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COMMITTEE ON THE BUDGET

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The “Pay More for Less” Bill: A Massive Tax Giveaway to Billionaires and Corporations, Masquerading As Health Policy

Summary and Analysis of H.R. 1628 as Reported by the House Budget Committee

After seven years railing against the Affordable Care Act (ACA), Congressional Republicans have finally produced a so-called “replacement” plan that is actually not a health care bill at all. Drafted in secret, with no public hearings, this bill manages to unravel all of the gains the United States has made under the ACA to expand health insurance coverage and improve the quality of coverage and care. It does the exact opposite of everything President Trump and Congressional Republicans promised about providing better, less expensive health care for everybody. It will force millions of Americans to pay more for less, and it will cause millions of people to become uninsured.

Instead of a health care bill, Republicans have produced a classic expression of conservative ideology, taken to its illogical extreme. It provides a huge gift of \$900 billion in tax cuts that mostly benefit billionaires, millionaires, and corporations, paid for by taking critical health coverage and benefits away from millions of middle-class families, vulnerable children and families struggling to escape poverty, seniors, women, people in rural communities, and people with serious health problems or disabilities. This is Robin Hood in reverse, but far worse.

Unravels the Affordable Care Act’s achievement in expanding coverage

The Pay-More-for-Less plan erases the ACA’s coverage gains. The Congressional Budget Office (CBO) estimates the GOP plan will cause 14 million people to lose health insurance in 2018, rising to 21 million people three years from now. In 2026, 24 million people lose coverage under this bill, including 14 million low-income Americans who will lose access to Medicaid and will likely have nowhere else to turn. This will bring the total number of uninsured people in the United States to 52 million in 2026 – more than one out of six people under age 65.

The young, healthy, and wealthy are in; older, low-income Americans are out. The GOP plan leads to major shifts in who gets insured in the non-group market. The bill tilts the market toward younger people and away from lower-income people and older people. Americans of modest incomes approaching retirement age will be the hardest hit. CBO projects that people between 50 and 64 years old with incomes below 200 percent of the federal poverty level –

which means below \$24,000 for an individual or \$32,000 for a couple – will make up a larger share of the uninsured under this bill.

- CBO projects the uninsured rate for people in their 30s and 40s with incomes below 200 percent of poverty will reach 38 percent in 2026 under this bill, nearly twice the rate projected under current law. Only 10 percent of people at those ages with higher incomes will be uninsured in 2026.
- For people aged 50-64, CBO projects 30 percent of those with incomes below 200 percent of poverty will be uninsured in 2026 under this bill, more than twice the 12 percent rate projected for this population under current law. Among those with higher incomes, 11 percent will lack insurance under this bill in 2026.

Destroys health safety net for the most vulnerable

The GOP plan cuts \$880 billion in federal Medicaid spending over the next ten years. Two policies drive this massive funding cut. First, the bill effectively ends the ACA's Medicaid eligibility expansion for low-income working-age adults, starting in 2020. Second, the bill caps the growth of federal Medicaid funding per enrollee at a rate not guaranteed to keep pace with health costs, also starting in 2020. In addition to these drastic funding cuts, the bill weakens Medicaid's benefit standards.

The Pay-More-for-Less plan takes away health insurance from 14 million low-income Americans and destroys Medicaid over the longer term. The ACA makes it possible for low-income people to get treatments they need through expanding eligibility and requiring that Medicaid cover the same essential benefits that private insurers must cover. To date, 31 states and D.C. have expanded Medicaid eligibility to low-income adults. The expansion, combined with the ACA's other coverage provisions, has helped reduce the nation's uninsured rate to below 9 percent – the lowest level in history. The GOP bill reverses this progress by ending the Medicaid expansion and capping funding. The total Medicaid cuts in the bill get deeper with each passing year, reaching 25 percent of Medicaid spending in 2026. These steep cuts will force states to drop people from Medicaid entirely or ration care for those who need access to comprehensive coverage the most. Not surprisingly, CBO estimates 5 million Americans will lose Medicaid coverage next year under the GOP plan, rising to 14 million Americans by 2026.

The Pay-More-for-Less plan undermines the health care safety net for vulnerable populations. Medicaid provides coverage to more than 70 million Americans, including children, pregnant women, seniors on Medicare, people who are too disabled to work, and parents struggling to get by on poverty-level wages. In addition to doctor and hospital visits,

Medicaid covers long-term services like nursing homes and home and community-based services that allow people with chronic health conditions and disabilities to live independently. All of these important services are at risk under the GOP's plan to cap Medicaid funding and weaken benefit standards. Capping funding could be especially debilitating for seniors in nursing homes and children with disabilities, who are extremely reliant on Medicaid, as cash-strapped states will likely either cut back on services or cut back on enrollees. Capping Medicaid funding has nothing to do with repealing the ACA. Republicans are simply using ACA repeal as cover for the longtime conservative policy goal of shifting more of the costs of the nation's health safety net to the states.

