AFSCME Facts

Impact of the so-called Big Beautiful Bill on Retirees

The One Big Beautiful Bill Act, was passed by yes-men in Congress and signed into law by President Trump on July 4, 2025. It substantially cuts health care and food assistance benefits that help retirees and will trigger a half-trillion-dollar Medicare cut without further action by Congress. It also provides for a temporary supplemental tax deduction for certain retirees. This fact sheet provides an overview of these and other changes.

Key Things to Know About the Impact on Retirees from the Benefit Cuts and Tax Changes Made by President Trump and Congressional Republicans

- ✓ **Medicare Cuts –** Increases prescription drug costs by exempting more drugs from Medicare drug price negotiation and potentially triggers $500 billion in Medicare cuts.
- ✓ **Catastrophic Health Care Cuts –** Causes 15 million people to lose coverage due to cuts in Medicaid and Affordable Care Act (ACA) coverage and will result in cuts in Medicaid coverage, increases in private plan costs and reduced access to care.
- ✓ **Big Cuts in Food Assistance –** The so-called Big Beautiful Bill makes significant cuts to Supplemental Nutrition Assistance Program (SNAP) benefits that could affect seniors directly and indirectly.
- ✓ **Benefit Cuts for Early Retirees –** Results in some pre-65 retirees losing Medicaid and SNAP benefits and causes big increases in their ACA marketplace health premiums.
- ✓ **Temporary Tax Cuts for Some Retirees –** Gives a temporary, 4-year tax deduction for some people 65 and older with incomes below certain levels.
- ✓ **Faster Social Security Trust Fund Depletion –** Accelerates the date at which the Social Security Trust Fund is exhausted by six months.
- ✓ **Back-door Social Security Privatization –** Creates private individual accounts that could be used to privatize Social Security in the future.

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<u>What does the law mean for Medicare?</u>

Undermining Drug Price Negotiation – The so-called Big Beautiful Bill increases the number of drugs exempt from price negotiations beginning in 2028. This lobbying priority for prescription drug corporations will increase overall drug costs for Medicare and out-of-pocket costs for Medicare beneficiaries.

Potential $500 Billion Medicare Cut – Because the so-called Big Beautiful Bill increases federal budget deficits by so much, it triggers an automatic $500 billion cut in Medicare that is required by the laws governing federal budgets. While Congress could override the cuts in future legislation, it is not a given. If Congress does not override them, the cuts will be made in the form of across-the-board cuts in what Medicare pays hospitals, doctors and other health care providers. This would jeopardize Medicare beneficiaries' access to health care services and threaten the financial viability of some hospitals and other health care facilities.

<u>What impact will the law have on health care for seniors?</u>

In addition to the threats to Medicare described above, the so-called Big Beautiful Bill cuts federal funding for Medicaid by more than $1 trillion over 10 years, increases the number of uninsured by 15 million over that same period, increases the cost of health care overall and threatens access to care for everyone.

Cuts in Coverage – Pre-65 retirees could be cut off Medicaid entirely, and all seniors could face cuts in Medicaid benefits. Pre-65 retirees could become ineligible for Medicaid because they do not meet newly imposed "community engagement" requirements. Unless they qualify for an exemption (e.g., for disability), pre-65 retirees generally would need to show that they work or do volunteer work for 80 hours or more each month. Pre-65 retirees will also be required to start contributing to the cost of the care they receive under Medicaid, such as by making co-payments when they visit a doctor.

The new law's big cuts in federal funding, shifting of costs to states and limits on states' ability to pay for their share of Medicaid costs will force some states to cut back on optional benefits, including some home and community-based services that allow some seniors to stay in their homes and communities instead of going into a nursing home.

Big Increases in Private Plan Costs – Pre-65 retirees who rely on ACA marketplaces to buy individual health coverage likely will face big spikes in their out-of-pocket premiums (75% or more) beginning in January 2026. That is because Congress chose not to extend the extra federal help paying premiums (also called enhanced premium tax credits) that is due to expire at the end of this year. Retirees who get coverage through an employer plan are likely to face even higher premiums and out-of-pocket costs — as much as $500 more per person each year — because hospitals and other health care providers will try to make up for the Medicaid and other health plan revenue they lose by increasing the prices they charge to private health plans.

Cuts in Access to Care – The enormous cuts to health care spending and the big increase in the number of insured will hurt health care providers' finances, especially for hospitals as they are hit with cuts in the rates Medicaid pays them and have to provide care to more people who cannot afford to pay their bills. Hundreds of hospitals nationwide are on the edge financially, and many could be forced to close due to the new law's cuts. As a result, everyone may have a harder time accessing care as they are forced to travel farther and wait longer to get help.

What impact will the law have on nursing home care?

The so-called Big Beautiful Bill halts implementation of the Biden administration's nursing home minimum staffing standards for registered nurses and certified nurse aides for 10 years. That rule would have improved both the quality of care for nursing home residents and working conditions for nursing home employees. With this rule now blocked, nursing home owners can put cost cutting and profits above patients and workers.

