NEW TAX LAW BENEFITS HEALTH CARE INDUSTRY, ENDANGERS VITAL SERVICES FOR DELAWARE WORKING FAMILIES

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AMERICANS FOR TaxFairness

HEALTH CARE FOR AMERICA NOW!

CREDITS

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Americans for Tax Fairness is a diverse coalition of 425 national and state endorsing organizations that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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Health Care for America Now (HCAN) is the national grassroots coalition of labor unions, community groups, policy advocates and online organizations that from 2008-2013 ran a five-and-a-half- year campaign to pass, protect, and promote the Affordable Care Act (ACA).

HCAN reconvened in 2016 to help lead the fight to stop the Republican's all-out effort to take away America's health care and put people at the mercy of the big health insurance companies again. With field partners in over 35 states, HCAN organizes grassroots pressure across the country against efforts to weaken, dismantle or repeal the ACA, to restructure and gut Medicaid and Medicare, and to shred critical social safety programs that our members depend on.

We believe that the Affordable Care Act must be improved and strengthened, not repealed. We also believe in expanding Medicaid, Medicare, the Children's Health Insurance Program (CHIP) and the social safety net by making the rich and corporations pay their fair share of taxes.

www.HealthcareforAmericaNow.org

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EXECUTIVE SUMMARY

On Tax Day 2018, health care and other vital public services are much less secure for Delaware working families due to $1.5 trillion in tax cuts enacted late last year by President Trump and the Republican Congress.

- The tax cuts take revenue out of the federal budget that could be used for public services and investments and divert most of it to the richest households and largest corporations. When the new tax law is fully phased in, 83% of the tax cuts will go to the wealthiest 1%.
- Moreover, these tax cuts will explode the national debt and thereby endanger future funding for Medicare, Medicaid, Social Security and other public services working families rely on.

The Trump-GOP tax cuts put the interests of the wealthy and corporations over those of working families and local communities:

- The *richest 1%* of Delaware taxpayers will get 23% of the state's total tax cut. The bottom 60% of taxpayers will get just 16% of the tax cuts.
- The richest 1% will get a tax cut of $40,780, on average. The bottom 60% will get a tax cut of $470—about a dollar a day.

Prescription drug companies and health insurers will reap tens of billions of dollars in tax savings under the new tax law, but few are sharing the wealth with their workers, and none are planning to cut their drug or insurance prices:

- Among the top 10 U.S. drug companies just **Merck and Pfizer** have said that they will share any of their new tax cuts with employees in the form of one-time bonuses, wage increases or fringe benefits.
- Of the 10 biggest health insurance and managed-care companies just three—**Anthem, Cigna** and **Humana**—have said that they will share any of their new tax cuts with employees.

To pay for their $1.5 trillion in tax cuts that mostly benefit the wealthy and corporations, President Trump and the GOP Congress have targeted vital public programs, particularly health care, for service reductions:

- **The new tax law reaps $314 billion in savings by repealing a key part of the Affordable Care Act (ACA), resulting in higher premiums and millions losing coverage.** By eliminating the requirement that those who can afford it buy health insurance, the GOP will be responsible for 13 million Americans losing coverage by 2027 and insurance premiums spiking by 10%, or $2,000, on average in 2019 for the remaining insured who buy policies on the individual market.

- **In his proposed budget for next year, Trump proposes more than $1.7 trillion in spending cuts. This would slash services that Delaware working families rely on:**

    - **Health care:** 35,000 fewer residents will have health coverage by 2025 due to the repeal of the ACA requirement to buy health insurance. Insurance premiums will be $2,350 higher in 2019 for Delaware families buying unsubsidized insurance through the individual market. The Trump budget goes much further by completely repealing the ACA, which would cause 81,000 people in Delaware to lose their health coverage by 2027.

