

US Senate health care bill guts Medicaid, slashes taxes for the wealthy

Kate Randall
23 June 2017

US Senate Republicans unveiled on Thursday the Better Care Reconciliation Act, their version of a plan to “repeal and replace” the Affordable Care Act (ACA), the Obama administration’s signature domestic legislation. The US House passed its own version, the American Health Care Act (AHCA), early last month.

Like the House plan, the Senate version guts Medicaid, the health insurance program for the poor and disabled jointly administered by the federal government and the states, slashing its funding by hundreds of billions of dollars. It would mark the effective end of the program, which currently covers 75 million Americans, as a guaranteed program based on need.

Better Care also repeals virtually all of the ACA’s taxes on wealthy individuals and corporations, effecting one of the largest redistributions of wealth from the poor to rich in US history. These tax cuts would be paid for by slashing health care coverage and raising costs for the vast majority of ordinary Americans, in particular targeting the poor, the elderly, the disabled, and those with preexisting conditions and disabilities.

The plan was drafted in secrecy by a “working group” of 13 senators, a process drawing criticism from both Republican and Democratic senators. As of Thursday evening, a group of four ultra-right Republican senators said they would not sign on to the bill, as it was not draconian enough, while other more moderate Senate Republicans said they needed to study the bill before making a decision.

However, it is likely that Majority Leader Mitch McConnell will be able to garner the votes of 50 out of 52 Republican senators to pass the legislation with a simple majority, counting on the vote of Vice President Mike Pence to break a tie. The bill would then be sent to a conference with the House, where a final version would be agreed, before being sent to President Trump to sign. Senate leaders hope to receive a scoring on the bill from the Congressional Budget Office (CBO) early next week and vote on it before the July 4 recess.

Medicaid

The Senate bill would convert Medicaid to a “per capita cap” funding system, in which states would get a lump sum from the federal government for each enrollee. States could also choose to receive a block grant instead, not tied to the number of Medicaid enrollees. This would effectively end Medicaid as an “entitlement” program, so-called because the funding is expanded automatically as

people qualify on the basis of need.

The legislation would also change the way federal payments to Medicaid are calculated. The Senate bill would tether funding growth to the Medical Consumer Price Index plus 1 percentage point through 2025, then change over to the urban Consumer Price Index (CPI). This would amount to a funding cut to Medicaid, as the cost of health care typically goes up faster than the CPI.

The bill would also end the expansion of Medicaid under Obamacare by 2021. This extended coverage to an estimated 14 million people, mainly low-income adults earning below 138 percent of the poverty line (about \$15,000 for an individual), in the 31 states plus the District of Columbia that opted to participate in the expansion.

Better Care defunds Planned Parenthood for one year, meaning Medicaid patients could no longer seek treatment of any kind at the nonprofit organization’s clinics. This will result in forgone screenings, less access to contraceptive and abortion services, and more unintended pregnancies, as well as maternal and infant deaths.

CBO scoring of the House bill, which makes similar cuts, estimated it would slash overall funding to Medicaid by \$880 billion over a decade. The cutbacks would force states to remove people from Medicaid, reduce the range of services covered, and cut reimbursements to doctors, hospitals and drug companies.

Tax cuts

The Senate bill cuts taxes on net investment income for wealthy people, repeals an ACA Medicare tax on wealthy people, and eliminates taxes on health insurers, medical device companies and tanning salons.

Better Care repeals a 3.8 percent tax on net investment income (capital gains, dividends, etc.) for individuals making more than \$200,000 a year or for couples making more than \$250,000. In one of the bill’s most brazen giveaways to the rich, this repeal is not only immediate, but retroactive to capital gains made earlier this year.

The Tax Policy Center estimates that around 90 percent of the tax cuts will go to households with more than \$700,000 in annual income, the top 1 percent, who will be freed from the 3.8 percent tax, along with a 0.9 percent payroll surtax on their salaries.

Smaller subsidies, skimpier coverage

The bill would make much less generous subsidies available to low- and middle-income people to purchase health insurance (people earning less than 350 percent of the poverty line, compared to the ACA's 400 percent cutoff). Individuals earning less than \$41,580 and families of four making less than \$85,050 would be covered. However, the size of the tax credits would be tied to what it takes to purchase insurance with poorer coverage.

