



Wait, the GOP Tax Plan Means Medicare Cuts?

Republicans continue to press for changes to our nation's health care system that will upend markets, breed uncertainty, and leave millions wondering whether they will have health coverage. Now, the Republican tax plan threatens significant cuts to the Medicare program.

A little-known law could mean that the passage of the GOP tax reform bill will invoke massive cuts to the Medicare program, totaling around \$410 billion over ten years. Under the statutory Pay-as-You-Go (or PAYGO) law, Congress must tally the costs and savings that legislation will have over a ten year period. When Congress adjourns at the end of a calendar year, if the sum of all legislation passed in 2017 increases the deficit, compared to balances from previous years, automatic spending cuts will take place across the budget, including to the Medicare program.¹

Consequences of Violating Statutory PAYGO

If Congressional Republicans pass \$1.5 trillion in unpaid-for tax cuts, statutory PAYGO would trigger commensurate sequestration cuts from the budget over ten years.² In 2018 alone, that means a cut of around \$25 billion to Medicare and the *elimination* of all non-exempt programs, including the Student Loan Administration and agricultural subsidies and supports.³

Over ten years, the Republican tax plan would cut Medicare by up to \$410 *billion*, with hospitals and providers shouldering much of the burden.⁴ For Florida, that would mean cuts of more than \$33 billion to Medicare. In Ohio, cuts would exceed \$16 billion.

Restricting Access to Care: Fifty-five million people across the country depend on Medicare for health care.⁵ If health providers face massive cuts from Medicare, doctors could choose to cover fewer Medicare beneficiaries or not cover any at all. The Department of Health and Human Services has warned in the past that cuts to Medicare reimbursements could force providers to drop beneficiaries, and the \$410 billion in cuts initiated the GOP tax plan would be no different.⁶

Hurting Home Health: These cuts would have profound consequences for providers across the country. The 12,400 home health agencies that care for our nation's most vulnerable seniors rely on funding from programs like Medicare and Medicaid for 70 percent of their revenues.⁷ Private insurance covers about 17 percent of revenues, while much of the rest is covered by patient out-of-pocket payment. If Medicare is squeezed by sequestration cuts, seniors could face increases in out-of-pocket costs for home health services or significantly limited access to these services.

Threatening Rural Hospitals: Rural hospitals, which often have operating margins of 1 percent or less, rely on Medicare for more than 20 percent of their revenues.⁸ These cuts would devastate rural hospitals, which are economic engines in the communities that they serve, and threaten to curtail already-limited access to health care for rural seniors.

Stifling Employment: In response to sequester cuts in 2011, the American Hospital Association warned that Medicare cuts of just 2 percent over 9 years would lead to nearly 200,000 lost jobs.⁹ The cuts under consideration today could threaten more than 115,000 jobs in 2018 *alone*.¹⁰

GOP Tax Plan Triggers PAYGO Medicare Cuts

State	Cuts to Medicare, 2018-2027 (\$Millions)
United States	410,159
Alabama	6,869
Alaska	523
Arizona	7,820
Arkansas	3,911
California	45,775
Colorado	4,954
Connecticut	5,235
Delaware	1,416
District of Columbia	723
Florida	33,696
Georgia	10,822
Hawaii	1,438
Idaho	1,674
Illinois	15,909
Indiana	8,507
Iowa	3,691
Kansas	3,411
Kentucky	6,194
Louisiana	6,445
Maine	1,972
Maryland	7,670
Massachusetts	9,998
Michigan	14,814
Minnesota	6,218
Mississippi	4,276
Missouri	8,222
Montana	1,134
Nebraska	2,149
Nevada	3,317
New Hampshire	1,717
New Jersey	13,025
New Mexico	2,208
New York	28,206
North Carolina	12,462
North Dakota	781
Ohio	16,442
Oklahoma	4,899
Oregon	4,596
Pennsylvania	19,770
Rhode Island	1,537
South Carolina	6,619
South Dakota	999
Tennessee	8,835
Texas	29,545
Utah	2,139
Vermont	834
Virginia	8,962
Washington	7,286
West Virginia	2,982
Wisconsin	6,942
Wyoming	588

Source: Joint Economic Committee Democratic Staff calculations based on data from the Congressional Budget Office, Senate Budget Committee Democratic Staff, and the Kaiser Family Foundation.

Note: Cuts to Medicare assume a 4 percent proportional cut to total state Medicare funding from 2018-2027.

¹ Cuts apply to all non-exempt mandatory programs. See appendix here for list of eligible programs: https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/sequestration_reports/2018_jc_sequestration_report_may2017_potus.pdf

² <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1hoyerletter.pdf>

³ <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1hoyerletter.pdf>; <http://www.crfb.org/blogs/how-paygo-rules-could-affect-tax-reform>

⁴ JEC Democratic staff calculations based on data from the Congressional Budget Office, the Senate Budget Committee Democratic Staff, and assumes 4 percent in sequestration cuts to Medicare.

⁵ <https://www.kff.org/medicare/state-indicator/total-medicare-beneficiaries/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D>

⁶ https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/downloads/PPACA_2010-04-22.pdf

⁷ <https://www.cdc.gov/nchs/fastats/home-health-care.htm>; JEC Democratic Staff calculations based on data from Table 4 of <https://www.census.gov/services/index.html>

⁸ <http://www.healthaffairs.org/doi/10.1377/hlthaff.2016.0357>

⁹ <http://www.aha.org/content/11/1/hospjobslostreport.pdf>

¹⁰ JEC Democratic staff calculation based on AHA's estimate that the 2011 sequestration budget cuts would eliminate almost 200,000 jobs (<http://www.aha.org/content/11/1/hospjobslostreport.pdf>). This estimate was based on a cut of \$41 billion, which amounts to nearly 4,700 jobs lost for every \$1 billion cut. In the first year, cuts of 4 percent to the Medicare budget could amount to up to \$25 billion, indicating 116,900 jobs would be vulnerable to the sequestration cuts as a result of the PAYGO law. These job losses would be on top of those stemming from the ongoing sequestration cuts, should those take place.