



Contact:

Antoinette Kraus

akraus@pahealthaccess.org

267-971-1680

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As Medicaid and Medicare Turn 60, Congress Enacts Law That Guts Coverage, Endangers Services and Shuttters Local Hospitals To Finance More Tax Giveaways to Corporations

President Trump's "Beautiful" Bill Has Ugly Consequences for Millions of Working Americans, Seniors, and People with Disabilities

HARRISBURG, PENNSYLVANIA - July 30th marks the 60th Anniversary of Medicaid and Medicare, the nation's largest and most popular government health care programs which together provide coverage and services to about 140 million Americans of all ages, including [3 million Pennsylvanians](#) on Medicaid. Medicaid and Medicare were signed into law on July 30, 1965 by President Lyndon B. Johnson.

Medicaid and Medicare have provided Americans much to celebrate over the past decades, helping to bring the number of uninsured people [to a record low](#), and helping to address crises like the opioid epidemic, COVID 19 and the [growing demand](#) for long-term care caused by the aging of the population. In Pennsylvania, Medicaid is called Medical Assistance.

But the [One Big Beautiful Bill Act](#) (OBBBA) signed into law by President Trump on July 4th will take health coverage away from 10 million people, raise premiums for millions more and starve state budgets of federal funding while at the same time shifting more costs to states.

And, although lawmakers who [voted in support](#) of the bill, including Senator McCormick, Congressman Mackenzie (PA-7), Congressman Bresnahan (PA-8), Congressman Meuser (PA-9), Congressman Perry (PA-10), Congressman Smucker (PA-11), Congressman Joyce (PA-13), Congressman Reschenthaler (PA-14), Congressman Thompson (PA-15) and Congressman Kelly (PA-16), claim that the legislation will curtail wasteful spending and save Americans money, the reality is that the OBBBA doesn't save money—it [redirects](#) it. Savings generated by cutting Medicaid and other basic needs programs are funneled into massive tax breaks for the wealthy

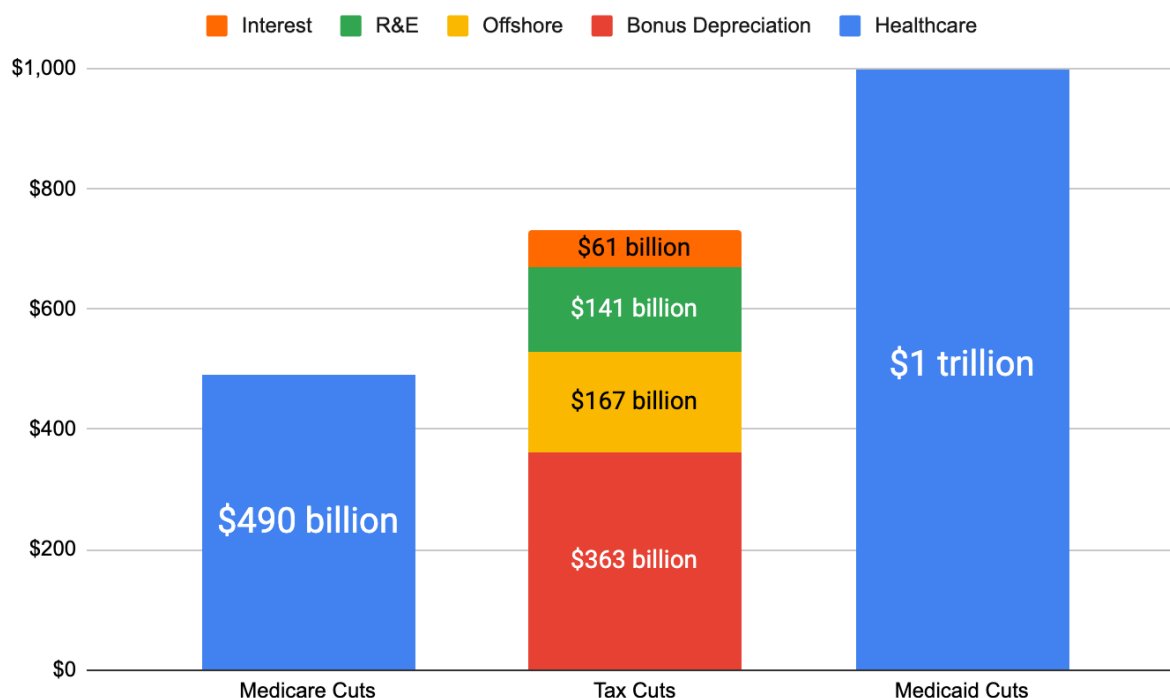
and corporations. Although the new law cuts over \$1 trillion from Medicaid, that's not enough to cover the full cost of the tax breaks: the new law will add more than \$3 trillion to the [national debt](#) by 2034, creating future fiscal burdens for families and the nation.

