

# PRESIDENT BIDEN'S 2025 BUDGET

## Protects Medicare and Lowers Health Care Costs for American Families

[President Biden's 2025 budget](#) offers a dramatically different vision for Americans' access to health care compared to House Republicans' 2025 budget. The President's budget underscores Democrats' commitment to making quality, affordable health care a right for all Americans. On the other hand, the Republican budget fails to protect Medicare benefits for all generations, attacks Medicare's ability to negotiate lower drug prices, and slashes mandatory health programs by \$2.2 trillion.

The President's budget builds on the progress of the Affordable Care Act (ACA) and Democrats' recent investments under the American Rescue Plan Act (ARP) and the Inflation Reduction Act (IRA) to further lower health care costs for American families and the federal government. As Republicans plot to strip millions of Americans of their health care, raise drugs costs for seniors and families, and end Medicare as we know it, President Biden and Congressional Democrats will continue to put the health of the American people over Big Pharma's profit margins.

### PROTECTING AND STRENGTHENING MEDICARE

The budget extends the solvency of the Medicare Hospital Insurance (HI) Trust Fund indefinitely by making sure high-income individuals pay their fair share.

**Modestly increases the Net Investment Income Tax (NIIT) rate on incomes above \$400,000 (\$404 billion savings)** — The budget increases the NIIT rate on earned and unearned income above \$400,000 from 3.8 percent to 5 percent. The budget honors President Biden's commitment to not raise taxes on anyone earning less than \$400,000 a year and strengthens Medicare by extending its solvency indefinitely.

**Closes tax loopholes for pass-through business income (\$393 billion savings)** — The budget requires all pass-through business income of high-income households to be subject to either the 3.8 percent NIIT or the equivalent Self-Employment Contributions Act (SECA) tax. This ensures this income is subject to the same rules as other types of income. The budget also dedicates all NIIT revenues to the HI Trust Fund as originally intended.

**Strengthens prescription drug reforms (\$200 billion net savings)** — The budget builds on the new drug price negotiation power enacted in the IRA by allowing Medicare to negotiate lower prices for more drugs sooner, extending the life of Medicare and lowering Medicare beneficiaries' out-of-pocket drug costs by billions of dollars. Other prescription drug reforms include extending the IRA's inflation rebates and \$2,000 out-of-pocket prescription drug cap for Medicare to commercial health insurance plans, lowering prescription drug costs for all Americans.

## LOWERING HEALTH CARE COSTS FOR AMERICAN FAMILIES

Thanks in large part to the investments in the ARP and the IRA, the national uninsured rate hit an [all-time low](#) last year and [over 20 million](#) people signed up for health coverage under the ACA this year. Despite Republicans' war against this popular and transformative legislation, the ACA continues to deliver affordable, quality health coverage for millions of Americans. The budget builds on this progress by continuing to lower health care costs and expand access to affordable health care coverage.

**Permanently extends the enhanced ACA premium tax credits (\$273 billion)** — The budget permanently extends the enhanced ACA tax credits initially enacted in the ARP. The ARP increased the tax credit amounts and expanded eligibility to people with incomes above 400 percent of the federal poverty level for 2021 and 2022, lowering premiums for ACA coverage by an average of [\\$800](#) per person per year. The IRA extended these enhanced tax credits for three more years through 2025 and the budget finishes the job by making the tax credits permanent.

**Closes the Medicaid Coverage Gap (\$200 billion)** — The budget permanently extends coverage to low-income individuals in states that have not expanded Medicaid. This investment would provide health insurance coverage to over [2.1 million](#) uninsured adults, reduce racial health disparities, and improve health care access, health outcomes, and financial security for Americans everywhere.

**Extends continuous eligibility for children in Medicaid and the Children's Health Insurance Program (CHIP) (\$10 billion)** — States have the option to provide continuous eligibility for children in Medicaid and CHIP for 12 months. The President's budget expands this eligibility from birth until age six, and for 36 months for older children. This investment ensures continuous health care for children during this critical development stage and provides additional coverage for older children regardless of changes in their family income.

## LOWERING PRESCRIPTION DRUG COSTS

The IRA finally gave Medicare the power to negotiate the cost of prescription drugs with pharmaceutical companies and required drug manufacturers to pay rebates to Medicare if their price increases for certain drugs exceeded inflation. Despite House Republicans' efforts to weaken Medicare drug price negotiations, the President doubles down on the IRA's achievements to lower prescription drug costs even more.

**Strengthens prescription drug reforms (\$200 billion savings)** — As described in the previous section on strengthening Medicare, allowing Medicare to negotiate lower prices for more drugs sooner would cut Medicare beneficiaries' out-of-pocket drugs costs by billions of dollars and end exorbitant price gouging by pharmaceutical companies. Furthermore, expanding the \$2,000 out-of-pocket prescription drug cost cap for Medicare to commercial plans would lower prescription drug costs for all Americans who purchase their own health insurance or get coverage through an employer.

**Provides life-saving protection of a \$35 per month insulin cap to all Americans (\$1.3 billion)** — Starting on January 1, 2023, the IRA provided this life-saving protection to Medicare beneficiaries by

capping insulin costs at \$35 a month. The budget extends this life-saving protection to all Americans including younger individuals who directly purchase their own health insurance or get coverage through an employer.

**Caps cost-sharing for generic drugs for chronic conditions in Medicare (\$1.3 billion)** — The budget caps Medicare Part D cost-sharing on certain generic drugs, such as those used to treat hypertension and high cholesterol, to \$2 per prescription per month.

## REPUBLICANS ABANDON AMERICAN FAMILIES

In stark contrast to the President's budget that keeps our commitments to working families, [House Republicans' budget](#) does not commit to protecting Medicare and slashes programs that help those most in need.

**Fails to protect Medicare benefits for all generations** — Their budget omits proposals to strengthen Medicare and fails to explicitly safeguard Medicare benefits for all generations. As proposed by President Biden, we must protect and strengthen Medicare without cutting benefits. Furthermore, we already know what Congressional Republicans' track record on this looks like. For years, Republican Members of Congress have repeatedly tried to cut Medicare benefits and move toward privatizing it.

**Attacks Medicare's ability to negotiate lower drug prices** — Their budget rejects "centralized government price controls" for cures and therapies in their effort to attack Medicare's new negotiating authority. For far too long, Americans have paid more for prescriptions drugs than any major economy. The negotiating authority allows the government to act as a smart purchaser—like a business, not a regulator—to get a better deal for seniors and will end exorbitant price gouging by pharmaceutical companies. We should strengthen Medicare's negotiating authority as proposed by President Biden.

**Slashes mandatory health programs by \$2.2 trillion** — Their budget slashes mandatory health spending by \$2.2 trillion over 10 years, which largely reflects Medicaid cuts. This would devastate the health and well-being of our most vulnerable populations, including children, women, people with disabilities and seniors. Instead of slashing Medicaid, we must strengthen the program, for example by extending continuous eligibility benefits for children and requiring 12 months of postpartum coverage as proposed by President Biden.

*This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.*



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