What impact will the law have on food assistance for seniors?

The so-called Big Beautiful Bill makes significant cuts to SNAP food assistance that could affect seniors directly and indirectly. The new law raises the age through which adults without dependents must meet so-called "community engagement" requirements to 64 (up from 54). This means many more seniors will have to work or volunteer for at least 80 hours a month to stay eligible for SNAP (unless they qualify for an exemption like having a disability).

The law also shifts part of the cost of SNAP to states and local governments, including by requiring some states to pay a share of benefit costs for the first time and increasing by half what they pay toward SNAP administrative costs. Some states are expected to pay for this cost shifting, at least partly, by cutting extra SNAP benefits that are not required under federal law. This could reduce benefits or cut eligibility entirely for some seniors.

Does the new law eliminate taxes on Social Security benefits?

No. Although President Trump had promised to eliminate taxation of Social Security benefits for seniors, the so-called Big Beautiful Bill does not do that. Instead, it includes a limited-time extra federal income deduction for seniors 65 and older. According to one analysis, the new law's increased deduction is only about one-third the size of the aggregate cut that would have occurred if taxes on Social Security benefits were eliminated for seniors. The following table lays out the details of this limited-time deduction:

Limited Extra Tax Deduction for Seniors	
What it does	Provides up to an extra $6,000 federal income tax deduction per senior
When it is available	Only in 2025-2028
Who is potentially eligible	Individuals 65 and older (regardless of whether they have Social Security income). People are eligible regardless of whether they take the standard deduction or itemize their deductions.
Income limits	• **Full $6,000 deduction:** Income no more than $75,000 for single filers and $150,000 for joint filers • **Partial deduction:** Income > $75,000 but < $150,000 for single filers, and > $150,000 but < $250,000 for joint filers • **No deduction:** Income ≥ $150,000 for single filers and ≥ $250,000 for joint filers For a person eligible for a partial deduction, the $6,000 maximum is reduced by six cents for every $1 in income above the income thresholds ($75,000 for single filers and $150,000 for joint filers). Note: A person's income used to determine eligibility is modified adjusted gross income (MAGI). Unlike the usual adjusted gross income (AGI) used to determine federal taxes, MAGI is calculated by adding in certain kinds of income that are excluded from AGI.
Impact on AFSCME members	Eligible retirees 65 and older will see a slight increase in their after-tax income (+0.2% on average according to one estimate).

What impact does the so-called Big Beautiful Bill law have on Social Security?

Earlier Trust Fund Exhaustion – The new law's income tax cuts are projected to cost Social Security $168.6 billion in the next 10 years and accelerate the date at which the combined trust funds are depleted by about six months. The long-run effect is to increase the long-range shortfall to 3.98% of payroll, from 3.82% (i.e., +0.16%). That's the amount that Social Security's combined payroll tax rate for workers and employers would have to go up today to ensure Social Security can pay 100% of promised benefits for the next 75 years.

Back-Door Privatization – The new law creates a new kind of savings account that President Trump's Treasury Secretary, Scott Bessent, has called "a back door for privatizing Social Security." As initially established, these accounts, which are named Trump Accounts, target children, with the federal government providing a $1,000 initial contribution when a parent opens an account for a child born in 2025-2028. The accounts have tax advantages like those given to individual retirement accounts. As Bessent suggests, these accounts could provide the foundation for a plan to privatize Social Security, with Social Security benefits cut and payroll tax contributions diverted to Trump Accounts.

<u>Are there special impacts on pre-65 retirees?</u>

Yes. New work reporting requirements for Medicaid and SNAP and expiration of enhanced ACA subsidies will harm pre-65 retirees. Further, the new law excludes pre-65 retirees from a temporary retiree tax deduction.

New and Expanded Medicaid and SNAP Work Reporting Requirements – Pre-65 retirees could become ineligible for Medicaid and SNAP because they do not meet so-called “community engagement” requirements. Unless they qualify for an exemption (e.g., for disability), pre-65 retirees generally would need to show that they work or do volunteer work for 80 hours or more each month. (For SNAP, this requirement applies to people without dependents.) If they do not meet these new requirements, they will lose Medicaid (generally starting in 2027) and SNAP (immediately).

Big Increases in Individual Health Premiums – Pre-65 retirees who rely on ACA marketplaces to buy individual health coverage likely will face big spikes in their out-of-pocket premiums beginning in January 2026. That is because Congress chose not to extend the extra federal help paying premiums (also called enhanced premium tax credits) that is due to expire at the end of this year. According to one estimate, out-of-pocket premiums for the average ACA enrollee will go up by 75%. People making 401% of the federal poverty threshold or more (approximately $62,757 a year or more for a single person in 2026) will see the biggest increases — $5, 800 per year on average — because they will no longer be eligible for any help paying premiums.

No Senior Tax Deductions – The new law creates a $6,000 annual tax deduction for seniors in 2025-2028, but only people 65 and older are eligible. That means retirees under 65 do not get an added tax benefit.