

# REPUBLICAN HEALTH CARE REPEAL PLAN:

*Tax Cuts for the Rich*  
*Health Care Cuts for Everyone Else*

April 2017

AMERICANS FOR  
**TaxFairness**

**HEALTH CARE**  
FOR AMERICA **NOW!**

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[Americans for Tax Fairness](http://www.AmericansForTaxFairness.org) is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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[Health Care for America Now \(HCAN\)](http://www.HealthcareforAmericaNow.org) is the national grassroots coalition of labor unions, community groups, policy advocates and online organizations that from 2008-2013 ran a five-and-a-half- year campaign to pass, protect, and promote the Affordable Care Act (ACA).

HCAN reconvened in 2016 to help lead the fight to stop the Republican's all-out effort to take away America's health care and put people at the mercy of the big health insurance companies again. With field partners in over 35 states, HCAN organizes grassroots pressure across the country against efforts to weaken, dismantle or repeal the ACA, to restructure and gut Medicaid and Medicare, and to shred critical social safety programs that our members depend on.

We believe that the Affordable Care Act must be improved and strengthened, not repealed. We also believe in expanding Medicaid, Medicare, the Children's Health Insurance Program (CHIP) and the social safety net by making the rich and corporations pay their fair share of taxes.

[www.HealthcareforAmericaNow.org](http://www.HealthcareforAmericaNow.org)

# REPUBLICAN HEALTH CARE REPEAL PLAN:

## Tax Cuts for the Rich Health Care Cuts for Everyone Else

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## OVERVIEW

Support for the Affordable Care Act (ACA) is at [its highest level ever](#).<sup>1</sup> Yet, Republicans in Congress are determined to repeal Obamacare despite the public's [widespread opposition](#) to their plan, known as the American Health Care Act.<sup>2</sup>

The GOP plan will deprive 24 million Americans of health care coverage and drive up the cost of coverage for millions more, especially older people and people in rural America. At the same time, it will create tax breaks worth about \$600 billion that will mostly go to health insurance companies, prescription drug manufacturers and the wealthy.

The chart below demonstrates the immoral tradeoffs that ultimately led to the GOP's failure to advance its bill in the House of Representatives in mid-March, and should preclude any resurrection of that plan in the future.

Republican Health Care Repeal Plan	
Winners	Losers
<b>Tax Cuts:</b> Gives \$600 billion in tax breaks, mostly to the rich and corporations.	<b>Health Care Cuts:</b> Takes health care away from 24 million Americans.
<b>Millionaires:</b> Get a \$50,000 tax break each year from repeal of the ACA's taxes on the rich. A total of \$275 billion in tax cuts goes mostly to the richest 2%.	<b>Low-income Americans:</b> Loss of \$275 billion in revenue from wealthy tax cuts plays a big role in 14 million low-income kids and seniors losing Medicaid coverage.
<b>400 Richest Families:</b> Each get a tax cut of \$7 million a year, on average.	<b>Workers:</b> 7 million will lose health care coverage from their employer.
<b>Insurance Companies:</b> Get \$145 billion in tax breaks over 10 years.	<b>Older Americans:</b> Health insurance companies could increase premiums by up to \$13,000 for older Americans.
<b>Drug Companies:</b> Get \$25 billion in tax breaks over 10 years.	<b>Patients:</b> No protections from huge drug price increases by pharmaceutical companies.
<b>Richest 2%:</b> Get a \$117 billion tax cut by eliminating a small Medicare tax on couples with incomes above \$250,000 a year.	<b>Medicare beneficiaries:</b> Loss of \$117 billion in revenue from wealthy tax cut shortens Medicare's ability to pay full benefits by three years.

