

Republicans' Obamacare replacement would cut \$337 billion from the budget. Here's who'd pay for it.

By [Max Ehrenfreund](#) March 13

Republicans' Obamacare replacement plan would cut spending by \$1.2 trillion over the coming decade and save the government \$337 billion, according to an analysis released Monday by the nonpartisan Congressional Budget Office.

To find those savings, Republicans are proposing cuts to programs designed to help the poor and the working class. Here's where the GOP found the money:

Medicaid: The most significant provision, in dollar terms, of the Republican bill would reduce spending on Medicaid — the government's health insurance program for the poor — by \$880 billion. Republicans would roll back the Medicaid expansion instituted under Obamacare (officially known as the Affordable Care Act). The GOP plan also would place a limit on how much states could spend on care for each Medicaid beneficiary, indexing it to inflation and to the prices of health-care services. Proponents of the measure say it would offer states more flexibility to administer the program in the hope that they would find more effective ways to spend their resources.

Tax credits: The measure would also cut spending by replacing Obamacare's insurance subsidies with a new, less generous (and less expensive) system of tax credits. The subsidies under Obamacare were projected to cost \$673 billion over the next decade, while the CBO's analysis says the Republican bill's tax credits would cost \$361 billion.

Planned Parenthood: Federal funding for Planned Parenthood would be eliminated for one year, which the CBO says would save \$156 million over a decade.

These spending cuts come coupled with \$883 billion in tax cuts, which would largely benefit companies and high-income households. Here's what the GOP proposes:

The insurance mandate: The measure would repeal one of the Affordable Care Act's most controversial provisions: the mandate that Americans, with a few exceptions, purchase health insurance or pay a penalty. Wiping out that penalty would eliminate \$210 billion in fees to the federal government, the new analysis projects.

Investment levy: Obamacare included a 3.8 percent levy on gains from several types of investments. The GOP bill would eliminate that, saving taxpayers (or, if you prefer, cutting government revenue) \$158 billion over 10 years. The tax applies only to individuals with incomes of more than \$200,000 or married couples with incomes exceeding \$250,000.

Income surcharge: Obamacare also levied a 0.9 percent surcharge on wages and salaries for individuals with incomes of more than \$200,000 or married couples with incomes over \$250,000. The GOP plan would eliminate that tax as well, a cut of \$117 billion over a decade.

Insurance company tax: The Republican plan would cut taxes on the health insurance industry by \$145 billion over a decade.

Other industry taxes: The Affordable Care Act also contained a number of new fees on industry, including taxes on medical devices (projected to raise \$20 billion over 10 years), over-the-counter drugs (\$6 billion over a decade) and tanning beds (\$600 million over 10 years).

Republicans touted the bill in the wake of the CBO release, with Rep. Kevin Brady (R-Tex.), chairman of the House Ways and Means Committee, saying that the office “confirmed our legislation protects taxpayers, decreasing the ballooning deficit by more than \$330 billion and curbing growing health-care costs.”

Democrats, unsurprisingly, saw it differently. While much of the criticism focused on the bill's effect on the nation's ranks of uninsured — the CBO projected that 24 million more people would go without health insurance in the next decade under the measure — opponents also balked at its redistribution of wealth.

“You could not possibly cut all those taxes, and still save money on the deficit, unless you were dramatically cutting back coverage,” said Robert Shapiro, a former economic adviser to President Bill Clinton, before criticizing a chief architect of the measure, House Speaker Paul D. Ryan. “The White House cannot have one without the other, and neither can Paul Ryan.”

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