Tax Giveaways *for* Gouging

HOW THE TRUMP TAX LAW FUELED CORPORATE PROFITEERING

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GROUNDWORK COLLABORATIVE

Introduction

Trump's first tax giveaway, the Tax Cuts and Jobs Act (TCJA), funneled trillions into the pockets of wealthy corporations and their shareholders, including through a 40 percent cut to the top corporate tax rate (from 35% to 21%). Over the past few years, these companies, facing already low tax rates thanks to the TCJA, raised prices on essential goods every chance they got to boost their own profit margins at the expense of American families.

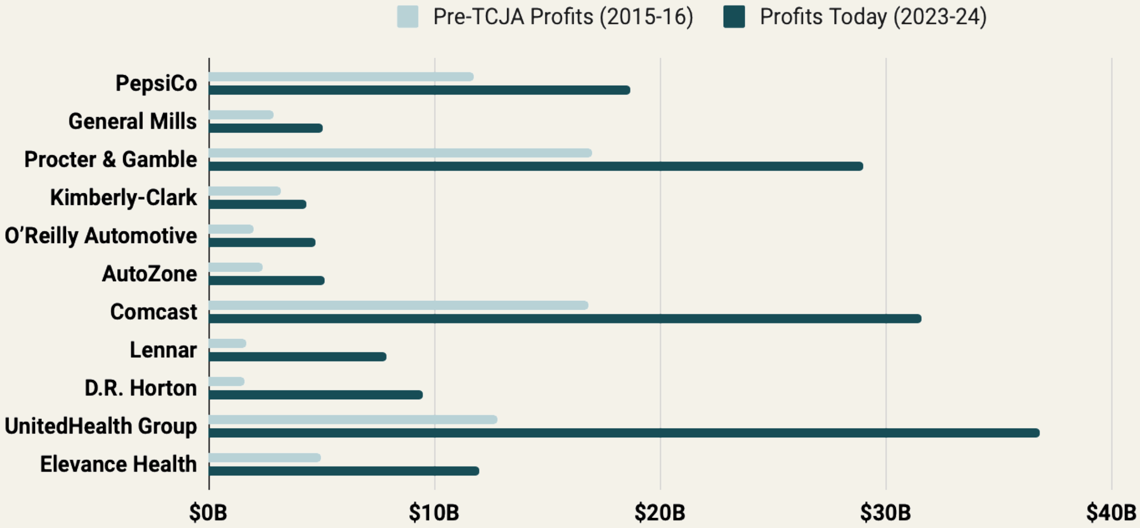
Trump is handing the companies that spent the last several years ripping off workers and families ***a gilded trophy for their efforts*** *&* ***a permission slip to continue.***

Now, Trump and congressional Republicans are doubling down on tax breaks for their billionaire backers, paid for by working families. According to one estimate, Republican proposals to defund vital programs like Medicaid and extend tax cuts for the wealthy would *raise* costs by as much as $1,125 for the bottom 20% of American families.

Instead of focusing on lowering costs and reining in corporate price gouging, President Trump and his allies in Congress are pushing for a new slew of corporate giveaways. Trump's proposal to further reduce the corporate tax rate to 15% would give the 100 largest corporations in America a $50 billion per year windfall. At the same time, Trump and Musk have gone on a federal firing and agency dismantling spree, gutting consumer protection agencies like the Consumer Financial Protection Bureau and the Federal Trade Commission, which lower prices and hold unscrupulous actors accountable. Taken together, Trump is handing the companies that spent the last several years ripping off workers and families a gilded trophy for their efforts and a permission slip to continue.

This brief reviews the failure of the TCJA to deliver on its grand promises and exposes the large corporations Trump plans to reward for fleecing consumers. The brief focuses on the pricing behaviors and profits of 11 companies, which dominate essential industries like groceries, home and personal care, car repairs, telecommunications, housing, and health care that make up the majority of Americans' household budgets each month. **We find that since Trump's first tax giveaway, these companies have raked in nearly $500 billion in profits and enriched their shareholders by $463 billion while paying just $140 billion in federal income taxes. Compared to the two years before the TCJA was passed, these companies' profits have more than doubled while their effective tax rates fell by 39%.**

Companies that American Families Rely on for Basic Essentials Have Skyrocketed their Profits Since the Enactment of the TCJA