- **Supplemental Nutritional Assistance Program (SNAP, or food stamps):** Trump's cuts to food stamps could cost 14,906 Delaware households their benefits in 2019 and 16,314 households could lose benefits by 2028.
- **Disability programs:** Trump cuts a total of $72 billion over 10 years from Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). Delaware could lose $212,821,462 based on its share of spending.
- **Infrastructure:** Trump proposes cuts of $240 billion over 10 years to infrastructure programs. Delaware could lose $427,629,643 from highway funding and $110,372,349 from transit funding between 2021 and 2027. These cuts could mean the loss of 6,725 Delaware "job years" (one job for one year) over this time.
- **Education:** Trump's budget eliminates federally-subsidized student loans, which could affect many of the 17,602 Delaware college students who received $66,420,922 in aid last year.
- **Affordable housing:** 401 Delaware families could next year lose the housing vouchers that help them afford rent in private housing. $8,040,987 could be cut in 2019 from a fund to repair and upgrade public housing facilities in our state. The HOME Investment Partnerships Program would be eliminated, costing Delaware $4,129,847 that helps provide affordable rental housing and homeownership opportunities. The Community Development Block Grant program would be zeroed out, cutting $6,357,664 that helps Delaware localities pay for a variety of community and economic development services, including affordable housing.

The Congressional Budget Office, a non-partisan scorekeeper, now reports that the tax cuts will add $1.9 trillion to the deficit—nearly one-third more than the $1.5 trillion estimated when the tax law was approved in December. This is close to the $1.7 trillion cut to Medicaid, Medicare, Social Security disability programs, SNAP and more proposed in Trump's budget.

Recently, the House of Representatives approved a "balanced budget" amendment to the U.S. Constitution that's anything but balanced: it would make cutting services for working families the only practical way of eliminating budget deficits. Increasing revenues—such as by repealing last year's tax cuts for the wealthy and corporations—would be very difficult with Trump and Republicans in charge.

We need a different direction. We call on our members of Congress to:

1. Repeal the Trump-Republican tax cuts for the wealthy and corporations that explode the national debt and thereby threaten Social Security, Medicare, Medicaid, education and more.
2. Make the wealthy and corporations pay their fair share of taxes so we can afford to strengthen our communities through long-overdue improvements in roads and transportation systems, schools, affordable housing, internet access and more.
3. Instead of attacking the Affordable Care Act to pay for tax cuts for the wealthy and corporations, strengthen the ACA to provide even more Americans with quality, accessible health care.
4. Instead of giving tax cuts to prescription drug companies and insurance companies, which have long price-gouged consumers and put healthcare out of reach for millions, Congress should lower prescription drug costs by allowing federal health programs to directly negotiate with drug firms, and it should lower health care costs by expanding not-for-profit healthcare programs like Medicaid and Medicare.

Following is an explanation of how the Trump-GOP tax cuts and budget cuts will benefit Delaware's wealthy families and large corporations while hurting the state's working families.

TAX CUTS SKEWED HEAVILY TOWARDS THE RICH HURT DELAWARE WORKING FAMILIES

The Trump-GOP tax cuts put the interests of the wealthy and corporations over those of working families and local communities. Here are the divergent ways the Trump-GOP tax cuts will impact Delaware families in 2019, according to the Institute on Taxation and Economic Policy:

- The *richest 1%* of Delaware taxpayers will get 23% of the state's total tax cut. The bottom 60% of taxpayers will get just 16% of the tax cuts.
- The richest 1% will get a tax cut of $40,780, on average; 4,950 taxpayers make up Delaware's richest 1%.
- The bottom 60% will get a tax cut of $470—about a dollar a day; 289,090 taxpayers make up Delaware's bottom 60%.
- The richest 1% in Delaware have an annual income of at least $505,960 a year, with an average income of $1,815,800. The income of the bottom 60% is less than $65,950 and averages just $32,500.

BIG CORPORATIONS ARE THE NEW TAX LAW'S BIG WINNERS

American corporations have in recent years enjoyed near record-high profits while paying near record-low taxes. Yet the central goal of the Trump-GOP tax law was to reduce their taxes even more. It cuts the corporate tax rate by nearly two-fifths, from 35% down to 21%. It exempts a big part of U.S. firms' foreign profits from U.S. taxation altogether, and taxes the rest at half the domestic rate, giving American companies a strong incentive to shift profits and jobs offshore. And it offers a $400 billion tax discount on the trillions of dollars in earnings big corporations have been storing up offshore while lobbying for just such a partial tax amnesty.

Despite a coordinated PR blitz meant to convince the public that businesses were passing along their tax-cut bonanzas to employees, the reality is that the great majority of the tax cuts are going just where you'd expect: into the pockets of rich CEO's and other wealthy shareholders, according to a comprehensive database maintained by Americans for Tax Fairness.

