who don't have access to employer-sponsored insurance, but if Congress doesn't act, small business owners and their employees risk losing affordable coverage.

Unfortunately, up to this point, Republican leadership has shown no interest in extending these tax credits, and time is running out. **Below, we explain how the Affordable Care Act (ACA) supports small businesses and entrepreneurs and how the loss of premium tax credits will significantly increase their health insurance premium costs.**

The ACA Supports Small Businesses and Entrepreneurs

Before the ACA, individuals without salaried jobs, who were starting a small business, or were employed by one, often faced sky-high premiums or lacked coverage altogether due to pre-existing conditions. In 2010, the ACA changed all of that by creating a stable, affordable coverage option for people without job-based insurance. The law ended financial and discriminatory barriers to coverage, which helped support entrepreneurship.

The enhanced premium tax credits, which expand subsidies for the cost of health insurance premiums, passed in the American Rescue Plan (and extended through the Inflation Reduction Act) have significantly reduced the cost of ACA coverage since 2021. These improvements helped middle-income earners, many of whom own or work for small businesses, afford high-quality coverage. Monthly premiums for benchmark plans dropped by hundreds of dollars in many states. In some cases, enrollees could access zero-dollar premiums for silver-tier coverage.

As a result of this expansion, ACA Marketplace enrollment hit record highs. Now, self-employed and small business workers rely more heavily on ACA coverage than other working-age adults. Following the 2022 expansion of enhanced subsidies, nearly one-in-five self-employed individuals and small business owners aged 21 to 64 relied on Marketplace plans for their health coverage—compared to just 6% of the rest of the population in that age group. In short: the ACA is a vital pillar of economic opportunity, enabling families to start and grow businesses without worrying about how they and their employees can access affordable health care coverage.

Loss of Tax Credits will Spike Premium Costs

If GOP lawmakers let the ACA's premium tax credits expire, coverage will become unaffordable for millions of small business owners and their employees, as they will face thousands in additional annual costs. This could force them to forego hiring additional employees or withhold other investments to expand their business. Without action, annual premiums will rise an average of 75%, with many families seeing even more intense spikes in their costs.

When struggling with premium costs, over half of small businesses typically increase premiums for their employees. For those that don't increase premiums, businessowners may have to select plans with more limited coverage or higher deductibles, cut other benefits, or stop supporting coverage for their employees altogether.

Without access to affordable coverage, more Americans will feel compelled to stay in jobs that offer employer-sponsored benefits and will be much less likely to take the risk to start a small business. Furthermore, small businesses will struggle to hire the talent they need to grow if they are

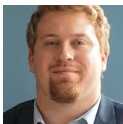
unable to offer competitive benefits. As a result, vast swaths of the small business economy—and our economy as a whole—will suffer.

For many Americans who already own or work for small businesses, a drastic spike in their premiums will cause them to drop health coverage for their employees and become uninsured themselves. The CBO projects that expiration of the enhanced tax credits will mean more than four million people will lose their health care, many of them sole proprietors or gig workers.

These impacts will only be compounded by additional GOP policies—both in their budget bill and directly from the Trump administration—that will severely weaken the Medicaid program, make it harder to enroll in ACA coverage, and raise health care costs across the board.

Bottom Line

If Republicans fail to take action, the ACA expirations will be a massive headwind for small businesses, entrepreneurs, and economic opportunity more broadly. Lawmakers must promptly act to protect affordable coverage and the entrepreneurial spirit that drives the American economy.



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