

# REPUBLICANS' EXTREME BUDGET GUTS MEDICARE AND TAKES HEALTH CARE AWAY FROM MILLIONS OF AMERICANS

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The Republican Study Committee (RSC), which represents 80 percent of House Republicans and 100 percent of their leadership, revealed their dismal vision for American families. Their extreme 2025 budget proposal ends Medicare as we know it by replacing it with inadequate vouchers, destroys the Affordable Care Act (ACA), and guts Medicaid and the Children's Health Insurance Program (CHIP). Their budget also repeals the Inflation Reduction Act (IRA), which empowered Medicare to negotiate lower drug prices and capped seniors' out-of-pocket prescription drug costs, including the \$35 price cap per month for insulin.

In stark contrast, [President Biden's 2025 budget](#) protects and strengthens Medicare, lowers prescription drugs costs, and expands health care coverage for American families. The President's budget underscores Democrats' commitment to making quality, affordable health care a right for all Americans by building on the progress of the ACA and Democrats' investments in the IRA to lower health care costs for American families and taxpayers. As Republicans plot to strip millions of Americans of their health care, raise drugs costs for seniors, 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.

## REPUBLICANS END MEDICARE AS WE KNOW IT

The [RSC budget](#) turns Medicare into a "premium support" program, raising premiums for millions of seniors. Their budget would take away the guaranteed benefit under the traditional Medicare program and force seniors to fend for themselves with nothing but a coupon. The RSC budget also repeals the IRA, which would increase prescription drug costs for Medicare beneficiaries as well as Federal government spending.

## REPUBLICANS SLASH \$4.5 TRILLION FROM THE ACA, MEDICAID, AND CHIP

The RSC slashes the ACA premium assistance, Medicaid, and CHIP funding by \$4.5 trillion or 54 percent over the next ten years. The RSC turns Medicaid into block grants, threatening coverage and care for over 60 million Americans with Medicaid. Under their plan, states would be forced to make it harder to qualify and enroll in coverage, cut critical benefits, or both, threatening coverage for millions of children and families. Furthermore, the RSC's extreme budget completely strips funding from the ACA's Marketplace and Medicaid expansion, ripping coverage away from more than 45 million people.

## PRESIDENT BIDEN PROTECTS AND STRENGTHENS MEDICARE

In stark contrast with the Republican budget, the President's budget extends the solvency of the Medicare Hospital Insurance (HI) Trust Fund indefinitely by making sure high-income individuals pay their fair share. Major proposals include:

**Modestly increasing 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.

**Closing 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.

**Strengthening 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.

## PRESIDENT BIDEN LOWERS HEALTH CARE COSTS FOR AMERICAN FAMILIES

Thanks in large part to the investments in the American Rescue Plan Act (ARP) and the IRA, the national uninsured rate hit an [all-time low](#) last year and a record-breaking [21.3 million](#) Americans 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. Major proposals include:

**Permanently extending 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.

**Closing 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.

**Extending continuous eligibility for children in Medicaid and 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.

## PRESIDENT BIDEN LOWERS 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 repeal the IRA, the President doubles down on the IRA's achievements to lower prescription drug costs even more. His major proposals include:

**Strengthening 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.

**Providing 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.

**Capping 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.

***In March 2024, the Democratic Staff of the House Budget Committee released a fact sheet on President Biden's 2025 budget which can be found [here](#).***

*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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