As of early April 2018:

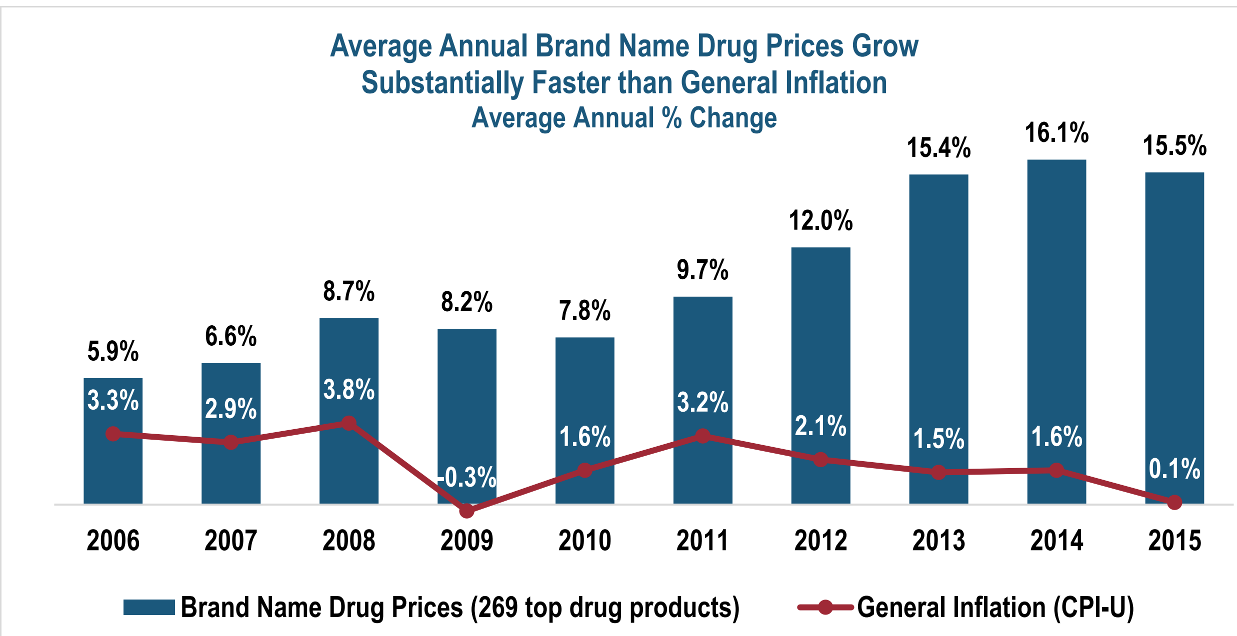
- Only **4% of employees**—6.3 million workers out of nearly 148 million—had been promised either a one-time bonus or a wage hike by their employer.
- Only **383 of the nation's 26 million businesses** had announced any plans to share the wealth from their tax cuts with workers through bonuses or wage increases,
- Corporations are getting **9 times** as much in tax cuts as they are giving to workers in one-time bonuses and wage hikes. 126 companies have been identified as receiving $60.8 billion in total tax cuts compared with $6.5 billion in one-time bonuses and wage hikes identified as going to workers.
- Corporations are spending **37 times** as much on stock buybacks as they are spending on workers' bonuses and wage hikes. Authorizations for stock buybacks, which overwhelmingly benefit the CEO's and other wealthy shareholders, have increased by $238 billion since the tax law was passed, while workers are getting $6.5 billion in one-time bonuses and wage increases.

HEALTHCARE COMPANIES: THE LEAST DESERVING TAX-CUT WINNERS

Among corporations, few fare better under the new Republican tax law—while deserving it less—than big drug companies and health insurers. Both the pharmaceutical and health-insurance industries have grown rich and powerful over the years by overpricing their products and under serving the American people.

Drug companies and health insurers will reap tens of billions of dollars in tax savings under the new tax law, while retaining a free hand to continue jacking up prescription drug prices and health insurance premiums. Contrary to "trickle down" claims that huge tax cuts will benefit the employees of these health-industry giants and other corporations, evidence so far shows that companies are sharing relatively little or nothing with their workers. Instead, they are shoveling even more profits to their wealthy shareholders.

As anyone who's filled a prescription recently knows, the system is already rigged in favor of drug companies and against consumers and taxpayers. The prices of 268 brand name drugs increased at least 15% a year from 2013 to 2015, per the AARP figures below. (This is the most recent data available.) These drug-price hikes have far outpaced inflation every year. Many of these are commonly prescribed drugs used to treat widespread chronic conditions like high blood pressure, glaucoma, and arthritis.



