

Statement of the New Mexico Public Health Institute of the Southwest Center for Health Innovation on the Tax Cuts and Jobs Act of 2017

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The New Mexico Public Health Institute strongly opposes the Tax Cuts and Jobs Act of 2017 (TCJA). The bill creates fundamental structural problems in the income tax that will lead to increasing economic and health inequities for the people of New Mexico. The bill will increase inequities in income, reduce access to health care and social services, and strain state and local government resources.

INCOME INEQUITIES

The bill will deepen income inequalities, which have reached a level not seen in the United States since the 1920s. Inequities in income are strongly associated with inequities in health status.

In 2016, according to the Economic Policy Institute, income disparities both nationally and in New Mexico reached levels not seen since the 1920s. In New Mexico, the wealthiest 1% of the population earns 15.6 % more than the other 99 % of people.

These disparities will grow far worse under the TCJA. According to the [Institute on Taxation and Economic Policy](#), in 2019 more than half of tax benefits will accrue to the wealthiest 5 % of Americans, and more than a quarter will go to the highest one % of earners. In 2019, the middle fifth of taxpayers will see an average tax cut of \$800, while the wealthiest one % will receive an average tax cut of more than \$55,000. By 2027, the average taxpayer in the lower 80 % of income brackets will face a tax increase, while those in the upper income brackets will see significant reductions.

New Mexico is one of the poorest states in the nation. In 2016, 19.8 % of the state's population lived below the poverty line, the second highest rate in the nation, and more children in New Mexico lived in poverty (36.2%) than in any other state. The median household income in New Mexico was \$45,382 in 2016, \$10,393 lower than the national average. TCJA exacerbates these problems by shifting income to the rich and reducing publicly supported employment like health care, which is the fastest growing employment sector in the country, and other opportunities for development.

REPEAL OF THE INDIVIDUAL MANDATE

The TCJA repeals the "individual mandate," which was enacted as part of the Patient Protection and Affordable Care Act of 2010 (ACA). The individual mandate requires that all people have health insurance, else pay a tax penalty. Without the mandate, some people, especially those who are younger and healthier, are likely to opt out of purchasing health insurance, driving up the cost of insurance for the older, less healthy people who will stay in the insurance risk pool.

The Congressional Budget Office (CBO) estimates that repeal of this provision will cause 13 million people nationwide to lose their health insurance and lead to an annual 10% increase in premiums in the individual market. Adults ages 50 to 64 years will see the greatest increase in premiums. For instance, the average premium cost for a 64-year-old in New Mexico will increase by \$1,227 by 2019. In addition to destabilizing the individual insurance market, repeal of the mandate will create a disincentive for small business owners to cover their employees, as well as discouraging individuals from entrepreneurial ventures; many people will choose to stay in jobs with employer-sponsored plans

instead of beginning their own ventures. In 2016, only 42% of New Mexicans were covered by employer-sponsored plans.

Repeal of the individual mandate will also impact Medicaid. As of November 2017, 864,942 New Mexicans (41% of the population) were enrolled in Medicaid, including 251,805 in the adult Medicaid expansion program and 328,971 children in CHIP. Medicaid enrollment will drop precipitously for several reasons. Without the individual mandate, many people will not explore their coverage options and learn that they are eligible for Medicaid. In addition, New Mexico approved expansion of Medicaid under the condition that the amount of money contributed by the federal government to Medicaid (the federal matching assistance percentage [FMAP]) remains as described in the ACA. If the FMAP decreases, which is likely under the TCJA, Medicaid expansion is automatically eliminated.

INCREASE THE DEFICIT AND TRIGGER THE PAYGO RULE

CBO estimates predict the tax bill will increase the federal deficit by at least \$1.4 trillion over the next decade. Analysis by economists at the [Committee for a Responsible Budget](#) shows a significantly higher figure of \$2.2 trillion, largely because the bill contains several provisions that will not go into effect until after 2026. Their analysis suggests that under the TCJA, the national debt will equal 98-100% of the national Gross Domestic Product (GDP) by 2027.

This large deficit will trigger the congressional Pay-As-You-Go (PayGo) rule, leading to deep, mandatory, federal budget cuts of about \$150 billion. The cuts will jeopardize several programs that are essential to New Mexicans' health and wellbeing:

- **Medicare:** The CBO projects a decrease in Medicare funding of \$25 billion starting in January 2018. Potential Medicare spending cuts to New Mexico are \$178 million. Health-care payers will be forced to increase premiums, increase cost sharing for prescription drug plans and other services, reduce covered services, and reduce payments to providers. At a time when enrollment in Medicare is growing by 10,000 beneficiaries daily, such cuts are irresponsible and harmful. Fewer providers will participate in the program. In New Mexico, a largely rural state, many seniors will simply be unable to access the health care they need.

These cuts are also likely to make health care more costly overall. Currently, Medicare providers are adopting new, value-based payment systems. These systems have been shown effective in reducing health-care costs, improving quality, and improving patient satisfaction. Broad cuts in provider reimbursement will reduce health-care providers' ability to invest in the technological, training, and other costs of shifting to alternative payment models.

- **Education and Social Services:** The bill also jeopardizes revenue that New Mexico uses to fund public education and social services programs, such as support for people with disabilities. New Mexico pays for these programs using royalties the federal government pays for oil, gas, and coal developed on public lands in the state. For fiscal year 2017, New Mexico will receive \$455 million through the program. Without these funds, the state's capacity to educate children, fund institutions of higher learning, and provide other essential services will be severely compromised.

- **Public Health.** Funding for the Prevention and Public Health Fund will be [completely eliminated in 10 years](#). The Fund represents 12% of the Centers for Disease Control and Prevention budget. These cuts will be passed on to essential prevention and public health emergency response in New Mexico. Funding for the Vaccines for Children program, chronic disease management, hospital acquired infections, and public health emergency response is at stake. Reductions or eliminations of these programs will be costly – a classic case of saving a penny to spend a dollar.

OTHER IMPACTS

- **Housing:** Elimination of the mortgage deduction will make it more difficult for low-to-moderate income families to purchase homes. Safe, affordable housing is an essential part of health.
- **Community-Based Organizations:** The bill will increase the standard deduction that taxpayers receive if they do not itemize, thus discouraging donations to nonprofit organizations. At the same time, the bill dramatically cuts public funding for safety net services, shifting the burden of providing these services to private philanthropy.
- **Alcohol:** The “Craft Beverage Modernization” provision will cut federal excise taxes on alcohol producers, particularly small brewers. There is solid evidence that increases in taxes on alcohol reduce alcohol-related injuries, fatalities, violence, and other problems. A recent Brookings Institution report [estimates](#) that this legislation will “result in between 281 and 659 additional motor vehicle fatalities... (relative to a baseline of 37,461 deaths [in 2016]) and 1,550 additional alcohol-related deaths” per year.

About the New Mexico Public Health Institute

The New Mexico Public Health Institute (NMPHI) within the Southwest Center for Health Innovation located in Silver City, New Mexico, was formed to address health disparities that stem from the deep historical and current inequities that frame the lives of New Mexico residents. As a public health institute, NMPHI is focused on creating the conditions in which the people of New Mexico can experience optimal health. The NMPHI mission is “to challenge the status quo by creating an environment in which social and health conditions allow individuals, families, and communities to thrive.” Ultimately, the NMPHI envisions that in New Mexico, “health equity is achieved [and] social and health issues continue to be prioritized through evidence, policy, civic engagement, and social justice.”