Source: Company Securities and Exchange Commission filings

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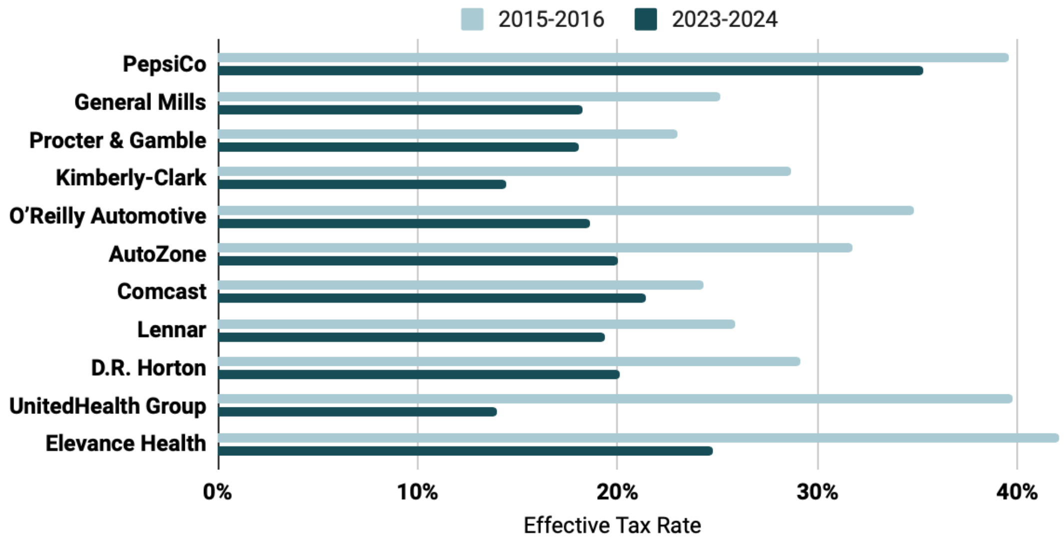
Background

The TCJA was built on false promises. When Trump signed it into law, he touted the bill as a win for American workers and the U.S. economy. He sold the unpopular law with antiquated and debunked "trickle-down" logic, claiming that slashing taxes for the wealthy and corporations would supercharge investment, create jobs, grow the economy, and raise wages by $4,000 for the typical worker. Instead, wage growth and job creation slowed, and 90% of workers never saw the raises the President promised them. Only corporate executives and other highly-paid professionals reaped pay increases. The TCJA also failed to boost GDP growth or business investment, while consumption and new business formation declined. This year alone, the TCJA is expected to deliver a $61,090 giveaway to the top 1% of earners, while middle-class workers will receive a tax break of just $910 – less than $3 per day.

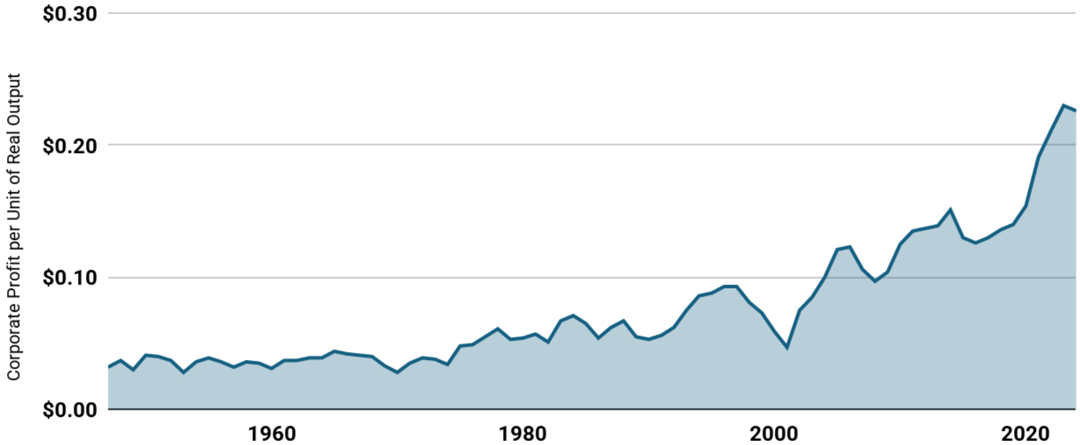
The TCJA Slashed the Corporate Tax Rate from 35% to 21%, and Many Large Corporations Pay Even Lower Effective Tax Rates