Source: AARP Public Policy Institute, Dec. 2016.

Despite this epidemic of price gouging, Trump and the Republican Congress saw fit to reward pharmaceutical companies with big tax cuts. Yet, among the top 10 U.S. drug firms:

- Just two—**Merck and Pfizer**—have said that they will share any of their new tax cuts with employees in the form of one-time bonuses or wage increases, according to a comprehensive database maintained by Americans for Tax Fairness.

- **Merck**—the drug company behind the medications Januvia, Gardasil and Nasonex—is getting a tax-cut windfall of $2.7 billion this year but sharing just $69 million, less than 3%, with its employees through a one-time $1,000 bonus.
- **Pfizer**—which makes Viagra, Advil and Robitussin, among many other drugs—will enjoy a $2 billion tax cut, but spend only $100 million, or 5%, on one-time worker bonuses. It also laid off 300 employees in the wake of the passage of a tax law that was supposed to be a job creator.
- **AbbVie**—maker of the blockbuster arthritis drug Humira—is getting a tax cut topping $1 billion a year and sending that money to its rich corporate executives and stockholders as part of a $10 billion share buyback plan. It has not announced any wage hikes or bonuses tied to the tax cut.
- **Amgen** and **Celgene** won't put any of their tax cuts towards higher worker pay, but together the drug firms will shower their wealthy shareholders with $15 billion worth of stock buybacks.
- **No company has announced any plan to use their tax cuts to lower drug prices, unlike utilities that have been required by state and local regulators to pass some portion of their tax cuts along to customers.**

Like drug companies, health insurers and managed-care companies are also hoarding their new huge tax cuts rather than putting more money in their employees' pockets or lowering prices to make their product more affordable for consumers.

- Of the 10 biggest health insurance and managed-care companies just three—**Anthem, Cigna** and **Humana**—have said that they will share any of their new tax cuts with employees in the form of one-time bonuses, wage increases or fringe benefits, according to a comprehensive database maintained by Americans for Tax Fairness.
- **UnitedHealth Group**—Number 6 on the Fortune 500 list of the nation's biggest corporations—is expecting annual tax savings of $1.7 billion but isn't planning to share a nickel with its workers or to lower premiums for costumers.
- **Anthem**—Number 29 on the Fortune 500—will reap tax savings of over $700 million a year, but the health insurance company will spend just $58 million, or 8% of its tax cut, on a one-time $1,000 contribution to its employees' 401(k) plans.
- **Cigna** looks to be getting a tax cut worth $440 million in 2018, 10 times more than it is estimated to be spending altogether in one-time bonuses ($16 million) and a $1,000 bump to employees' 401(k) plans ($30 million).
- **Humana** is slightly more generous, providing $137 million to raise the company's minimum wage to $15 an hour and to increase performance bonuses. Its tax cut is estimated to be $550 million in 2018—four times the size of its employee pay hikes.
- **No company has announced any plan to use their tax cuts to lower health insurance prices, unlike utilities that have been required by state and local regulators to pass some portion of their tax cuts along to customers.**

Because of several recent actions by the Trump administration and GOP Congress, health insurance premiums are slated to rise—pricing more working families out of coverage while further enriching insurance companies and their wealthy stockholders and CEOs.

Repeal of the ACA's individual mandate provision in the tax law has already increased premiums for 2018 and is likely to do the same in 2019. That's according to an Urban Institute study released in March that interviewed 10 insurers about rising uncertainty on the fate of the ACA. Some insurers may ultimately leave the ACA marketplaces because of shrinking risk pools.

ACA insurance marketplaces are also being undermined because the Trump Administration has slashed public promotion of the ACA and cut the enrollment period in half, which is leading to fewer people signing up for coverage. Trump also wants allow insurance companies to sell cheaper policies with skimpier benefits.

According to one study, the cumulative effect of all these changes will be to increase health insurance premiums by between one-third to almost 100% between 2019-21.

Last fall, Trump ended federal payments that lowered deductibles, co-payments and other out-of-pocket expenses for lower-income patients known as cost sharing reduction (CSR) payments. CSR payments were made to insurance companies, which even in their absence are required by law to continue providing subsidies that make coverage more affordable for about 6 million low- to moderate-income people who get insurance through ACA exchanges.