President Trump's New Law Prioritizes Corporate Tax Loopholes Over Health Care

In addition to making permanent the 2017 tax breaks that slashed tax rates for the wealthiest households, the new law includes huge tax loopholes for corporations that will cost Americans trillions in lost revenue over the coming decade.

In fact, just [four corporate tax breaks](#) will cost \$732 billion in lost public revenue over 10 years, according to an analysis by [Americans for Tax Fairness](#). That's enough revenue to cover the great bulk of the [\\$1.02 trillion](#) cut to Medicaid or completely cover the [nearly \\$500 billion](#) in mandatory cuts to Medicare in the new law.

Revenue from Four Business Tax Cuts Could Reverse Healthcare Spending Cuts



Source: [Americans for Tax Fairness](#)

Under the OBBBA, these corporate loopholes are now permanent benefits for some of the nation's largest and most profitable corporations:

- **Lower Taxes on Foreign Profits of U.S. Corporations:** The Tax Cuts and Jobs Act of 2017 for the first time set the tax rates on the foreign profits of American firms lower than the rate on domestic earnings, [encouraging offshoring](#) and domestic job losses. Under the 2017 law, those special taxes—known by the acronyms FDII and GILTI—were supposed to

increase in 2026. Instead, the new law eliminates those increases for multinational corporations, including large drug corporations. Drugmakers Moderna and Pfizer each avoided [over a billion dollars in taxes](#) over the six years 2018-23 thanks to just one of these special offshore rates. Just 15 mega-corporations, [including Google, Facebook, and Amazon](#), alone reaped over \$50 billion of tax breaks from the FDII loophole over its first six years. **(10-Year Cost: \$167 billion)**

- **Allowing More Generous Interest Deductions:** Businesses can deduct the cost of interest payments on borrowed money to lower their tax bills. The 2017 tax law limited the corporate interest deduction to no more than 30% of a company's income. As of 2022, the [way in which those profits are calculated](#) was made more stringent so that the amount of interest deducted would be less. But the new law enables corporations to go back to using the more generous profit calculation so they can continue paying less tax. **(10 year cost: \$61 billion)**
- **Allowing Companies to Write Off Big-Ticket Purchases More Quickly Than They Wear Out:** The Federal tax code has long allowed businesses to deduct the cost of equipment, vehicles, buildings and similar durable assets more quickly than they actually wear out. But the 2017 tax law created an extreme version of this tax break, 100% "bonus depreciation," allowing corporations to write off the entire cost of equipment in the year it is purchased rather than more gradually over time. A recent analysis shows that in just the first five years of the 2017 tax law, [25 mega-corporations saved \\$67 billion](#) in taxes from this one provision. These are large corporations like United Parcel Service (UPS), Amazon, Google, Facebook and Pepsico. Although the bonus depreciation loophole to lower corporate taxes was intended to phase out in 2023, the new law reinstates it and makes it permanent. Two-thirds of the bonus depreciation tax break goes to corporations with over [\\$250 million in annual revenue](#). **(10-year cost \$363 billion)**
- **Allowing Companies To Deduct Research Costs in the Year Expended:** Like durable equipment, the benefits of research and experimentation last a long time, so it makes sense to write off their costs slowly. Recognizing this, and as another way to pay for the corporate tax-rate cut, the 2017 law required businesses beginning in 2022 [to deduct over time](#) (amortize) R&E expenses. The current bill eliminates that requirement. Just [five mega-corporations](#) (Apple, Amazon, Google, Meta, & Tesla) will be given an immediate \$75 billion tax cut as a result. **(10 year cost: \$141 billion)**