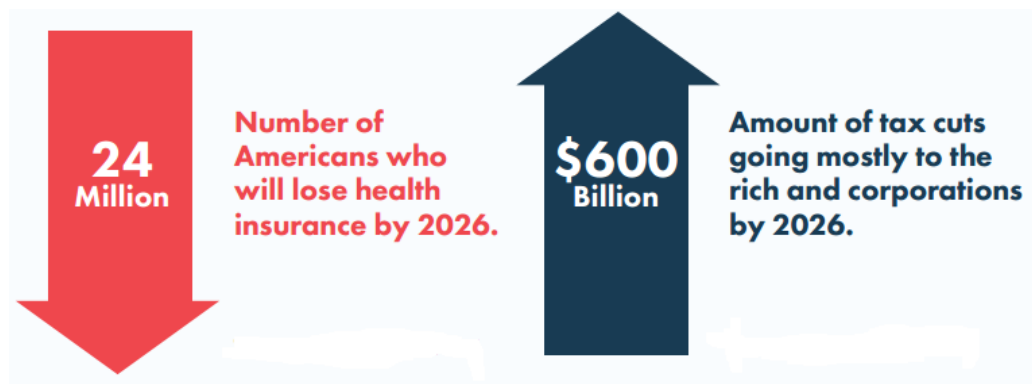
Notwithstanding their initial failure, Republican leaders continue to press forward with their plan to repeal the ACA, which will slash health care for low- to moderate-income Americans to pay for big tax cuts for wealthy individuals and highly profitable health care corporations.

## REPUBLICAN REPEAL PLAN CUTS COVERAGE AND RAISES COSTS

The number of uninsured Americans has fallen to the lowest level on record thanks to the Affordable Care Act. Today, [20 million Americans have health insurance](#) because of the ACA's tax-supported programs, according to the Department of Health and Human Services.<sup>34</sup> The Republican repeal plan will wipe out those gains.

Non-partisan analysis of the Republican repeal plan from the Congressional Budget Office (CBO) found that [24 million Americans could lose coverage](#) by 2026.<sup>5</sup> Millions more will face substantial premium increases and changes to coverage that will leave many families paying more for less health care.<sup>6</sup> Meanwhile, [ACA taxes will be cut by about \\$600 billion](#), mostly for wealthy households and health care corporations, according to CBO.<sup>7</sup>

### Effects of the Republican Repeal Plan



### Repeal Bill Cuts Health Care Coverage

By 2026, the number of uninsured people is projected to be [52 million](#) under the GOP plan compared with 28 million under the ACA, according to the CBO.<sup>8</sup> That includes 14 million fewer enrolled in Medicaid, 7 million fewer with employment-based coverage and 2 million fewer purchasing their own insurance.<sup>9</sup>

Older Americans are most at risk of losing coverage because the Republican repeal plan allows insurance companies to charge them more and cuts tax credits that help them buy coverage, making health care much less affordable. According to the CBO, older, poorer Americans—those aged 50-64 with incomes less than twice the federal poverty level—would make up a larger proportion of the uninsured under the GOP plan.<sup>10</sup>



**2 Million** will lose coverage through the private insurance market.

### Repeal Bill Increases Health Care Costs

In addition to causing millions to lose coverage, the GOP plan will raise costs dramatically for those who retain coverage:

- Out-of-pocket costs will [increase by an average of \\$3,600](#) for individuals who buy ACA coverage.<sup>11</sup>

- Moreover, the GOP repeal bill allows insurance companies to charge people with pre-existing conditions more for coverage. [Up to 133 million Americans](#)—over half of the non-elderly population—have pre-existing conditions and could be charged more for coverage under the Republican plan.<sup>12</sup>
- In a late effort to get more Republican votes for the GOP plan, the bill’s authors proposed gutting the requirement that insurance companies [cover essential services](#) like maternity care and mental health services, forcing families to pay out of pocket for these services.<sup>13</sup>

Older Americans will pay more under the Republican plan:

- Lower-income Americans between 60 and 64 will be forced to pay an average of [\\$3,200 more each year in premiums](#), according to AARP.<sup>14</sup>
- For a 60-year-old making \$22,000 a year, net premiums will be six times higher on average, rising from \$1,200 to \$7,500.<sup>15</sup>
- A lower-income 64-year old buying private insurance will pay about \$13,000 *more* under the GOP plan, than they would under the ACA, according to CBO. That’s both because premiums will be higher and because financial assistance to pay premiums is much less generous under the GOP plan.<sup>16</sup> [Figure 1] The average [Social Security benefit is just \\$16,000 a year](#).<sup>17</sup>