Source: Company Securities and Exchange Commission Filings, Institute on Taxation and Economic Policy

While working families barely benefited from the TCJA, corporate executives and wealthy investors rejoiced. The law slashed the statutory corporate tax rate from 35% to 21%, though many of the largest companies pay even less due to aggressive tax avoidance strategies and other huge tax giveaways enacted as part of the 2017 law. At the time the law was passed, the Joint Committee on Taxation estimated that the corporate tax rate cut would reduce federal revenues by $1.3 trillion over a decade.

Profit Margins Have Increased by Nearly 75% Since the TCJA was Enacted, Reaching Record Levels in 2023

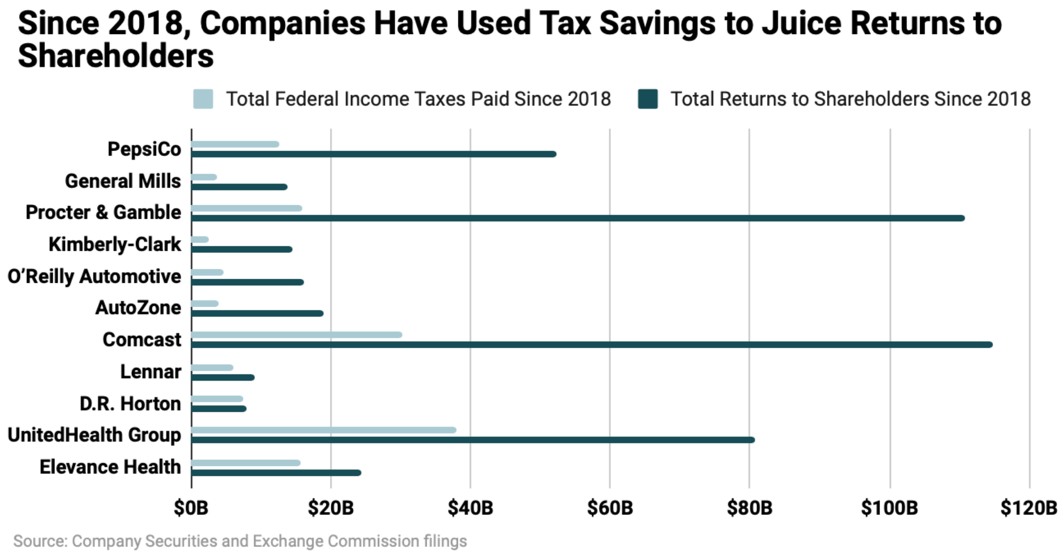


Source: U.S. Bureau of Economic Analysis, Profit per unit of real gross value added of nonfinancial corporate business (with IVA and CCA)

Many of these same corporations turned around and took advantage of global supply chain shocks in the wake of the COVID-19 pandemic and Russia's invasion of Ukraine to further pad their profit margins by jacking up prices on consumers. Corporate profits drove nearly 40% of the rise in consumer prices between the end of 2019 and mid-2022, and in the first two quarters of 2024, corporate profits accounted for over 30% of price increases. Such gouging pushed corporate profits to an all-time high of $4 trillion by the end of 2024. And thanks to the TCJA's massive tax cuts, corporations got to keep more of every dollar they squeezed from workers and consumers.

Corporations ***prioritized enriching shareholders*** *over affordability, directly fueling the inflationary pressures burdening American households today.*

Instead of contributing to public revenue – funding roads, schools, health care, and other essential services – or investing in their workers or innovation, corporations diverted billions into stock buybacks and dividends to benefit their executives and shareholders. Corporations prioritized enriching shareholders over affordability, directly fueling the inflationary pressures burdening American households today.



While the C-suite, Wall Street, and wealthy shareholders celebrate record-breaking profits, consumers are left struggling with soaring costs. Everyday expenses – like diapers from Kimberly-Clark, food and drinks from General Mills and Pepsi, and health insurance from companies like Elevance and UnitedHealth – have become increasingly expensive, stretching household budgets to their breaking point. Virtually every line item in a family budget has increased in recent years. Low-income families, who spend a greater share of their income on these necessities, have been hit the hardest.