Without federal reimbursement for these subsidies, however, many insurance companies are compensating for the additional cost by raising premiums. The Congressional Budget Office (CBO) predicts that the Trump administration's refusal to make the CSR payments required by law will raise premiums in some plans by 20 percent and—because more people would qualify for higher premium subsidies—add $194 billion to the deficit over the next ten years.

All these changes will reduce the number of Americans covered by any—or any adequate—health insurance, raising the prices for those who are still paying for full coverage.

THE TRUMP-GOP TAX LAW & TRUMP'S BUDGET CUTS PUT HEALTHCARE & OTHER CRITICAL SERVICES AT RISK IN DELAWARE

To pay for their massive tax cuts for the wealthy and corporations, President Trump and the GOP Congress have targeted vital public programs, particularly health care, for service reductions.

The new tax law reaps $314 billion in savings by repealing a key part of the Affordable Care Act (ACA), resulting in higher premiums and millions losing coverage. By eliminating the requirement that those who can afford it buy health insurance, the GOP will be responsible for 13 million Americans losing coverage by 2027 and insurance premiums spiking by 10%, or $2,000, on average in 2019 for the remaining insured who buy policies on the individual market.

In his proposed budget for next year, Trump wants deep spending cuts to services that working families across the country rely on:

- $763 billion from Medicaid and other health care programs, including repeal of the ACA
- $236 billion from Medicare
- $213 billion from the Supplemental Nutrition Assistance Program (SNAP, or food stamps)
- $200 billion from student loans, including freezing Pell Grant amounts (which means they lose value with inflation) and eliminating extra tuition help for the neediest students
- $72 billion from disability programs, including Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)
  [Sources: Center on Budget and Policy Priorities; Medicare figure from Politifact]

These federal budget cuts would cause multiple harms for working families in Delaware.

EFFECTS ON THE DELAWARE STATE BUDGET

- 25% of the state's general revenues come from the federal government, according to Governing magazine. That means whenever the federal government cuts its budget, as Trump wants to do, either Delaware must make up the difference with local tax revenue, or Delaware residents lose important services.

EFFECTS ON HEALTH COVERAGE

- 35,000 fewer Delaware residents will have health coverage by 2025 due to the repeal of the ACA individual mandate included in the Trump-GOP tax law enacted in December, according to the Center for American Progress (CAP).
- ACA Insurance premiums will be $2,350 higher in 2019 for Delaware families buying unsubsidized insurance through the individual market, because of the mandate repeal, per CAP.
- The Trump budget would go even further, repealing the ACA altogether and causing 81,000 people in Delaware to lose their health insurance by 2027, per CAP. That estimate is based on the effect of an ACA repeal bill (the "Graham-Cassidy bill") rejected by the U.S. Senate last fall, which is the model for the Trump budget's ACA repeal plan.
- Repeal of the ACA would also allow insurance companies to go back to charging women and people with pre-existing conditions more for policies and services; excluding some services that are currently covered under the ACA; and imposing lifetime and annual caps on coverage.
- Proposed cuts to Medicaid would threaten coverage for the 247,900 people in Delaware covered through Medicaid and the Children's Health Insurance Program (CHIP), including 106,000 children (enrollment figures from Medicaid.gov).

EFFECTS ON SNAP (FOOD STAMPS)

- The SNAP spending cuts proposed in the Trump budget could cost up to 14,906 Delaware households their benefits in 2019, per CAP. That assumes that the budget cuts are implemented by reducing the number of households uniformly across states.
- By 2028, the cuts could be even deeper, resulting in up to 16,314 Delaware households losing benefits.

EFFECTS ON DISABILITY PROGRAMS

- The Trump budget cuts two critical federal disability programs by $72 billion over 10 years—Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). SSDI serves 31,234 disabled Delaware residents who are no longer able to work, and their families. SSI serves 16,884 low-income aged, blind, and disabled Delaware residents. [Social Security Administration (SSA), Table 11, and SSA, Table 10]
- Allocating the $72 billion in Trump budget cuts to Delaware based on its share of spending for the two programs could result in a cut of $212,821,462 for the state. [ATF calculations based on state shares of 2016 spending for SSDI and SSI (from SSA, Tables 5.J1 & 7.B7]

EFFECTS ON INFRASTRUCTURE FUNDING AND JOBS

- Despite dubbing himself the "infrastructure president," Trump in his 2019 budget proposes deep cuts—$240 billion over 10 years—to existing infrastructure programs, such as repairing and upgrading highways and public transit systems.
- Delaware could lose $427,629,643 from highway funding and $110,372,349 from transit funding between 2021 and 2027 under the Trump budget, according to CAP.
- These cuts could mean the loss of 6,725 Delaware job years over this time. (A "job year" is one job for one year.)