<b>Figure 1. Change in Net Premium for Single 64-Year Old with Annual Income of \$26,500 in 2026</b>			
	<b>Premium</b>	<b>Premium Tax Credit</b>	<b>Net Premium</b>
<b>ACA</b>	\$15,300	\$13,600	\$1,700
<b>GOP Plan</b>	\$19,500	\$4,900	\$14,600
<b>NET PREMIUM INCREASE</b>			<b>\$12,900</b>

Source: Congressional Budget Office, March 2017<sup>18</sup>

People in rural areas will also pay more under the Republican plan:

- The cuts in premium assistance would particularly impact [consumers in rural areas](#), where health insurance often costs more than it does in cities.<sup>19</sup>
- Alaska, North Carolina, Oklahoma, Alabama, Nebraska, Wyoming, and West Virginia will be hit even harder with tax credits dropping by [more than \\$4,000](#) on average per recipient.<sup>20</sup>

## Radical, Permanent Cuts to Medicaid

Repealing the ACA also means effectively ending Medicaid expansion in the 31 states (plus the District of Columbia) that have expanded the program as part of health care reform. At least 11 million people currently covered under expanded Medicaid [would lose coverage](#).<sup>21</sup>

The 19 states that have not yet fully implemented the ACA by expanding Medicaid to cover the uninsured will also be impacted by the repeal bill because the GOP plan abolishes traditional Medicaid as we know it, shifting even more burdens to states and jeopardizing health care for seniors, people with disabilities and children.

- A total of \$880 billion is cut from both traditional and expanded Medicaid over 10 years, according to CBO. Including potential recipients in states that would likely have expanded the program in the future, the CBO estimates that in 10 years 14 million *fewer* children, seniors and people with disabilities would have coverage under the GOP plan compared to the ACA.<sup>22</sup>
- Medicaid is jointly funded by the federal and state governments. If states wanted to maintain Medicaid coverage for their residents in the face of federal cuts, they would have to replace the \$880 billion in lost federal funding through some combination of raising local taxes and cutting other vital services like education and transportation.
- Medicaid currently pays for two-thirds of the nation's nursing home care, so the GOP's proposed cuts would force working and middle-class families to [pay often exorbitant costs](#) for the care of their elderly loved ones.<sup>23</sup>
- States will be allowed to [bar coverage for mental health services](#), opioid addiction treatment and other substance abuse disorders.<sup>24</sup>



**14 Million**  
low-income kids  
and adults will lose  
Medicaid coverage.

## Cuts to Medicare

The GOP repeal plan takes \$117 billion out of Medicare by eliminating a small Medicare tax paid by the richest 2%, as explained below. Giving rich couples making more than \$250,000 a year a tax break on their Medicare contributions means the program's ability to provide full hospital benefits will be cut short three years.

- The ACA extended the solvency of the Medicare Hospital Insurance (HI) trust fund by about [11 years](#).<sup>25</sup>
- The GOP plan will [shorten Medicare's ability to provide full benefits by three years](#), from 2028 to 2025, according to Medicare's chief actuary.<sup>26</sup>

## WHO BENEFITS MOST FROM TAX BREAKS IN THE GOP REPEAL PLAN?

The ACA provides health care to 20 million Americans today largely because it is funded by taxes paid by the richest 2% and by insurance, prescription drug and medical device corporations that benefitted from expanding coverage. The GOP plan will repeal those taxes without providing any alternative funding sources. That is why ACA repeal will dramatically shrink coverage and shift costs onto consumers and patients, eroding economic security for millions while making the rich even richer.



**\$275 Billion**  
in tax breaks for the  
richest American  
households.

Not only will the GOP plan undo the progress made in broadening access to health care, it will also exacerbate the nation's unhealthy economic inequality.

## Tax Breaks for Millionaires and Billionaires

The Republican repeal plan includes a two large tax cuts that only go to families making more than \$250,000 a year—the top 2%—while taking tax credits away from (essentially raising taxes on) millions of low- and moderate-income Americans. Millionaires will each receive a [tax cut of more than \\$50,000 a year](#), on average.<sup>27</sup> The 400 richest families will each receive a \$7 million tax cut every year, on average.<sup>28</sup>

In total, repealing the ACA will shift \$275 billion over 10 years to the richest 2% of households by rescinding the taxes that pay for expanded coverage and that make health care more affordable for families. [Figure 2]:

- **\$158 billion is lost from eliminating a 3.8% “net investment income tax.”** This tax exclusively targets unearned income: interest, dividends, capital gains, rent and other examples of money making money. It is particularly important for combating income inequality because such passive income is [highly concentrated among the wealthy](#), according to the Tax Policy Center.<sup>29</sup> Much investment income is otherwise taxed at a much lower rate than wages and salaries.
- **\$117 billion is lost from abolishing the “additional Medicare hospital tax.”** This is a modest 0.9% payroll tax on employment income over the above-cited income levels, added to the existing 2.9% rate that all workers pay. This tax [extended Medicare’s Hospital Insurance \(HI\) trust fund by three years](#), according to Medicare’s chief actuary.<sup>30</sup>

Figure 2. Tax Breaks for the Wealthy from House GOP Health Care Plan		
	TAX PROVISION	10-YEAR COST 2017-2026 (\$ Billions)
Tax Cuts for Wealthy Households (Annual income over \$250,000 per married couple, \$200,000 per individual)	<b>Net Investment Tax</b> 3.8% tax on passive income (interest, dividends, capital gains, rent, royalties, stock & commodity trading)	<b>\$158</b>
	<b>Additional Medicare Hospital Tax</b> 0.9% tax on salaries above \$250,000 per married couple	<b>\$117</b>
<b>TOTAL FOR HIGH-INCOME HOUSEHOLDS</b>		<b>\$275</b>

Source: Congressional Budget Office/Joint Committee on Taxation data, March 2017<sup>31</sup>

The net investment tax and the additional Medicare hospital tax are [paid exclusively by the wealthiest 3% of American households](#), according to the Institute on Taxation and Economic Policy.<sup>32</sup> Repeal of these two well-targeted taxes would give the top 1% of taxpayers an average tax break of almost \$20,000 annually. Meanwhile, many low- and moderate-income people will get a higher health care bill.



## Tax Breaks for Health Insurance Companies, CEOs and Executives

Wealthy households aren't the only beneficiaries of the Republican repeal plan that cuts health care for millions while giving away billions in tax breaks.

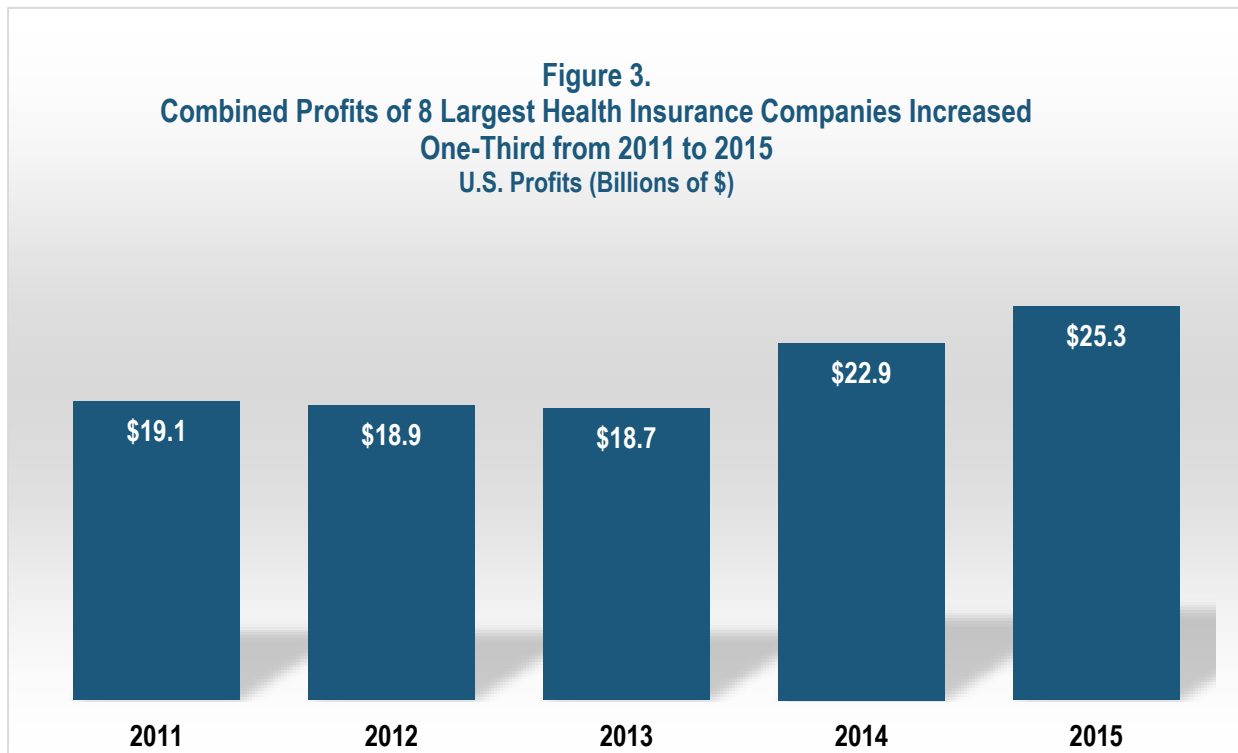
Giant health insurers like Aetna, Cigna and United Health Group will get [\\$145 billion in tax breaks](#) over 10 years, according to the Joint Committee on Taxation.<sup>33</sup> This is due to the repeal of a fee on health insurers that was part of the bargain to get the ACA passed in 2010. In exchange for millions of new customers, insurers agreed to contribute to expand coverage.