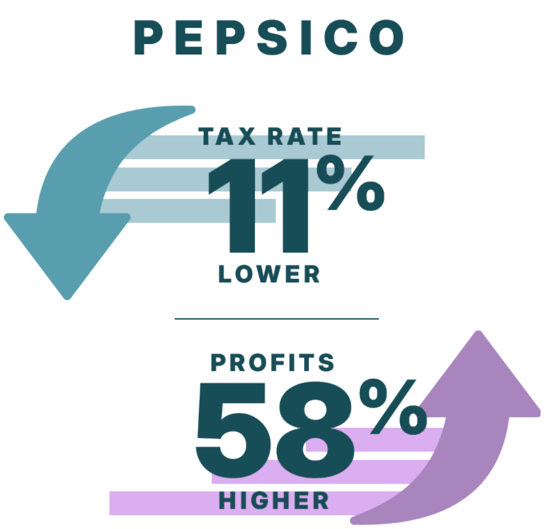
Groceries

Consumers are now spending 30% more on groceries than they were before the TCJA was passed. Eighty-one percent of people say their grocery bill is higher than last year, and groceries are the most frustrating price increase for American consumers. Since the TCJA was enacted, PepsiCo and General Mills, two of the leading packaged food and beverage companies, have directly enriched their shareholders by $66 billion and paid just $16 billion in taxes.

PepsiCo

PepsiCo sells well-known food and beverage brands including Pepsi, Gatorade, Tropicana, Lay's, Quaker Oats, Cap'n Crunch, and Rice-A-Roni. And last month PepsiCo bought prebiotic soda brand, Poppi. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 11% lower and profits are 58% higher.[1]

In 2018, the company claimed that the "financial benefits provided by the recent U.S. tax reform [would allow them] to make incremental investments to fortify [their] business." These investments included a one-time $1,000 bonus for some workers – 2% of a median worker's pay – and a 15% increase in dividends for shareholders. PepsiCo juiced shareholder payouts by more than five-times as much as they spent on worker bonuses in the year after the TCJA's enactment.



compared to the two years prior to the TCJA's enactment

[1] For this and similar comparisons throughout the paper, we examine effective tax rates and profits between 2015 and 2016 to 2023 and 2024. To calculate effective tax rates, we follow the methodology of the Institute on Taxation and Economic Policy. Throughout this paper, effective tax rates refer to federal income taxes.

Between 2021 and 2023, PepsiCo hiked prices by double-digit percentages for 8 straight quarters. In the third quarter of 2022, PepsiCo saw 17% profit growth, triple their 4-6% target range. They attributed this to “a lot of pricing” and “relatively low elasticity” – in other words, the company could significantly hike prices without seeing a drop in sales volume. To increase margins while limiting sticker price increases, PepsiCo turned to shrinkflation techniques. In October 2022, a representative of the company said, “We took just a little out of the bag so we can give you the same price and you can keep enjoying your chips.” PepsiCo also replaced its 32-ounce bottle of Gatorade with a 28-ounce bottle but left the sticker price intact while giving customers 12.5% less product.

In their earnings calls for the third and fourth quarters of 2024, investors expressed concern over PepsiCo’s lackluster revenue growth and profit declines, and executives blamed the slow recovery of American consumers and the difficult choices customers must make to maximize disposable income. CEO Ramon Laguarta assured investors that his strategy is not to lower prices, but instead to offer them smaller package options to keep earnings and returns to investors high.

*Consumers are now spending **30% more** on groceries than they were before the TCJA was passed.*

