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Budget Reconciliation Adds Millions to Ranks of the Uninsured and Undermines Women's Health Care

The House this week will consider overriding the President's veto of the budget reconciliation bill (H.R. 3762) that would cause 22 million Americans to lose health coverage after 2017 and would undermine women's access to important health services. The reconciliation bill guts much of the Affordable Care Act (ACA) and continues the crusade against women's health by defunding Planned Parenthood. This week will mark the 63rd time the Republican-controlled House has voted to repeal, defund, or otherwise undermine the ACA. The Congressional Budget Office (CBO) estimates the vetoed bill reduces deficits by $318 billion over ten years. This figure includes savings of $933 billion from repealing the law's coverage expansions, $611 billion in revenue losses from repealing various other reforms and financing provisions, and roughly $5 billion in net new spending from other provisions. The bill increases on-budget deficits over the longer term. The bill is not a complete repeal of the ACA; for example, it does not touch the law's significant Medicare cost-containment measures. CBO estimated last year that full repeal of the ACA would increase deficits by $353 billion over ten years. Following is a summary of the bill that the President vetoed.

Dismantling the Affordable Care Act

Takes away affordable health care coverage — The reconciliation bill terminates the ACA premium tax credits and cost-sharing subsidies for households with modest incomes and repeals the ACA Medicaid coverage expansion that has been adopted by 31 states and the District of Columbia, effective 2018. It also guts individual and corporate responsibility for health coverage by eliminating cash penalties for: 1) individuals who do not obtain minimum essential health coverage and 2) large employers who fail to offer affordable health coverage to their workers. CBO estimates that the bill would increase the number of people without health insurance coverage by about 22 million people in most years after 2017. The ACA's individual responsibility provision operates in concert with the law's other insurance market reforms – such as the prohibition against insurers discriminating on the basis of pre-existing conditions – and the law's premium assistance credits to make quality health coverage affordable and accessible. Terminating the individual responsibility provision and the premium assistance, while leaving these other market reforms in place, is likely to result in unstable insurance markets, higher premiums for those who still have non-group coverage, and ultimately even more people without the security of health coverage.

Terminates program to help insurers manage risk in uncertain new markets — The bill sunsets the transitional reinsurance program, effective 2016. The ACA created this program to address the inherent uncertainty insurers faced when establishing new health insurance markets. The reinsurance program is scheduled to end after 2016 anyway because the law assumes that after three years of experience with the new markets, insurers will have the ability to estimate costs and price their plans correctly.

Recaptures all excess advance premium tax credits — The bill eliminates protections for modest-income households who underestimate their income when applying for premium tax credits and consequently must later repay, or "true-up," the excess tax credit to the Treasury. Current law caps the true-up exposure for households with incomes below 400 percent of the poverty line. The bill eliminates these caps for 2016 and 2017.

Repeals small business tax credit — The bill terminates an ACA tax credit provided to small businesses for the purchase of health coverage, effective 2018.

Repeals the Prevention and Public Health Fund — The bill repeals the Prevention and Public Health Fund, reducing federal spending by $12.7 billion through 2025. Established by the ACA, the Prevention Fund supports evidence-based programs to keep Americans healthy, prevent chronic and infectious diseases, and reduce future health care costs. Repealing the Prevention Fund is likely to undermine prevention efforts in communities across the country, including programs to reduce tobacco use, screen for breast and cervical cancers, and immunize children and adults.

Repeals excise tax on high-cost employer-sponsored health plans — The bill eliminates an excise tax originally scheduled to take effect in 2018 on employer-sponsored health plans with premiums exceeding certain dollar thresholds.[1] The thresholds are indexed to inflation and adjusted for employers facing high costs due to high-risk occupations or the demographics of their employees. The cost of repealing this tax grows quickly over time.

Repeals medical device tax — The bill repeals the ACA's 2.3 percent tax on medical devices. The medical device tax is based on the principle that industries that will benefit from the expansion of health coverage should help cover the cost of expansion. The medical device tax took effect in 2013, and in that year the device industry's revenues and research and development spending increased, and industry employment increased by 23,500. Since the tax took effect, the top 12 publicly traded device companies have experienced double-digit profit margins. This runs contrary to industry claims that the tax reduces innovation and employment.[2]

1 The Consolidated Appropriations Act for 2016 delayed this tax by two years.

2 A two-year moratorium on this tax was enacted in the 2015 tax extenders bill.

Repeals Medicare Part D reform related to employer plans — The ACA ended the ability of employers to deduct the federally subsidized cost of offering drug coverage to Part D-eligible retirees. The bill restores the ability of employers to claim this deduction.

Repeals numerous other provisions — The bill repeals a number of other ACA provisions, as listed below.

- **Medicaid.** In addition to repealing the coverage expansion, the bill repeals provisions on presumptive eligibility, maintenance of effort requirements, benchmark plans, payments to hospitals treating a disproportionate share of low-income patients, and enhanced federal matching funds for a variety of purposes.
- **Payments to territories.** The bill ends availability of ACA funding to U.S. territories.
- **Tax-favored health accounts (Health Savings Accounts, etc.).** The bill repeals the exclusion of over-the-counter drugs from the definition of qualified medical expenses, repeals the increase in tax on unqualified distributions from these accounts, and repeals the limit on contributions to flexible spending arrangements.
- **Other tax provisions.** The bill repeals taxes on pharmaceutical companies and health insurance firms; restores the pre-ACA threshold for claiming the itemized deduction for medical expenses to 7.5 percent of adjusted gross income; repeals an additional 0.9 percent payroll tax on taxpayers with earnings above $200,000 ($250,000 for joint filers) as well as a 3.8 percent tax on unearned income of tax filers with incomes above those levels; and repeals provisions affecting deductibility of executive compensation, an excise tax on tanning salons, and codification of “economic substance doctrine” and related tax penalty provisions.

Undermining Women’s Health Care

Prohibits funding to Planned Parenthood for one year — The bill targets Planned Parenthood by prohibiting federal funding through Medicaid for one year to certain organizations that provide abortions with non-federal funds – saving $235 million – and increasing funding to community health centers by the same amount for two years. Eliminating Medicaid funding to Planned Parenthood centers would make it very difficult for women, especially those living in areas with a shortage of low-income providers, to access services such as contraception, cancer screenings, and STI tests and treatments. Republicans argue that redirecting funds to community health centers would avert any gap in services resulting from defunding Planned Parenthood, but CBO and public health professionals reach a different conclusion. CBO does not expect that additional funding to community health centers would have a significant impact on the loss of access to contraceptive services, in part because community health centers are a unique model and use federal funds to support a broad range of services, from medical to dental to behavioral health.