

# House G.O.P. Floats Medicaid Cuts and More to Finance Trump's Huge Agenda

President Trump wants a massive tax cut and immigration crackdown bill. Now Republicans must decide what to cut to help pay for it.



Speaker Mike Johnson during a news conference at the Capitol on Wednesday. House Republicans circulated a document with options to cover the cost of a massive tax cut and immigration crackdown bill.Credit...Kenny Holston/The New York Times

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Top Republicans are passing around an extensive menu of ideas to cover the cost of a massive tax cut and immigration crackdown bill. They could create a 10 percent tariff on all imports, bringing in an estimated \$1.9 trillion. They could establish new work requirements for Medicaid recipients, bringing in \$100 billion in savings.

They have even calculated that they could generate \$20 billion by raising taxes on people who can use a free gym at the office, according to a [50-page list of options](#) that the House Budget Committee has circulated in recent days.

## WAYS AND MEANS COMMITTEE

### Health

#### **Limit Federal Health Program Eligibility Based on Citizenship Status**

***Up to \$35 billion 10-year savings***

**VIABILITY: HIGH / MEDIUM / LOW**

- Currently, many non-citizens who entered the country illegally are eligible for federal health care programs including advance premium tax credits and Medicaid. This policy would remove specified categories of non-citizens from eligibility for federal health care programs.

#### **Eliminate Medicare Coverage of Bad Debt**

***Up to \$42 billion 10-year savings***

**VIABILITY: HIGH / MEDIUM / LOW**

- Medicare currently reimburses hospitals at 65 percent of bad debt (uncollected cost-sharing that beneficiaries fail to pay), while private payers do not typically reimburse providers for bad debt. This policy brings Medicare more in line with the private sector by gradually reducing the amount that Medicare reimburses providers for bad debt.

#### **Medicare Site Neutrality**

***Up to \$146 billion in 10-year savings***

**VIABILITY: HIGH / MEDIUM / LOW**

- Currently, Medicare and beneficiaries pay more for the SAME health care service furnished in hospital outpatient departments (HOPDs) than in physician offices. The budget supports Medicare site neutral payments by equalizing Medicare payments for health care services that can be safely delivered in a physician's office.

#### **Improve Uncompensated Care**

***Up to \$229 billion in 10-year savings***

**VIABILITY: HIGH / MEDIUM / LOW**

- Medicare currently provides additional financial support to hospitals that serve a disproportionate share of low-income patients related to uncompensated care. These payments are limited to hospitals, which fails to acknowledge the amount of uncompensated care delivered in non-hospital settings. This policy reforms

## Read: Draft of G.O.P. Cost Cuts for Tax Bill

Top Republicans are passing around a 50-page list of ideas on how to cover the cost of a tax cut and immigration crackdown bill.

The bigger challenge for Republican leaders is trying to figure out what can pass Congress and be signed by President Trump. With slim majorities in both chambers, they are searching for the right mix of policy changes that could offset some of the costs of Mr. Trump's most expensive proposals, placating spending hard-liners who are concerned about ballooning the government's debt, while also maintaining the support of more centrist members who are loath to slash popular programs.

House Republicans huddled in the Capitol on Wednesday to discuss a mix of options on the table.

Complicating their task is a political challenge: Many of the cuts Republicans are contemplating target programs aimed at helping low-income Americans, all in the service of paying for the extension of tax cuts that disproportionately benefit the wealthy.

The overarching goal is to push through a behemoth bill that cuts taxes and clamps down on immigration using a process called reconciliation, which would allow Republican leaders to avoid a filibuster and move legislation through the Senate with a simple majority, even if all Democrats are opposed.

Many of the G.O.P.'s anti-spending members have said they cannot support a bill that adds significantly to the nation's debt. But most of the major policies Mr. Trump wants included in the legislation are extremely expensive. Extending the tax cuts he signed into law in 2017 alone is expected to cost \$5 trillion.

That has left Republicans casting about for ways to offset those costs. The budget panel's menu of possibilities includes everything from major clawbacks of current policy to lower-hanging fruit. Among many others, there are proposals to repeal major health care subsidy programs established by the Affordable Care Act, put caps on Medicaid funding, and end a policy that makes employer-provided meals and lodging tax-exempt.

Here's a look at what Republicans are considering.

### **Longtime conservative goals, like slashing Medicaid**

Republicans have long sought to scale back Medicare and Medicaid, the government programs for the elderly and poor, and the budget panel's list outlined a slew of options for doing so, including reducing federal Medicaid payment rates and establishing work requirements for the program's recipients.