Raises costs and weakens insurance protections for millions of Americans

The Pay-More-for-Less plan raises costs substantially for millions of Americans. It forces older, low- and moderate-income Americans to pay thousands of dollars more out of pocket for health insurance that provides less financial protection than the ACA currently requires. The bill allows insurance companies to charge older enrollees premiums up to five times what they charge younger enrollees, whereas the ACA limits that ratio to three to one. The bill also reduces the generosity of premium tax credits. The ACA premium tax credits vary with the local cost of coverage and what an individual or family can afford to pay. The GOP plan replaces these with age-adjusted premium tax credits ranging from \$2,000 to \$4,000 per person. The GOP plan also repeals the ACA's cost-sharing assistance for households with incomes below 250 percent of poverty, while at the same time allowing insurers to sell plans offering less financial protection than the ACA requires. In total, the bill takes away \$312 billion from federal premium and cost-sharing payments to individuals over ten years. Older Americans, low-income families, and people living in rural areas lose the most under this bill.

Premium costs for older Americans skyrocket – in effect imposing an “age tax.” Americans over 50 suffer a double whammy with respect to their insurance premiums. First, the older you are, the more this bill drives up your premiums. By 2026, this bill will result in premiums for a 64-year-old being 20 to 25 percent higher than under the ACA, according to CBO. At the same time, the bill dramatically reduces federal premium assistance for people with modest incomes. The net result: under this bill, in 2026, 64-year-olds with incomes of \$26,500 will see out-of-pocket health insurance premium costs go from \$1,700 to an average of \$14,600. That's an increase of \$12,900 and would require these individuals to spend half of their annual incomes just on health insurance. Not surprisingly, CBO projects the uninsured rate for people aged 50-64 will more than double.

The Pay-More-for-Less plan means higher deductibles and more cost-sharing. The GOP bill repeals the ACA requirement that insurers offer plans with defined levels of financial protection, or “actuarial value.” This repeal allows insurers to shift more of the costs of care to

consumers, forcing them to pay more out of pocket for the services and care they need. This could mean that people who need care can no longer afford to go to the doctor. And taking away the ACA's cost-sharing assistance for low-income enrollees means their out-of-pocket costs go up even more. Altogether, these provisions significantly reduce the protections available for people with pre-existing conditions.

Higher premiums + skimpier insurance protections = family crisis. The combination of smaller premium tax credits, the end of cost-sharing assistance for low-income households, and allowing insurers to sell plans that shift more costs to consumers will drastically increase costs and financial risk for people who can least afford it. And the older you are, the worse it gets. An analysis by the Urban Institute estimates that for Americans in their 50s and 60s, the tax credits alone would only be sufficient to buy plans with major holes in them, such as a \$30,000 deductible for family coverage and no coverage at all of brand-name drugs or many therapy services.

The Pay-More-for-Less plan raises costs for Americans living in rural areas. Health insurance has historically been more expensive in rural areas. In the 2016 ACA marketplace, average premiums in rural areas were 6.6 percent higher than the national average. The ACA premium subsidies are calibrated to the local cost of coverage, whereas the Pay-More-for-Less tax credits are not. Under this bill, residents of many largely rural states will have to pay thousands of dollars more toward their premiums, because the tax credits are so inadequate. For example, in Alabama, ACA tax credits averaging \$7,228 will be replaced with tax credits averaging \$2,935 – a 59 percent reduction in federal help with paying premiums. And people who live in rural areas tend to be older and poorer – the two parts of the population that are most clearly disadvantaged by this bill. This means that under this bill, out-of-pocket costs will rise more for residents of many rural areas than they will for residents of urban areas.

The Pay-More-for-Less plan imposes a “Millennial Tax” on young people who may experience a brief lapse in coverage. The uninsured rate among young adults dropped from 29 percent before the ACA to 16 percent last year. This bill will reverse that progress with a poorly conceived 30 percent penalty charged to people who experience a lapse in coverage of more than 63 days. Coverage lapses commonly result from events that young adults experience most often: moving and changing jobs. An estimated 30 million working-age people would have been subject to this penalty in 2016. Once someone loses coverage for a brief time, they would have no incentive to pay the penalty unless they become ill and need care, so the penalty also effectively functions as a “sick tax.” In fact, CBO projects that in the long run, the surcharge by itself will reduce the number of people with health coverage by about 2 million a year.

Undermines access to mental health services and worsens opioid epidemic

The Affordable Care Act improved access to mental health services and substance abuse treatment. An estimated 44 million Americans experience a mental illness each year, including 10 million whose illness is serious enough that it interferes with daily life activities. More than 20 million Americans battled substance abuse disorders in 2015, including 2 million people who had opioid use disorders. Overdose deaths involving opioids have quadrupled since 1999. The ACA significantly improves access to mental health services and substance abuse treatment by expanding the number of people with health insurance and requiring that health insurance – including Medicaid – cover these services. In fact, because of the ACA, 15 million more people now have access to the mental health services they need, and they are using those services because they can afford them. In just one year following ACA implementation, hospitalizations for substance use or mental health disorders in which the patient was uninsured fell from 22 percent to 14 percent. For very low-income Americans, the share of people foregoing mental health care because of cost fell by 33 percent.