**\$190 Billion**  
in tax breaks for insurance companies, drug firms, and other big health-care corporations.

These tax breaks are particularly egregious given that the profits of the eight biggest insurance companies increased by one-third from 2011 to 2015, rising from \$19.1 billion to \$25.3 billion. [Figures 3 and 4]

This growth in profits contradicts Republican claims that insurers are struggling under the ACA. In fact, some companies doubled or tripled their profits.



Sources: *Institute on Taxation and Economic Policy (ITEP)*, March 2017; *Citizens for Tax Justice and ITEP*, Feb. 2014<sup>34</sup>

**Figure 4. U.S. Profits of 8 Largest Health Insurance Companies, 2011 to 2015  
(\$ in Millions)**

	<b>% Increase, 2011-15</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>UnitedHealth Group</b>	27%	9,950	9,385	8,678	8,472	7,809
<b>Anthem</b>	12%	4,515	4,310	3,762	3,850	4,033
<b>Aetna</b>	39%	4,133	3,423	2,899	2,506	2,984
<b>Humana</b>	8%	2,344	2,091	1,869	1,854	2,176
<b>Cigna</b>	71%	2,889	2,908	903	2,153	1,688
<b>Centene</b>	299%	691	454	264	24	173
<b>Health Net</b>	164%	434	215	258	34	165
<b>Molina Healthcare</b>	159%	315	133	81	18	122
<b>Total</b>	<b>32%</b>	<b>25,270</b>	<b>22,919</b>	<b>18,714</b>	<b>18,912</b>	<b>19,148</b>

Sources: Institute on Taxation and Economic Policy (ITEP), March 2017; Citizens for Tax Justice and ITEP, Feb. 2014<sup>35</sup>

The Republican plan also gives insurance companies more tax breaks for overpaying their executives.

An important feature of the ACA is that it stopped health insurers from getting a tax deduction for CEO and other executives' pay that is more than \$500,000 a year. The [Republican plan raises that tax deduction cap to \\$1 million a year](#), giving insurance companies a big tax break if they pay their CEO and other top executives more than that amount.<sup>36</sup> Raising the cap from \$500,000 to \$1 million will lose [\\$400 million over 10 years](#), further undermining health coverage for working Americans.<sup>37</sup>

It is wrong to give a special tax break to insurance company CEOs while taking coverage from millions of people or raising their out-of-pocket costs.

The cap on the tax deductibility of executive compensation above \$500,000 prevented the five largest insurance companies from getting a combined [\\$92 million](#) in tax breaks in 2015. [Figure 5]

This revenue, which was generated from just 26 insurance company executives, was the equivalent of the average annual premium subsidies provided to [28,500 people](#) under the ACA.<sup>38</sup>

Figure 5. Revenue Raised from Capping Deductibility of Executive Pay in 2015 Top 5 Executives at 5 Largest Health Insurance Companies	
Insurance Company	Revenue Raised from ACA (based on 35% tax rate)
<b>Aetna</b>	\$13,088,539
<b>Anthem</b>	\$18,102,639
<b>Cigna</b>	\$33,458,105
<b>Humana</b>	\$2,272,454
<b>United Health</b>	\$24,701,392
<b>TOTAL</b>	<b>\$91,623,127</b>