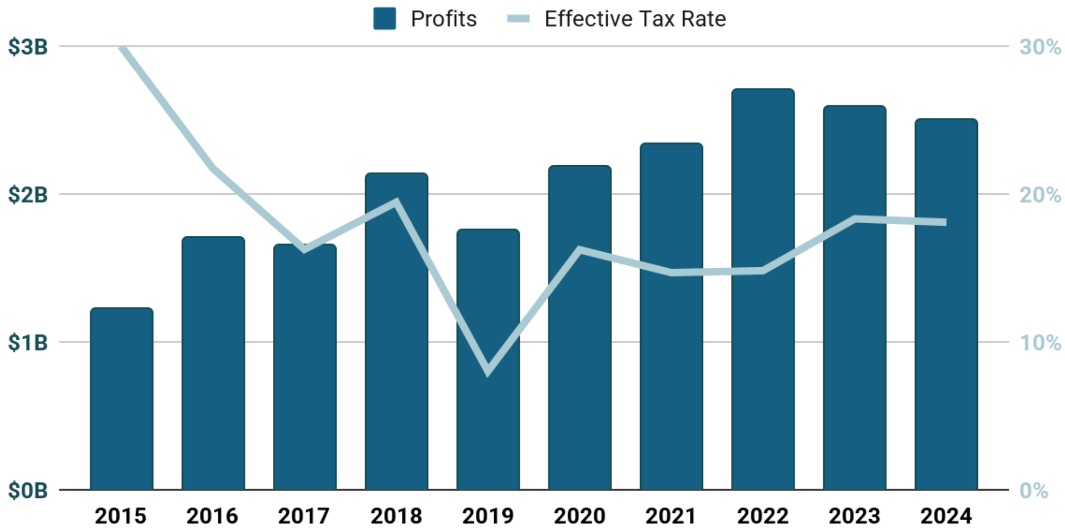
General Mills

General Mills produces breakfast cereals, baking mixes and ingredients, dairy products, snack bars, pet food, and packaged prepared meals, including popular brands like Cheerios, Betty Crocker, Gold Medal, Häagen-Dazs, Nature Valley, Blue Buffalo, and Progresso. Compared to the two years before the TCJA’s enactment, the company’s effective tax rate is now 28% lower and profits are 75% higher.

compared to the two years prior to the TCJA’s enactment

In 2018 – the first year the TCJA was in effect – General Mills’ CEO noted that they were able to increase prices in North America by double the amount of the previous year,which contributed significantly to increases in the company’s profit margins. In 2021 and 2022, General Mills reacted quickly to rising input costs, raising prices as much as 20% for some items before most of their competitors did. Customers generally accepted these price increases, and in fact General Mills' market share in their North American retail product lines grew by 70%. This gave them even more pricing power as growth in input costs slowed. In addition to higher prices, General Mills reduced package sizes, like making family-sized cereal boxes 10% smaller, which some have dubbed "shrinkflation."

General Mills has Increased its Profits by 75% and Decreased its Effective Tax Rate by 28% Since the TCJA was Enacted



Source: Company Securities and Exchange Commission Filings, Institute on Taxation and Economic Policy

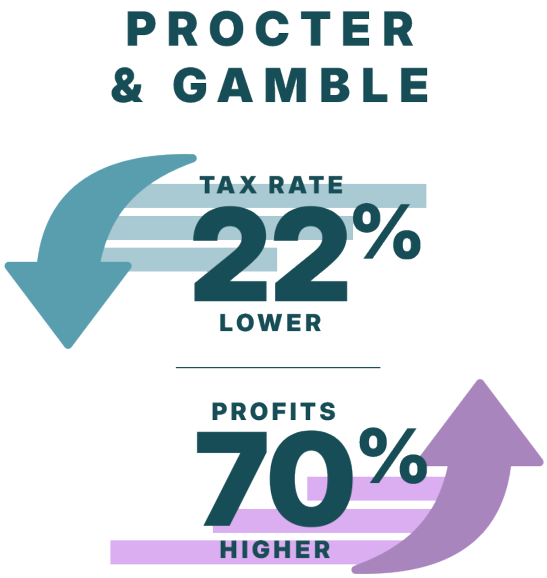
Home / Personal Care

Consumers are now spending 22% more on personal care products and 28% more on housekeeping products than they did before the TCJA was passed. A recent report from R.R. Donnelley & Sons found that 75% of consumers are frustrated with the price of household goods and 70% with beauty care products. Since the TCJA was enacted, Procter & Gamble and Kimberly-Clark, two of the leading household and personal care companies, have directly enriched their shareholders by $125 billion and paid just $18 billion in taxes.

Procter & Gamble

Procter & Gamble (P&G) sells well-known household and personal care brands including Gillette, Pantene, Pampers, Tide, Charmin, Bounty, and Crest. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 22% lower and profits are 70% higher.

