



EDITORIAL BOARD MEMO

To: Editors and Columnists

From: Frank Clemente, Executive Director, Americans for Tax Fairness

Date: June 27, 2017

Media Contact: TJ Helmstetter, thelmstetter@americansfortaxfairness.org or [phone]

SENATE HEALTH BILL SLASHES MEDICAID TO CUT MILLIONAIRES' TAXES

22 Million Losing Coverage Would Pay for \$570 Billion In Tax Cuts Going Mostly to Wealthy and Corporations

The U.S. Senate GOP leadership's plan released after weeks of secret negotiations among a handful of Republicans would reduce revenues by \$563 billion over 10 years, mostly by cutting taxes for the wealthy and health-care corporations, while eliminating health coverage for 22 million Americans by 2026, according to the non-partisan [Congressional Budget Office](#) (CBO).

The rich will get richer and millions of working families will lose health care because the ACA is funded significantly by taxes on the top 2% and on insurance, prescription drug and medical device corporations that benefitted from expanded coverage. The GOP plan repeals those taxes without providing alternative funding sources.

Households making more than \$1 million a year would get a [\\$50,000 annual tax cut](#), on average, according to Tax Policy Center data analyzed by the Center on Budget and Policy Priorities. The 400 richest families would get an annual tax cut of \$7 million each, on average. So, in addition to undoing the progress made in expanding access to health care, repeal would represent a big transfer of wealth upwards, reversing progress the ACA made in narrowing the nation's severe economic inequality.

These tax breaks for millionaires and corporations are paid for by slashing Medicaid, which serves [two-thirds of seniors in nursing homes](#) and 6 out of 10 children with disabilities. It will be cut by \$772 billion over 10 years, costing 15 million low-income Americans their health coverage. Over the long-term, the federal Medicaid contribution to states will be capped putting the program on a steep downward spiral.

This tax-cut windfall would come even as most Americans believe the wealthy and corporations are already [dodging their fair share of taxes](#), according to the Pew Research Center. A [Quinnipiac University Poll](#) shows 77% of U.S. voters say President Trump should not "lower taxes on the wealthy." (Q56)

Americans for Tax Fairness urges you to publish an opinion column opposing the Senate bill and supporting the ACA. We hope you'll note that shifting resources from health care for working families to tax cuts for the wealthy and corporations would further exacerbate the nation's already destabilizing economic inequality.

A more detailed analysis of the problems with this plan are below. Estimates cited are from the CBO report, unless otherwise noted. Tax data is from the Joint Committee on Taxation, which is contained in the CBO report (p. 14 and Table 2, Estimated Changes in Revenues).

The Effect of ACA Repeal on the Wealthy and Corporations

The plan's \$563 billion in tax cuts over 10 years mostly benefits the wealthy and profitable corporations:

- There is a \$231 billion tax cut for the richest 2% of households (couples with incomes of more than \$250,000 and singles making \$200,000).
 - \$172 billion from a 3.8% “net investment income tax,” which exclusively targets unearned income: interest, dividends, capital gains, rent and other examples of money making money. [Sec. 119] This tax is particularly important for combating income inequality because such passive income is [highly concentrated among the wealthy](#). Such investment income is already taxed at a much lower rate than wages and salaries.
 - \$59 billion from the “additional Medicare tax,” which is a modest 0.9% payroll tax on employment income over the \$250,000 and \$200,000 income levels, added to the existing 2.9% rate that all workers pay. This tax extended Medicare’s Hospital Insurance (HI) trust fund by two years, as discussed below. [Sec. 117]
- There are \$191 billion in tax cuts assessed on very profitable health care industries:
 - \$145 billion from health insurers [Sec. 114]
 - \$26 billion from prescription drug companies [Sec. 112[]]
 - \$20 billion from medical device companies [Sec. 113]These industries acquiesced to the taxes when the ACA was drafted because of the increased business – and profits – they would get from expansion of health care to tens of millions of uninsured Americans.
- The Senate bill even repeals a protection the ACA put in place that prevented windfalls for insurance company executives by limiting the deduction for compensation paid by health insurance providers to employees and service providers during a tax year to \$500,000. This tax break loses \$500 million over 10 years. [Sec. 120 – Remuneration]

The Harmful Effect of ACA Repeal on Working Families

To compensate for the \$563 billion of lost revenue, drastic changes to the ACA and public health care generally are proposed in the GOP plan, which will greatly harm low-and moderate-income Americans:

Health Insurance Coverage: [20 million Americans now have health coverage](#) because of the ACA’s tax-supported programs, according to the Department of Health and Human Services. (State-by-state numbers can be found [here](#).) Under the Senate bill, those gains will be wiped out by 2026 when:

- 22 million fewer Americans will have health coverage. In 2026, the number of uninsured is projected at 49 million under the GOP plan compared with 28 million under the ACA. [Table 4]
- 15 million fewer would be enrolled in Medicaid and 7 million would no longer purchase their own insurance on the health insurance exchanges. [Table 4]
- The share of the uninsured in 2026 who are in the 50-64 age range – the costliest and least healthy age group – and have incomes less than twice the poverty level will go from 11% under the ACA to 26% under the GOP plan. [Figure 3]

Medicaid: Federal funding is slashed by \$772 billion over 10 years. In 2026, it will amount to a 26% cut compared with the ACA-funding level. The biggest loss of health coverage will occur to this vulnerable population, where about [60% of the costs](#) provide care to the elderly and people with disabilities.

The ACA offers increased federal funding to extend Medicaid—which is a joint federal-state program—to more people. Thirty-one states have taken the federal money and expanded their coverage. The Senate bill, like the House version, eliminates this funding though more slowly.

Beyond repealing the ACA’s Medicaid expansion, the Senate bill (like the House version) changes the fundamental nature of Medicaid. The program currently serves all who qualify, with about [two-thirds paid by the federal government](#). The GOP plans would cap federal expenditures in each state tied to the general inflation rate, as opposed to the higher rate of medical inflation. As CBO notes: “In 2025 and beyond, the differences between spending growth for Medicaid under current law and the growth rate of the per capita caps for all groups would be substantial.” [p. 29] States would have to either make up the difference—an unlikely prospect given their tight budgets—or cut participants, increase cost sharing, cut already low reimbursement rates or some combination of all these bad options.

Affordability: By 2026, premiums in the non-group market will rise dramatically for older people not yet eligible for Medicare while subsidies to help pay for those premiums will be cut significantly. A 64-year-old making \$56,800 a year (375% of the federal poverty level) will face premium cost increases of \$11,600 to \$13,700 [Table 5]. This is largely because the plan allows premiums for older people to be five times higher than for young adults, as opposed to three times higher under the ACA, and would no longer make subsidies available to people with incomes between 350% and 400% of the poverty level.

Medicare: The ACA extended the solvency of the Medicare Hospital Insurance (HI) trust fund by about [11 years](#). As in the House bill, the Senate will likely [shorten the solvency of the trust fund by two years](#), from 2028 to 2026, because of the elimination of the modest 0.9% Medicare payroll tax paid by high-salary workers and increased spending tied to higher numbers of uninsured hospital patients.

Americans Don’t Think the Wealthy & Corporations Deserve Another Tax Cut

In a [Gallup survey](#) last year, 61% said “upper-income people” pay “too little” taxes, vs. 21% who thought they paid their fair share. Fully two-thirds thought that corporations paid too little, compared to only 16% who thought they paid a fair share.

The GOP plan represents a huge shift in wealth away from low- and moderate-income Americans to the wealthy and big corporations. These are not the priorities of most Americans, who in a recent poll wanted [greater public support for health care coverage](#), not less. **We urge you to editorialize against passage of the American Health Care Act, based not only on the harm it would do to our nation’s physical health but to our moral principles and economic stability, as well.**

Additional Resources from the Media

- [Senate GOP Health Bill: Tax Cuts for Rich](#), *The New York Times*, June 23, 2017.
- [Senate Health Bill Gives Huge Tax Cuts to Businesses, High-Income Households](#), *The Wall Street Journal*, June 22, 2017
- [Senate Health Care Bill Is Unconscionable](#), Editorial, *The (San Jose) Mercury News*, June 22, 2017.
- [Who Wins and Who Loses in The Senate Health Bill \(As If You Can't Guess\)](#), Editorial, *Los Angeles Times*, June 23, 2017.
- [Senate Bill a Tax Cut for the Rich Dressed Up as Health Reform](#), Editorial, *Newsday*, June 22, 2017
- [Just When You Thought Republicans’ Health Care Bill Couldn’t Get Worse](#), Editorial, *The Fresno Bee*, June 23, 2017.