Insurance companies would be able to charge older adults not yet eligible for Medicare five times more than younger people, compared to three times more under Obamacare. The bill would also change the definition of "affordable" insurance. For example, a 60-year-old who earns \$35,640 a year would be required to spend 16.2 percent of annual income, or \$5,773, before receiving any assistance from the government. Overall, working-class families would pay higher premiums, deductibles and out-of-pocket costs for health insurance that covers much less.

Essential benefits and preexisting conditions

The Senate bill would allow states to seek a waiver from ACA requirements for insurers to cover essential benefits, such as maternity care, prescription drugs, substance abuse and mental health services, emergency care, and other vital services.

While Senate Republicans claim their legislation keeps in place protections for those with preexisting conditions, in practice insurers would be able to skirt these protections by simply offering plans that don't cover a range of preconditions, such as diabetes, cancer, prenatal care, etc.

Such waivers could also affect those with employer-sponsored insurance. For example, large employers in a waiver state could restrict services, impose lifetime limits on health care costs and eliminate out-of-pocket caps from their plans.

Better Care eliminates the individual mandate, which requires those without coverage from their employer or from a government program to purchase insurance or pay a tax penalty. Due to the "reconciliation" process, the bill cannot eliminate the mandate, but it reduces the penalty to zero. Employers with 50 or more employees would also not be penalized if they fail to provide insurance to their workers.

While gutting the mandates, the Senate plan keeps the insurance marketplaces set up under the ACA intact, but insurance will be more expensive and cover less.

While Republicans in both the Senate and House, as well as the Trump administration, have set as their goal repealing and replacing Obamacare, both the AHCA and the Better Care Reconciliation Act keep the ACA's basic structure in place—all while repealing taxes for the wealthy, gutting Medicaid and raising costs and cutting services for working and middle-class people.

This is in part the result of the procedure chosen for repeal. Lacking the 60 votes to overcome a Senate filibuster, the Republican leadership chose to employ "reconciliation," which is limited to a single bill each year, and requires only a simple majority. The rules governing reconciliation are arcane, and prevent changes in policy that have no fiscal impact, such as a ban on insurance companies covering

abortion, which was dropped from the Senate bill.

But in the final analysis, there was no need to repeal Obamacare outright, since it accomplishes many of the goals agreed on by both capitalist parties. As the WSWS has maintained from the start, Obamacare was aimed at cutting costs for the government and corporations while rationing health care for the vast majority. Whatever version of "Trumpcare" eventually emerges from Congress for the president to sign will take the tendencies already present in the Affordable Care Act, then strip off the limited concessions it offered in the way of Medicaid expansion, essential services and other inadequate protections.

Obamacare took as its starting point the entrenched for-profit system of health care delivery in America, which is based on enriching the insurance companies, the pharmaceutical companies and the giant hospital chains.

With this as its basis, the ACA had as its aim the development of an even more openly class-based health care system than what previously existed, in which workers and their families are left with rising costs, cut-rate care, or no coverage at all, and the super-rich and privileged upper-middle-class layer avail themselves of the best medical care that money can buy.

As we wrote last year, through its tax credit system and marketplace exchanges, "[T]he ACA essentially establishes a voucher system, whereby minimal government subsidies are given to individuals to purchase private health insurance. It thereby serves as a model for the future privatization of the key government programs, Medicare and Medicaid, wrenched from the ruling class through bitter working class struggles in the last century."

The Democrats have predictably denounced the Senate plan as a boondoggle for the rich, with House Minority Leader Nancy Pelosi and Senate Minority Leader Chuck Schumer railing against the tax breaks for the rich and the millions who stand to lose coverage.

But they have little to offer in way of an alternative, except the maintenance of the Obamacare status quo, or "working with" the Republicans to fix it. That is because they believe in the underlying premise that health care in America must remain at the mercy of the for-profit health care industry, and that the provision of health care must conform to the interests of the capitalist market.

As the WSWS wrote in July 2009, more than six months before the ACA became law, the Obama administration's "drive for an overhaul of the health care system, far from representing a reform designed to provide universal coverage and increased access to quality care, marks an unprecedented attack on health care for the working population. It is an effort to roll back social gains associated with the enactment of Medicare in 1965."

The Republicans' attack on Medicaid, embodied in both the AHCA and the Better Care bill, marks a further step in this direction.



To contact the WSWS and the
Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)