NATIONAL TAXPAYERS UNION

June 25, 2020

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NTU urges all Representatives to vote "NO" on H.R. 1425, the Patient Protection and Affordable Care Enhancement Act. This legislation would permanently expand the Affordable Care Act's premium tax credits at a cost of $212 billion, doubling down on a flawed design that is ill-equipped to bend the cost curve for private insurance. It seeks to expand Medicaid at a time of significant federal and state budget crunches, deeply impacting taxpayers now and in the future. This bill also includes the onerous taxes on pharmaceutical manufacturers featured in H.R. 3, designed under the false pretense of "negotiations" with a government that is, in fact, setting a price. Lawmakers should reject this legislation, and instead pursue market-based solutions that expand coverage options and increase competition in all corners of the health care market.

Title I of the bill features two permanent, major expansions of the Affordable Care Act's (ACA) PTCs. First, the legislation would make the values of PTCs more generous by lowering the share of income that households contribute to their ACA premiums. Second, the bill would make PTCs eligible for households beyond 400 percent of the federal poverty line (FPL), which in 2020 is $104,800 in annual income for a family of four. There are three major issues accompanying the expansion of PTCs: 1) expansion is expensive (with a $212 billion deficit impact), 2) targeting generous PTCs to households making six figures or more is a poor use of limited taxpayer dollars, and 3) PTCs are not designed to bend the cost curve for private health coverage, and will only increase in cost as premium hikes outpace wage increases. Other problematic aspects of Title I include the reversal of short-term limited duration insurance (STLDI) plan guidance and the federalization of states' rate review processes.

Title III of the bill essentially aims to pay for the PTC and Medicaid expansion titles of the bill, but it does so with punitive and draconian taxes on pharmaceutical manufacturers that refuse to submit to a government-set price for their prescription drugs and biological products. While both H.R. 3 and H.R. 1425 present this process as a "negotiation," there is no real negotiation with a federal government that imposes an unrealistic cap on prices from the beginning <u>and</u> holds a 95-percent tax over the heads of manufacturers. The Congressional Budget Office estimates this title will result in 38 fewer drugs over the next two decades, while the Council of Economic Advisers estimates it could lead to as many as 100 fewer drugs over the next decade.

There are many examples of bipartisan legislation that would provide immediate relief for families struggling through the pandemic and recession. Congress should pursue these measures instead of this partisan bill.

Roll call votes on H.R. 1425 will be <u>significantly weighted</u> in NTU's annual Rating of Congress and a "NO" vote will be considered the pro-taxpayer position.

If you have any questions, please contact NTU Policy and Government Affairs Manager Andrew Lautz at alautz@ntu.org.

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