

ACA Repeal Lawsuit Would Cut Taxes for Top 0.1 Percent by an Average of \$198,000, Weaken Medicare Trust Fund

Amid a global pandemic and major recession, the Trump Administration and a group of 18 state attorneys general are continuing to urge the Supreme Court to overturn the entire Affordable Care Act (ACA), with oral arguments scheduled for November 10. Prior to the COVID-19 crisis, striking down the ACA would have caused 20 million people to lose health coverage, the Urban Institute [estimated](#). The Supreme Court will likely decide the case in 2021, when striking down the law would lead to even larger coverage losses, as millions more people are [turning](#) to ACA programs for coverage due to the recession.

At the same time that millions of Americans would lose coverage — and tens of millions would lose key protections and/or pay more for coverage or care — high-income people and certain large corporations would receive very large tax cuts. That’s because striking down the law would eliminate the revenue measures that helped finance the ACA’s coverage expansions.

If the Administration’s position prevails:

- The highest-income 0.1 percent (1 in 1,000) households would receive tax cuts averaging about \$198,000 per year, [the Tax Policy Center estimates](#). (See chart.) This group has annual incomes over \$3 million.
- Households with annual incomes over \$1 million would receive tax cuts averaging about \$42,000 per year.
- Tax cuts for households with incomes over \$200,000 would cost the federal government a total of about \$30 billion in 2020. That’s over one-third of the federal cost of the ACA’s expansion of Medicaid to low-income adults, meaning that it could pay for health coverage for over 4 million people.

A portion of these tax cuts — about \$10 billion per year — would come at the direct expense of the Medicare Trust Fund, since the additional Medicare tax the ACA instituted for couples with earnings over \$250,000 flows to the fund.

Meanwhile, pharmaceutical companies would pay \$2.8 billion less in taxes each year, even as [millions of seniors](#) would pay billions more for prescription drugs because eliminating the ACA would reopen the “donut hole” gap in Medicare’s prescription drug benefit.

Despite the [flimsy legal basis](#) for the lawsuit, high-income filers and their tax advisors are taking seriously the possibility of the Supreme Court striking down the ACA: wealthy taxpayers are reportedly rushing to [secure windfall refunds](#) for ACA taxes paid in *previous* years if the lawsuit succeeds.

ACA Repeal Would Also Widen Racial Gaps

Striking down the ACA would also widen racial gaps, with particularly large health coverage losses among Black and Hispanic people, whom the pandemic and recession have disproportionately harmed. In its pre-COVID-19 estimates, the Urban Institute projected that ACA repeal would cause nearly 1 in 10 non-elderly Black people, and 1 in 10 Hispanic people, to lose coverage, compared to about 1 in 16 white people. Meanwhile, the tax cuts that would result from striking down the law would flow disproportionately to white households, which are [three times likelier](#) than Black or Hispanic households to be in the top 1 percent of the income scale.

For more information, see [ACA Repeal Lawsuit Would Cut Taxes for Top 0.1 Percent by an Average of \\$198,000](#), CBPP, June 24, 2020

ACA Repeal Lawsuit, If Successful, Would Give Windfall to Highest-Income Households

Income group	Share of total tax cut	Average tax cut
Lowest fifth	3%	\$40
Second fifth	3%	\$50
Middle fifth	3%	\$50
Fourth fifth	4%	\$80
Next 10 percent	3%	\$110
Next 5 percent	2%	\$210
Next 4 percent	14%	\$1,580
Next 0.9 percent	25%	\$13,140
Top 0.1 percent	42%	\$198,250

Note: ACA = Affordable Care Act. Chart shows the distribution of ACA revenue measures in 2019.

Source: Tax Policy Center

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