

# Senate Budget Plan Threatens Health Programs



Congressional Republicans remain committed to repealing the Affordable Care Act (ACA) and overhauling and cutting Medicaid. The Senate's 2018 budget resolution reflects those objectives, calling for about \$1.3 trillion in cuts to ACA subsidies and Medicaid and for "repealing or replacing the [ACA]."

A budget resolution is a plan, not a law, so the most immediate consequence of passing the Senate budget resolution would be its "reconciliation instructions." These instructions establish a fast-track process allowing the Senate to pass subsequent legislation with just 50 votes.

Senate Republicans have said that they plan to use their 2018 budget reconciliation instructions to enact tax cuts. Nonetheless, their budget poses two major threats to health programs.

First, the reconciliation instructions could be used to cut ACA coverage programs and Medicaid in the same bill that cuts taxes. While this does not seem to be Senate leadership's current plan, nothing in the budget would prevent them from coupling health care cuts with tax cuts if they later conclude that such a package could attract 50 votes.

Second, Senate Republicans will likely use the higher deficits that result from their tax plan as another justification for repealing the ACA and cutting Medicaid. Senate Republicans have *already* argued that health care cuts are needed to address projected deficits, and the Senate budget resolution would allow tax legislation to increase deficits by \$1.5 trillion over the coming decade. Congressional Republicans will not hesitate to argue that the higher deficits resulting from their own tax bill make cuts to Medicaid and other coverage programs even more necessary.

## Senate Budget Resolution Leaves the Door Open to Health Care Cuts in Tax Bill

For now, Senate leadership seems to be planning to use the 2018 budget reconciliation instructions only for tax cuts. But if they change their minds, the budget's reconciliation instructions would allow the Senate to take up provisions that would repeal much of the ACA or cut Medicaid and pass them with just 50 votes.

That's because the resolution instructs the Senate Finance Committee to make changes to *deficits*, not *revenues*. That means the Senate could use the fast-track reconciliation process for a bill that cuts any program in the Finance Committee's jurisdiction, including the ACA's Medicaid expansion, the rest of Medicaid, ACA subsidies that help moderate-income families pay for coverage, and the ACA individual and employer mandates.

What's more, adding health care cuts to a tax bill would let Senate Republicans increase the size of their tax cuts. For every dollar a reconciliation bill cuts from coverage programs, it could cut taxes by an additional dollar — on top of the \$1.5 trillion in unpaid-for tax cuts the budget resolution allows.

## Republican Tax Plan Will Create Pressure for Future Cuts

Even if Senate Republicans limit their 2018 reconciliation bill to tax cuts, it will increase the pressure for health care cuts in the future. That's because the budget allows the tax plan to increase deficits by \$1.5 trillion over ten years, and Republicans may be able to increase that amount further through budget gimmicks. If their tax cuts pass, these deficits will materialize over time: the Trump Administration's claims that the tax cuts will pay for themselves fly in the face of decades of experience and credible, mainstream economic research. Moreover, the official Congressional Budget Office (CBO) budget forecasts will reflect these deficits as soon as a tax bill is passed.

Congressional Republicans have already pointed to deficit projections as a key reason for cutting health care programs. During the most recent debate over the Cassidy-Graham ACA repeal bill, for example, Sen. Lindsey Graham defended its Medicaid cuts by [arguing](#) that without such cuts, "we're going to leave a country that's completely and utterly bankrupt." He and others will likely point to the higher deficits resulting from the Republican tax plan to argue that cutting Medicaid and other coverage programs is even more urgent.

And with congressional Republicans already saying that they plan to return to their effort to repeal the ACA and overhaul and cut Medicaid as soon as they enact their tax plan, it's clear what those cuts might look like. All of the ACA repeal-and-replace bills Congress has considered to date have shared the following features:

- They would ultimately cause 20 million or more people to lose health insurance coverage.
- They would effectively eliminate the ACA's Medicaid expansion that has extended coverage to 11 million low-income adults.
- They would overhaul and cut federal Medicaid funding for seniors, people with disabilities, and families with children.
- They would increase premiums and cost sharing for people who buy coverage in the ACA marketplaces, especially for lower-income people, older people, and/or people in high-cost states.
- They would weaken or eliminate important consumer protections, including protections for people with pre-existing health conditions.

## Cutting Coverage to Pay for Tax Cuts Might Be Accomplished in Two Steps

The House-passed ACA repeal bill, and the version of ACA repeal first introduced in the Senate, used these coverage cuts mostly to pay for hundreds of billions of dollars in high-income and corporate tax cuts. But some Republican senators objected to that approach, with Sen. Bob Corker [arguing](#), "It's not an acceptable proposition to have a bill that increases the burden on lower-income citizens and lessens the burden on wealthy citizens." Subsequent versions of the Senate repeal-and-replace bill, and the Cassidy-Graham legislation, dropped some or most of the tax cuts.

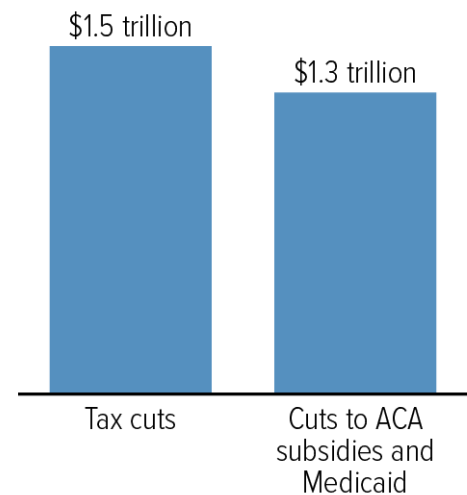
If the Senate passes its tax plan and then takes up large cuts to coverage, it wouldn't be making these changes in the same bill, but the net result would be exactly the same. In fact, the tax cuts for the wealthy and corporations included in the Republican tax plan are even larger than those included in the early versions of ACA repeal. The plan would ultimately give about 80 percent of its net benefits to the top 1 percent of households, those with incomes over \$900,000 per year. These households' annual tax cuts would average over \$200,000 by 2027, while the top 0.1 percent of households, those with incomes over \$5 million, would receive annual tax cuts averaging over \$1 million.

As the figure shows, the \$1.5 trillion in unpaid-for tax cuts in the Senate Republican budget plan is about the same as the budget's \$1.3 trillion in ACA and Medicaid cuts. These cuts in turn are about the same size as the cuts to coverage programs proposed in the House-passed ACA repeal-and-replace bill and the repeal-and-replace bill the Senate rejected in July.

Congressional Republicans already tried the approach of writing a single bill with both tax cuts and health care cuts. That approach was overwhelmingly rejected by the American public, and even by some of their own members. But while the two-step approach they're now contemplating makes the tradeoff less clear, it doesn't make it any less stark. The wealthy would receive large tax cuts, while millions or tens of millions of people who rely on the ACA Medicaid expansion, the underlying Medicaid program, or the ACA marketplaces for coverage would become uninsured or end up with worse or less affordable coverage.

### Senate Budget Plan's Health Cuts Nearly Equal Its Tax Cuts

2018-2027



Note: ACA = Affordable Care Act

Source: CBPP analysis

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