Source: Institute for Policy Studies, March 2017<sup>39</sup>

### Tax Breaks for Prescription Drug Companies

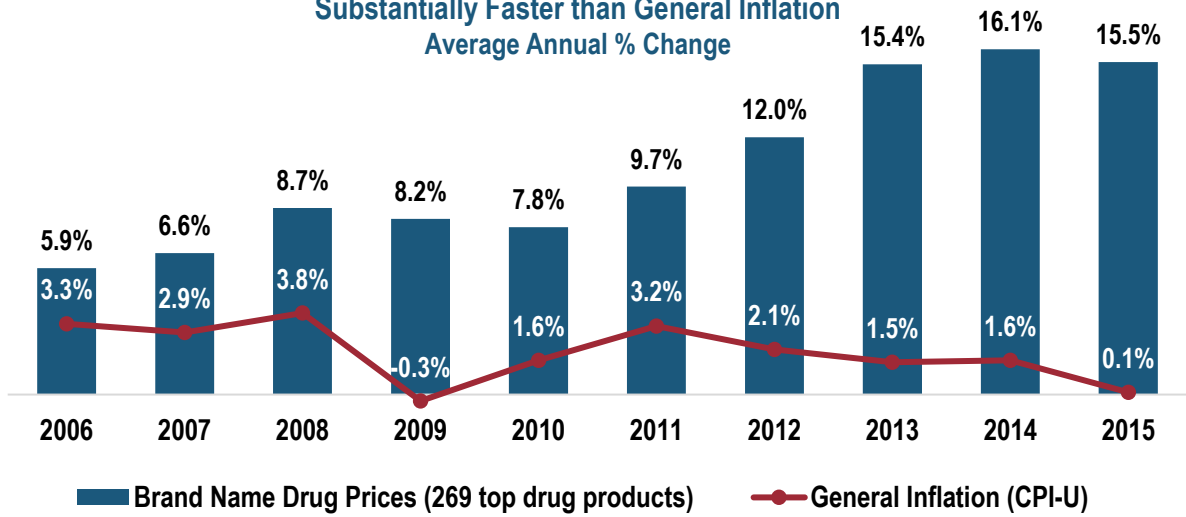
Prescription drug companies will also get a big tax giveaway—\$25 billion over 10 years—under the Republican repeal plan.<sup>40</sup> They agreed to these fees as part of the ACA deal negotiated in 2010 because they would get a lot of new paying customers, and they escaped any requirements to allow for negotiated drug prices with the federal government.

So, under the GOP plan, drug companies will contribute nothing, they are free to charge what the market will bear, they will continue to sell billions of dollars of products to the federal government each year, and U.S. taxpayers will continue to subsidize basic drug research from which Big Pharma firms profit.

Figure 6 shows how rigged the system is against consumers and taxpayers. The prices of 268 brand name drugs increased 15% from 2014 to 2015 per AARP. Many of these are commonly prescribed drugs used to regulate common chronic conditions like high blood pressure, glaucoma, and arthritis.

The average cost of brand name drugs commonly used by older Americans for chronic conditions more than tripled between 2006 and 2015, climbing from \$1,788 to \$5,897. [Figure 7].

**Figure 6.**  
**Average Annual Brand Name Drug Prices Grow**  
**Substantially Faster than General Inflation**  
**Average Annual % Change**



Source: AARP Public Policy Institute, Dec. 2016.<sup>41</sup>

**Figure 7.**  
**Average Annual Cost of Brand Name Drugs**  
**Grew More Than Three-fold Between 2006 and 2015**  
**Annual Retail Cost of Therapy per Drug**



Source: AARP Public Policy Institute, Dec. 2016.<sup>42</sup>

## CONCLUSION

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The GOP plan to repeal the ACA and make radical changes to traditional Medicaid is tax cuts for the rich and health care cuts for everyone else. Their repeal plan takes health care away from 24 million people, raises costs and guts benefits for millions more. It also shifts billions of dollars from families, seniors, people with disabilities and providers to wealthy households, insurance companies and prescription drug companies.