One option floated by the committee would try to undercut [the Affordable Care Act's Medicaid expansion](#), which led to a ballooning in program enrollment. It would reduce the share of Medicaid costs the federal government pays for, increasing the burden on states.

Another on the list would impose work requirements for Medicaid recipients on able-bodied adults without dependents, with exemptions for pregnant women, students and primary caregivers of dependents. Work requirements would cause 600,000 people to lose coverage, according to estimates from the [Congressional Budget Office](#), cutting federal spending by at least \$100 billion over the next decade.

House Budget Committee aides estimated that they could recoup as much as \$800 billion with a rollback of clean energy efforts, including repealing tax credits created in the Inflation Reduction Act, former President Joseph R. Biden Jr.'s landmark bill meant to reduce health costs, reduce greenhouse gas emissions and raise taxes on corporations. The rollback would also include nixing a climate regulation, [put in place by the Biden administration](#), that is designed to ensure that the majority of new passenger cars and light trucks sold in the United States are all-electric or hybrids by 2032.

But undoing huge swaths of the Inflation Reduction Act could prove politically perilous. Some hard-right lawmakers have argued that Republicans should completely repeal the law, but others — particularly those with large clean-energy businesses in their districts or states — have implored congressional leaders to allow some of the measures to remain. Eighteen House Republicans last year wrote to Speaker Mike Johnson [warning that](#) “a full repeal would create a worst-case scenario where we would have spent billions of taxpayer dollars and received next to nothing in return.”

The aides who prepared the Budget Committee's menu of cuts seem to have factored that into their calculations.

“Based on political will, there are several smaller reform options available (starting as low as \$3 billion) that would repeal a smaller portion of these credits,” their document reads. Of course, those options also yield far fewer savings, and would be less likely to placate the spending hawks whose votes they need to push through any package.

## Dozens of trims that could raise costs for Americans

Republicans are also considering a raft of proposals that would amount to small changes to the nation's fiscal balance but could impose new costs on Americans. Among them are new taxes on free gyms at offices, as well as employer-provided meals and lodging.

The budget panel document also proposed taxing all scholarship and fellowship income, which is currently exempt from taxes, which would produce an additional estimated \$54 billion in federal revenue.

## Lucrative but politically difficult options like ending the home mortgage deduction

House Republicans' list includes options that could generate trillions of dollars in savings. But those are likely to face near-insurmountable opposition from lobbyists and some lawmakers in their own ranks.

The proposals include ending the tax deduction for interest on home mortgages, one of the most prized sections of the tax code. While Republicans limited the deduction in their 2017 tax law, ending it entirely could save an additional \$1 trillion over 10 years, according to the budget panel document. Real estate agents and lawmakers from suburban districts with many homeowners would most likely balk at such a measure.

Taxing imports into the United States, a step Mr. Trump has frequently urged, could also be lucrative. The document lists a 10 percent tariff on all goods as one option worth nearly \$2 trillion, though many Republicans have said they do not believe Mr. Trump's tariffs should be passed into law.

A proposal to tax imports but exempt exports, called a border adjustment plan, could raise \$1.2 trillion, according to House Republicans' document. Many economists like the idea of taxing goods based on where they are sold, rather than where they are produced, but a previous Republican effort to pass a destination-based plan failed in 2017 after companies pushed back on it.

The House Republican menu includes several other tax increases, including denying corporations the ability to deduct state and local taxes. Business groups are already organizing against those prospects.

## Even more tax cuts, such as on tips and overtime pay

Beyond extending their last round of cuts, Republicans are interested in lowering taxes even further. Mr. Trump campaigned on making several forms of income, including tips and overtime, tax free.

The House Republican document offers clues about how Congress may actually approach Mr. Trump's ideas. Their proposal for not taxing tips, for example, would only exempt tips from the income tax. That means tipped income would still be subject to the payroll taxes that fund Social Security and Medicare.

Structuring the proposal that way would mean low-wage tipped workers would save less. It would also preserve their ability to claim full retirement and health care benefits and reduce the overall cost of the tax cut, which the budget panel document said would cost \$106 billion.

At the same time, not taxing overtime pay could cost as much as \$750 billion over a decade, according to the budget panel.

A group of House Republicans, along with Mr. Trump, are hoping to raise the \$10,000 limit on the state and local tax deduction as part of the bill. Raising the limit to \$30,000 for married couples and \$15,000 for individuals would cost \$500 billion, the document estimates, and some lawmakers want to raise the cap even further.

Mr. Trump has flirted with lowering the corporate tax rate after slashing it to 21 percent in 2017, and the document shows House Republicans are considering reducing it to as low as 15 percent