



Threats to Medicare in Budget Reconciliation Package

Alliance for Retired Americans Position

The Alliance for Retired Americans strongly opposes all proposals to cut Medicare in the Budget Reconciliation Bill, H.R. 1, the One Big Beautiful Bill Act. Retirees have earned their Medicare benefits over a lifetime of hard work and the program's benefits ensure that older Americans receive the health care they deserve in retirement. Since 1965, Medicare has served Americans as the nation's largest and most successful health insurance system. Today, Medicare provides health insurance for over 68 million Americans, including 61 million who are 65 years of age or older and over 7 million with disabilities under 65.

Across the Board Medicare Cuts

The tax cuts in H.R. 1 are so large that \$490 billion in cuts to Medicare over ten years will be triggered if it becomes law. Statutory "Pay-as-You-Go" budget rules require large tax cuts to be offset by spending cuts elsewhere in the budget to limit budget deficit increases.

All payments to hospitals, doctors, other health care providers, Medicare Advantage plans, and stand alone prescription drug plans would be reduced by 4% per year starting in 2027. [Medicare cuts](#) of this scale would make it more difficult for beneficiaries to get the care they need at a price they can afford. In response, health care providers could begin to limit services to Medicare beneficiaries or stop accepting Medicare altogether. Beneficiaries could also face higher co-pays for medical services and prescription drugs.

Barriers to Medicare for Low-Income Beneficiaries

The partisan reconciliation bill, passed with only Republican votes, makes it harder for low-income Medicare beneficiaries to access and pay for care. Medicare beneficiaries who are enrolled in Medicaid receive automatic eligibility for the [Low-Income Subsidy](#) (LIS) program, which substantially reduces their out-of-pocket Medicare Part D costs. Lower Medicaid enrollments resulting from the bill's deep funding cuts are expected to result in fewer low-income Medicare beneficiaries receiving this subsidy.

Overall, [nearly 30%](#) of Medicaid dollars support “dually eligible” Medicare enrollees, and one in five people with Medicare also rely on Medicaid to meet their health care needs. Medicaid helps to make Medicare more affordable for low-income older adults by assisting with Medicare costs through [Medicare Savings Programs](#) and by covering services that Medicare does not cover, such as nursing facility care, dental, vision, hearing, and non-emergency medical transportation to medical appointments.

The legislation, however, reduces access to [Medicare Savings Programs](#)’ cost-sharing assistance, which allows dually eligible adults over age 65 and people with disabilities to see a doctor and meet their basic healthcare needs. According to the [Congressional Budget Office](#), 1.4 million people who are eligible for both Medicaid and Medicare would no longer receive this cost-sharing assistance and face increased out-of-pocket costs.

Weakens/Harms Hospital Finances

Even though the funding cuts in the reconciliation bill may appear to exclusively impact lower-income Americans, because of the adverse economic ripple effects across the health care system, the legislation poses dangers to health care access for everyone in our nation. [Rural hospitals](#) already face serious financial challenges and possible closure in many areas of the country, especially in the 10 states that have not expanded access to Medicaid. Moreover, increased uncompensated care costs for patients without coverage and without the ability to pay as a result of the reconciliation bill’s steep funding cuts will drive these hospitals even closer to the brink of closure.