These corporate loopholes are in addition to the 40 percent cut in the corporate tax rate that was made permanent in the 2017 law, which has already enabled the largest corporations to pay lower tax rates than many families or small business owners. Corporations used this money to [increase pay for their top executives](#) and make their wealthy shareholders richer through [dividends and stock buybacks](#) without [raising pay for average workers](#).

Rejecting just one of these four corporate tax breaks would save enough revenue to pay for all the Medicaid cuts planned for Pennsylvania, which receives [\\$27.9 billion from the federal](#)

[government](#) to support Medical Assistance, the state Medicaid program that is jointly funded by the state and the federal government.

“The choice couldn’t be plainer: give large profitable corporations four costly tax breaks or ensure over 320,000 Pennsylvania residents can afford healthcare coverage and groceries. It shouldn’t be a close call,” said David Kass, ATF’s executive director. “If Republicans really care about working Americans as they claim, they should do the right thing and save healthcare and food assistance for families by demanding huge corporations pay their fair share of taxes instead of giving them more special breaks.”

Corporate Tax Loopholes Paid For By Future Cuts to Medicaid and Medicare

The new law’s permanent tax breaks are a huge boon to the wealthiest households and large corporations, but leave average Americans with much less to celebrate because those tax breaks are paid for with cuts to Medicaid and Medicare.

The OBBBA cuts over \$1.02 trillion from Medicaid through a combination of enrollment changes, increased paperwork and stricter eligibility requirements that are designed to make the coverage inaccessible to millions and thereby shrink enrollment. At least 10.5 million people will lose coverage by 2034, particularly adults who gained insurance under the ACA’s Medicaid expansion provisions that for the first time enabled low income workers, veterans, small businesses and people with conditions like [Substance Use Disorder and mental health](#) issues to get coverage.

States that expanded Medicaid will face [a much larger cut to Medicaid](#) funding, on average about 14.5%, than the 10 states that have not expanded Medicaid coverage which will still see an average 7.9% reduction in funding. In Pennsylvania, [832,000](#) gained coverage under Medicaid expansion. PHAN estimates show that 323,400 Pennsylvanians will lose Medicaid under the new law.

“As a resident of rural Pennsylvania where our healthcare needs are often overlooked, I’m outraged that Congress passed this law and that President Trump broke his promise to protect Medicaid and Medicare by signing it,” said John Keating of Adams County. “Without Medicaid, I can’t get the basic treatment I need for congestive heart failure and the medications I need to stay alive. Some members of Congress aren’t trying to save Medicaid: they are shrinking it down so they can spend the funding on their own priorities: tax breaks for the rich and corporations.”

Medicaid losses won’t be restricted to loss of coverage. Since the new law also restricts states’ ability to raise revenue for the state portion of their Medicaid through provider taxes, hundreds of hospitals, clinics and nursing homes which depend on Medicaid for a large share of their operating costs, are at risk of closure. More than 300 rural hospitals are currently at [“immediate risk”](#) of closure under the OBBBA including, according to [PHAN’s estimates](#), 17 in Pennsylvania.

