

# THE FISCAL TIMES

## **Obamacare Repeal Won't Be Cheap: GOP Plan Could Cost \$700 Billion**

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A new report by the congressional Joint Committee on Taxation highlights the Republicans' growing challenge to find a way to finance their plan to replace the Affordable Care Act.

The GOP and its allies have been unable to agree on a way to replace the hundreds of billions of dollars generated by Obamacare's tax increases on wealthy Americans and the health care industry. For now, they have created a placeholder in their plan while temporarily maintaining many of the Obamacare tax increases for one year.

On Tuesday, economists at the Joint Committee on Taxation released their estimates of the cost of fully repealing the ACA's taxes. The report showed the Treasury would lose nearly \$600 billion in tax revenue through 2026 – and likely close to \$700 billion through 2027.

The dozen or so Obamacare taxes that were targeted by the Republicans for repeal include a 3.8 percent investment income tax, a health insurer tax, a 0.9 percent payroll tax, a medical expense deduction and a prescription drug industry tax. The CBO has estimated that the existing Obamacare taxes would generate about \$1.1 trillion in revenues between 2016 and 2025 without any changes.

The House GOP Obamacare replacement plan unveiled by House Speaker Paul Ryan (R-WI) on Monday includes an alternative package of costly tax credit subsidies for millions of Americans, tax-exempt health savings accounts, and a commitment to continue expanded Medicaid coverage for the poor in 31 states and the District of Columbia through early 2020.

At one time the plan was going to be largely financed by capping a highly generous federal tax exclusion for employer-sponsored health insurance – a move that potentially could raise \$100 billion a year.

The health insurance tax exemption – by far the biggest loophole in the federal tax code – costs the Treasury roughly \$260 billion a year by not taxing employer-provided health benefits for employees. Many economists and fiscal conservatives have argued for years that Congress should eliminate the tax break or at least cap its benefit so that high-end or “Cadillac” health insurance policies don't escape taxation.

But when employers, labor leaders, national business organizations and conservative groups all raised a fuss, House GOP leaders pulled back and postponed the effective date of the change until 2025.

By delaying the effective date, the Republicans could claim credit for the revenue savings in a budget resolution without hitting employers and employees with higher taxes on the health care benefits, according to Michael Cannon, the director of health policy at the libertarian Cato Institute.

“It’s clearly in there just to cook the books and make the numbers look better than they are,” Cannon said in an interview Tuesday.

Now, however, there is a glaring hole of \$600 billion to \$700 billion in the House GOP plan, which has drawn sharp attacks not just from Democrats opposed to repealing the health care law, but also from many Republican lawmakers.

But figuring out a way to plug a \$600 billion hole in their replacement legislation is only part of the problem. The estimates of JCT, a non-partisan research arm of Congress, do not include the cost of repealing the individual and employer mandates or the cost of the replacement tax credits in the House legislation.

Members of the influential House Freedom Caucus and the House Liberty Caucus came out against the plan Tuesday, and they have the strength to derail the bill. They are demanding a complete repeal of Obamacare, particularly the mandates and taxes. Also on Tuesday, enough U.S. senators came out against the proposal to put it in danger of failing in that body as well.

Meanwhile, House Leadership and the White House were mounting a full court press to back the law. President Trump tweeted favorably about it on Tuesday morning, and Health and Human Services Secretary Tom Price was brought into the White House briefing room to talk to reporters about it.

So far, it doesn't seem to be working.

“Certainly, fiscally there is a problem for the Republicans,” said Joseph Antos, a health policy expert with the conservative leaning American Enterprise Institute, “and that’s leaving aside the politics.”

Antos said the House Republicans “put themselves in a box” by calling for the repeal of all the Obamacare taxes as well as all other provisions of the law in a budget resolution that the GOP-controlled Congress sent to President Barack Obama in January 2016.

Obama vetoed that repeal legislation. However, the Republicans by then were committed to ridding the country of all those taxes when they finally gained control of the White House. Now they must deliver on that promise or face political consequences from their political base.

“So they do have a problem in that regard,” Antos said.