Although the GOP has so far been unsuccessful in enacting its repeal bill, [media reports suggest](#) that President Trump and Republican leaders have not given up on repealing the ACA and making significant and dangerous structural modifications to Medicaid.<sup>43</sup> The reason: Repealing the ACA makes “it easier to pass a tax overhaul afterward,” according to Trump. He further noted: “Now, if it doesn't happen fast enough, I'll start the taxes.” ... “But the tax reform and the tax cuts are better if I can do health care first.”

That's because getting rid of the ACA taxes in a health care repeal bill means they don't have to include them in a larger tax giveaway measure, which would put the price tag of tax legislation that much higher.

Per President Trump's thinking, it's much easier to pay for tax cuts for the rich with health care cuts for everyone else.

## ENDNOTES

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<sup>30</sup> Slavitt, "CMS Medicare Solvency Letter."

<sup>31</sup> CBO, Table 2. See "Repeal of Medicare Tax Increase" (\$117.3 billion) and "Repeal of Net Investment Tax" (\$157.6 billion).

<sup>32</sup> Institute on Taxation and Economic Policy (ITEP), "Affordable Care Act Repeal Includes a \$31 Billion Tax Cut for a Handful of the Wealthiest Taxpayers: 50-State Breakdown" (March 17, 2017), Table 3. [http://itep.org/itep\\_reports/2017/03/affordable-care-act-repeal-includes-a-31-billion-tax-cut-for-a-handful-of-the-wealthiest-taxpayers-5.php#.WPFm4NlrLIW](http://itep.org/itep_reports/2017/03/affordable-care-act-repeal-includes-a-31-billion-tax-cut-for-a-handful-of-the-wealthiest-taxpayers-5.php#.WPFm4NlrLIW)

<sup>33</sup> CBO, Table 2. See "Repeal of Health Insurance Tax."

<sup>34</sup> ITEP, "The 35 Percent Corporate Tax Myth" (March 2017)

[http://itep.org/itep\\_reports/2017/03/the-35-percent-corporate-tax-myth.php#.WO6xdPkrKM8](http://itep.org/itep_reports/2017/03/the-35-percent-corporate-tax-myth.php#.WO6xdPkrKM8);

Citizens for Tax Justice and ITEP, "The Sorry State of Corporate Taxes" (February 2014).

<http://www.ctj.org/corporatetaxdodgers/sorrystateofcorptaxes.php>

<sup>35</sup> *Ibid.*

<sup>36</sup> Institute for Policy Studies (IPS), "The CEO Pay Tax Break in the Republican Health Care Proposal" (March 2017), Appendix 1. <http://www.ips-dc.org/the-ceo-pay-tax-break-in-the-republican-health-care-proposal/>

<sup>37</sup> Joint Committee on Taxation, "Description of Budget Reconciliation Legislative Recommendation Relating to Remuneration from Certain Insurers" (March 8, 2017). <https://waysandmeans.house.gov/wp-content/uploads/2017/03/20170308-JCT-Description-of-Subtitle--Budget-Reconciliation-Legislative-Recommendations-Relating-to-Remuneration-from-Certain-Insurers-.pdf>

<sup>38</sup> *Ibid.*, p.1.

<sup>39</sup> IPS, Appendix 1.

<sup>40</sup> CBO, Table 2. See "Repeal of Tax on Prescription Medications."

<sup>41</sup> AARP Public Policy Institute, "Trends in Retail Prices of Brand Name Prescription Drugs Widely Used by Older Americans, 2006 to 2015" (Dec. 2016), Figure 1. <http://www.aarp.org/content/dam/aarp/ppi/2016-12/trends-in-retail-prices-dec-2016.pdf>. Calculations of the average annual brand name drug price change include the 268 drug products most widely used by older Americans. Prepared by the AARP Public Policy Institute and the PRIME Institute, University of Minnesota, based on data from Truven Health MarketScan® Research Databases and MediSpan Price Rx Pro®.

<sup>42</sup> *Ibid.*, Figure 3.

<sup>43</sup> Politico, "Trump: I want to pass health care before doing tax reform" (April 11, 2017).

<http://www.politico.com/story/2017/04/trump-tax-reform-health-care-237125?cmpid=sf>