Hospital and nursing home closures create cascading impacts on jobs and economic activity in the state, particularly in rural areas that are more dependent on Medicaid. A [recent analysis](#) from the Commonwealth Fund shows that states will see significant job losses, reductions in revenue and shrinking Gross Domestic Product (GDP) as a result of the OBBBA's cuts to Medicaid and SNAP (Supplemental Food Assistance Program). Conservative estimates of impact of the Medicaid changes under the new law show that:

- An estimated [57,500](#) jobs will be lost in Pennsylvania because of these Medicaid cuts. That number rises to [68,500](#) when SNAP cuts are also factored in. There is heavy enrollment overlap in the two programs.
- Pennsylvania will receive [\\$4.5 Billion](#) less in federal funding for Medicaid, and an additional [\\$5.3 billion less](#) when SNAP cuts are factored in.
- Because both these programs generate significant economic activity well beyond the enrollees, Pennsylvania will see a downturn in both GDP and in state and local tax revenue as the funding for Medicaid and SNAP shrinks. By 2029, GDP will be reduced by [\\$6.3 Billion](#) and revenue by [\\$477 million](#) as a result of the Medicaid/SNAP cuts.

This tremendous loss of Medicaid funding is expected to impact state budgets. Medicaid is the largest source of federal funding in every state's budget currently [making up about a third](#) of state budget revenue. [KFF](#) estimates that Pennsylvania will receive \$53 Billion less in Medicaid funding over ten years. The Congressional Budget Office impact analysis assumes that states will make up for about half of this reduction.

With these cuts, Pennsylvania would have few options. It could raise taxes on residents. It could take money from other state-funded priorities, like education, or roads and bridges. Lastly, it could reduce benefits and provider payments in Medicaid. These deeper cuts to Medicaid are the most likely result and these cuts would impact seniors and people with disabilities the most. When there are fewer Medicaid dollars, the first services to be scaled back are often in-home. Additionally, Pennsylvania would cut back its payments to critical providers like hospitals. The double whammy of uncompensated care driven by the large increase in the uninsured alongside big cuts to Medicaid will jeopardize access to care at 1 in 4 hospitals statewide and create longer wait times, fewer appointments, staff shortages, and reductions in community based care that would affect everyone in Pennsylvania, not just those on Medicaid.

[About 1.3 million dual eligible individuals who qualify](#) for both Medicaid and Medicare could lose coverage by 2034 under OBBBA. In addition to low income seniors, children and adults with disabilities will be most impacted and at risk for loss of coverage and services. Medicaid is the leading payer of long-term care services for people who need either nursing home care or home based care as they age or because of a disability. Although disabilities are most common among seniors, the population of people with disabilities in the United States who are under the age of 65 including children is also [increasing](#). Medicaid cuts under the OBBBA will likely increase the shortage of available services for people with disabilities and limit long-term care options by shutting down [hundreds of nursing homes](#) and potentially forcing cuts in home-based care that then shift the burden of care entirely to families.

Despite repeated promises not to touch Medicare, the OBBBA forces cuts in the Medicare program. Since most of the tax breaks in the new law are not paid for, the OBBBA adds trillions to the national debt that will automatically trigger \$490 billion in “PAY-GO” cuts to Medicare, which currently insures over 70 million people. In addition, the OBBBA also reduces access to Medicare for lower-income beneficiaries by making it harder to enroll in Medicare Savings Programs (MSPs), which help cover the cost of Medicare premiums and cost-sharing for people who qualify. Some of these programs are administered by state Medicaid agencies.

Under OBBBA, access to Medicare is also prohibited for documented immigrants who have paid into the program and are currently entitled to collect benefits. Lawfully present immigrants may be denied the Medicare benefits they earned under this new law.

After 60 years of providing coverage and services to tens of millions of people of all ages, Medicaid and Medicare remain critical pillars of the American health care system. Although [polls show](#) the tremendous popularity of both programs, lawmakers in the 119th Congress recklessly passed a law that makes [historic cuts](#) to Medicaid and that endangers Medicare in the future.

Rather than spending \$700 billion on corporate tax loopholes that reward corporations that have already received big tax cuts for years, Congress should prioritize strengthening Medicaid and Medicare for future generations and investing in a health care system that meets growing needs. That would give millions much more to celebrate this Medicaid and Medicare anniversary.

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The Pennsylvania Health Access Network (PHAN) is a state partner of [Health Care for America Now \(HCAN\)](#) and a national coalition of state and local organizations working to advance quality, affordable health care for everyone in America and policies that make the wealthy and corporations pay their fair share of taxes toward an economy that works for all.