In response to the TCJA, P&G increased its share repurchase plan, which actually prompted investor pushback. Before TCJA, P&G's gross profit margins averaged 49%, and by 2024 they had expanded to 52.4%. Setting aside the increase, P&G is the picture-perfect example of corporate profiteering: After accounting for their costs, the company pockets half of every dollar they make in sales. Although their costs increased in the wake of supply chain crises over the past few years, they had plenty of breathing room to cover the temporary hit without jacking up prices for American consumers. Yet, they hiked prices by *even more* than the cost increases they faced.

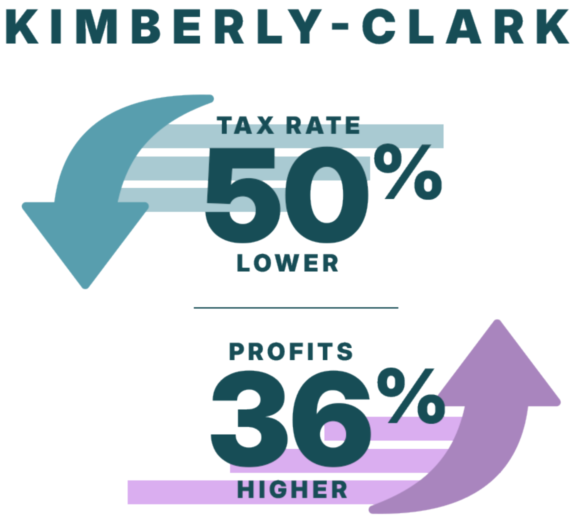


compared to the two years prior to the TCJA's enactment

The company consistently attributes higher profits to steep and recurring price increases. In the last quarter of 2022 and first quarter of 2023, P&G raised prices by 10% twice across its brands, well above its increase in input costs. Price increases in the first quarter of 2023 were nearly double the increases in input costs, allowing profit margins to expand. P&G also adopted shrinkflation techniques for tubes of Crest 3D White toothpaste and bottles of Pantene conditioner, keeping both products at the same price while volumes shrank. These price increases and margin expansions allowed the company's profits to grow by a staggering 30% between the last quarters of 2023 and 2024.

Kimberly-Clark

Kimberly-Clark (K-C) specializes in household and personal care brands including Huggies, Kotex, Kleenex, Scott, Cottonelle, and Hefty. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 50% lower and profits are 36% higher.



compared to the two years prior to the TCJA's enactment

A month after the TCJA was enacted, K-C's CFO told investors the firm was "pleased with the outcomes" and that the benefits from the law will provide the company the ability to continue to "allocate capital in a shareholder friendly way."

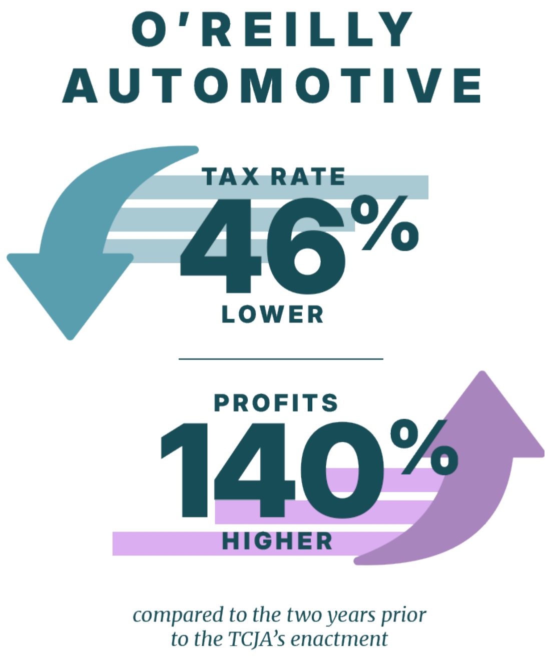
Between 2021 and 2023, the company increased prices significantly and repeatedly, and K-C's CEO bragged that their "pricing execution [was] going very well." Further, the company was fully aware that its price hikes would hurt American families. In 2022, the CEO said to investors, "We recognize at the price levels we're putting into the market, they will create stress on the consumer." These price hikes, he emphasized, aimed to raise profit margins so they could further enrich investors through dividend increases and stock buybacks. In the fourth quarter of 2022, the company increased diaper prices by 7% and bath tissue by 11%. Rather than prevent price hikes, they increased shareholder dividends for the 50th consecutive year and resumed their suspended stock buyback program in 2022.