EFFECTS ON EDUCATION

- Trump's budget eliminates federally-subsidized student loans, which could impact many of the 17,602 Delaware college students who last year received a total of $66,420,922 in aid, per CAP.
- Trump's budget eliminates teaching grants totaling $9,722,812 in 2019, which could pay the salaries of 161 Delaware teachers, per CAP.
- Trump's budget could eliminate funding for after-school programs totaling $5,839,198 in 2019, which could deprive 8,257 kids of these services, per CAP.

EFFECTS ON AFFORDABLE HOUSING

- Under the Trump budget, 401 Delaware families could lose housing vouchers that allow them to afford rent in private housing. The cuts would hard hit very low-income seniors, people with disabilities, and working families with children, potentially increasing homelessness in some areas.
- $8,040,987 could be cut in 2019 from a fund to repair and upgrade public housing facilities for struggling Delaware families. Most public housing residents are elderly or have disabilities.
- The budget would eliminate the HOME Investment Partnerships Program, cutting $4,129,847 that helps Delaware and its localities provide affordable rental housing and homeownership opportunities for residents.
- The budget would also eliminate the Community Development Block Grant program, cutting $6,357,664 that helps Delaware and its localities pay for a variety of community and economic development services, including affordable housing.
  Source: Center on Budget and Policy Priorities

TRADEOFFS: TAX CUTS FOR THE WEALTHY & CORPORATIONS VS. BUDGET CUTS HURTING WORKING FAMILIES

Republicans plan to pay for the $1.9 trillion deficit created by the new tax law through cuts to popular public benefits. In fact, several proposed cuts in the Trump budget match up closely with tax cuts under the new law that overwhelmingly benefit the wealthy and corporations.

TRUMP BUDGET CUTS (10-year cost)	TRUMP-GOP TAX CUTS (10-year cost)
Slashes **$763 billion** in health care funding by cutting Medicaid and repealing the Affordable Care Act. The spending cuts combined with punitive new rules—such as work requirements that penalize students and caregivers—would result in millions losing their health care.	Gives away **$637 billion** to wealthier Americans by exempting many more taxpayers from the Alternative Minimum Tax, which prevents the wealthy from using excessive loopholes and deductions to drastically reduce their tax bills.
Cuts **$214 billion** from the Supplemental Nutritional Assistance Program (SNAP, or food stamps). Over 20 million American household rely on SNAP to ensure they have enough to eat.	Gives **$220 billion** to the wealthiest Americans by reducing the top income tax rate from 39.6% to 37% and raising the income thresholds for taxpayers subject to the top rate.
Slashes **$72 billion** from federal disability programs, mostly from Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI).	Gives **$83 billion** to America's wealthiest families by weakening the estate tax. This levy on inherited wealth—the only curb on the accumulation of dynastic fortunes—will now only be paid by the richest one in a thousand families.

CONCLUSION

The Trump-GOP tax cuts threaten the well-being and economic security of working families in Delaware by creating large budget shortfalls that Republicans will try to fill by cutting vital public services like health care. Meanwhile, prescription drug companies and big health insurers—which profit mightily from price gouging patients—are among the biggest winners of the new law's corporate tax cuts.

The new tax law specifically undermines the Affordable Care Act, costing millions their health coverage and millions more higher premiums to help finance tax cuts. Trump's proposed budget tries to eliminate the ACA altogether to help pay for his tax cuts for the wealthy and corporations.

Polls show Americans want the rich and corporations to pay their fair share of taxes—not receive even more tax breaks. They particularly oppose cutting health care and other services to pay for the deficits created by high-end tax cuts. The public also wants elected officials to work together to improve the ACA and strengthen Medicaid and Medicare, not support the relentless GOP efforts to deprive Americans of comprehensive, affordable care.

This Tax Day, people in Delaware and Americans across the country are calling for a repeal of the Trump-GOP tax cuts for the wealthy and corporations to safeguard—and improve—health care, education and other essential services for working families.