The Pay-More-for-Less bill takes away access to these important services. Despite bipartisan interest in addressing the opioid epidemic and ensuring that people have better access to mental health services and substance abuse treatment, the GOP bill dismantles the progress made under the ACA by throwing people off their health care and watering down coverage standards for both Medicaid and private non-group insurance. More than 1 million Americans who receive treatment for mental health or substance abuse disorders under the Medicaid expansion are at risk of losing those services. In the non-group market, the bill gives insurers the ability to design plans that shift costs to consumers through higher deductibles and higher cost-sharing for more intensive treatments.

Health care cuts pay for \$900 billion in tax cuts for the wealthy and well-connected

The GOP plan is an unprecedented transfer of wealth from the poor and middle class to the very wealthy. The Pay-More-for-Less plan is the ultimate “Robin Hood in reverse,” giving \$900 billion in tax cuts to corporations and the wealthy, and paying for it by taking insurance away from 24 million people and raising costs for the poor and middle class.

Gives the rich hundreds of billions in tax cuts. By repealing the 3.8 percent Net Investment Income Tax and the 0.9 percent Additional Medicare Tax, the Pay-More-for-Less plan cuts taxes for the wealthy by a combined \$275 billion. These two taxes were put in place to equalize the treatment between people who earn income from work and those who earn it from wealth, and to ensure that the wealthy pay their fair share into the Medicare trust fund. In sharp

contrast, under the GOP bill, millionaires get a tax cut of \$50,000 per year. For those in the top 0.1 percent, the cut is even bigger, totaling more than \$200,000 annually. And for the 400 richest households, who make an average of \$300 million a year, the annual tax cut is massive: \$7 million each year.

Hands billions in tax cuts to health insurance companies, their executives, and major pharmaceutical companies. The Pay-More-for-Less plan gives a \$144 billion tax cut to health insurance companies. As if this were not enough, they get an additional \$400 million tax break to help subsidize the salaries of their executives – executives who can make \$10 million a year or more. In addition, major pharmaceutical companies get a \$25 billion tax cut of their own, without being asked to do anything to stem the high cost of prescription drugs.

Weakens Medicare’s finances

The GOP bill siphons \$170 billion out of the Medicare trust fund by repealing the “Additional Medicare Tax” described above. This weakens the program’s finances and shortens the life of the trust fund by three years, taking the projected trust fund exhaustion date from 2028 to 2025.

Attacks women’s health care

The GOP bill prohibits federal funding through Medicaid and other programs for one year to organizations offering preventive health services – solely because they also provide abortions. Republicans’ target is obvious: Planned Parenthood. The nonpartisan CBO found that only Planned Parenthood Federation of America and its affiliates and clinics would be affected. As a result, low-income and underserved women who rely on Planned Parenthood for preventive services and birth control may be left with nowhere else to turn. Republicans claim that redirecting federal funding to community health centers for one year will fill in the gaps in access to care that will arise when Planned Parenthood is defunded, but this is not true. Community health centers are critical safety-net providers, but they are not always accessible to Planned Parenthood patients and may not offer the comprehensive family planning and preventive health services that Planned Parenthood does.

Conclusion

Republicans in Congress and the Administration argue that what really matters is not insurance, but rather access to care. This position makes no sense. If you do not have health insurance and are not fortunate enough to be wealthy, then you do not have access to care, because you cannot afford it. Taking away health coverage and pricing older individuals out of the market is

the opposite of freedom and choice. It is astounding that Republican leaders in Congress and Administration officials do not understand this basic fact.

Republicans in Congress and the Administration have also said this bill is just the first step in dismantling the protections provided by the ACA. That means this bill is part of a larger Republican strategy to put insurance companies back in charge and eventually take away the ACA's guarantees that insurance plans will cover services like maternity care, mental health, substance abuse services, and others. As direct out-of-pocket costs to consumers rise under their plan, we will once again return to a system where people are one serious illness or car accident away from bankruptcy.

Perhaps most disturbing is what this bill does to the millions of the most vulnerable people in our society who rely on the health safety net provided by Medicaid. This bill's \$880 billion hit on Medicaid is the most vivid example of the Robin-Hood-in-reverse principle that animates this entire piece of legislation. Republican leadership tries to sugarcoat these drastic changes by saying they will "modernize and strengthen" Medicaid. In reality, this is Republican code for the bill's real purpose and result: taking away critical Medicaid protections from the most vulnerable, to pay for giving huge tax cuts to corporations and the wealthiest members of our society.

No law is perfect. Republicans could have chosen to work constructively with Democrats to improve the Affordable Care Act to better meet its goal of providing affordable, quality health coverage. Instead, this bill will have disastrous consequences for millions of American families. It is long past time for the Republican majority in this Congress to listen to the experts and to the thousands of their constituents benefiting from this law who are pleading with them to improve the Affordable Care Act instead of dismantling it. Democrats are ready to work with Republicans to ensure every family has access to quality, affordable health care. The American people deserve no less.