K-C's price hikes continued throughout 2023, including 10% in the first quarter of 2023 and 5% in the third quarter. K-C has bragged that its outsized pricing power stems from a lack of demand elasticity in its industry because of the "essential nature" of its products, giving the company considerable leverage over customers who have no choice but to buy less. In April 2023, the CEO remarked, "If the price goes up on bath tissue, [it] generally doesn't mean you're going to use the bathroom less, right?"

Car Repairs

Consumers are now spending 49% more on motor vehicle maintenance and repair than they were before the TCJA was passed. Between 2021 and 2023, there was a 45% increase in the average price per service visit. Just 41% of Americans have sufficient savings to cover a $1,000 car repair. Nearly 80% of American workers rely on cars to commute to work, which means unaffordable repairs can cause financial hardships to spiral. Two out of every three U.S. drivers do not trust auto repair shops, primarily because they feel overcharged for services. O'Reilly Automotive and AutoZone are two of the largest companies in the automotive parts and services industry, with millions of customers across their combined 13,000 stores throughout the country. Together, they have directly enriched their shareholders by $35 billion and paid just $8.5 billion in taxes since the TCJA was enacted.

O'Reilly Automotive



O'Reilly Automotive is a nationwide retailer that specializes in car parts, tools, and maintenance supplies. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 46% lower and profits are 140% higher.

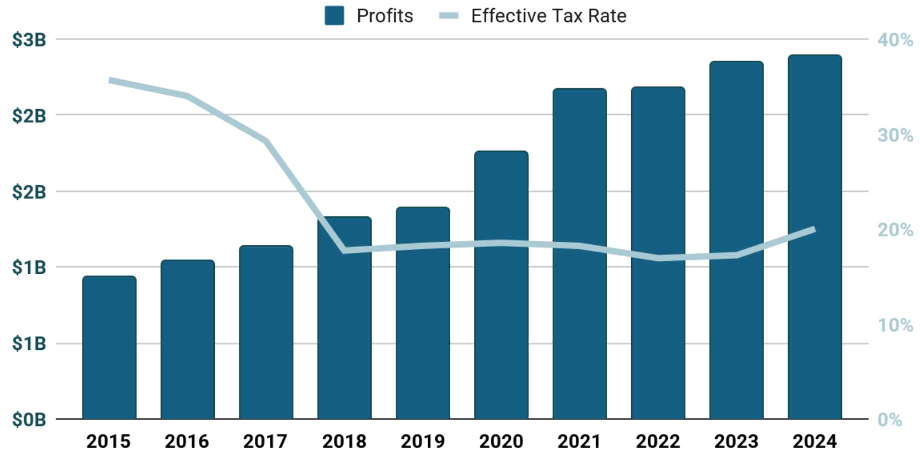
O'Reilly's CFO told investors they would use a portion of the tax savings from the TCJA to invest in workers and increase wages. While the median wage for the company's workers did increase, the CEO's pay increased by 31.5% between 2017 and 2023.

One month after the TCJA's enactment, O'Reilly's Co-President told investors that "there's really nothing to gain for us by lowering price[s]." The CFO reiterated this in 2024, pointing out that the company does not see a decrease in demand when they hike prices because of a lack of demand elasticity: "Because of the critical nature of transportation needs ... if you have a failure on your vehicle, you're going to need to replace it."

In 2021, O'Reilly's CEO told investors the company was "benefiting from enhanced gross margins as a result of increased prices on the sell-through of products purchased prior to the cost increases." In other words, they marked up prices on inventory purchased before hikes in input costs, allowing them to pocket the difference. Over the course of the year, this amounted to a windfall of $80 million. O'Reilly's CEO emphasized that the company "diligently work[s] to pass along cost increases in a timely manner, consistent with or ahead of actual cost increases from suppliers."

In the first quarter of 2022, the CEO told investors that the company is "looking for opportunities to increase prices." When pressed by investors about moderating inflation in the second quarter of 2022, O'Reilly's CFO emphasized that the company would "hang on to price increases that [they've] passed through" as they saw moderation or even declines in input costs, allowing them to increase profit margins. In the third quarter, he told investors he felt "very confident that to whatever degree that we do see any relief on the cost side that the industry will be able to maintain [high] selling prices."

O'Reilly Automotive has Increased its Profits by 140% and Decreased its Effective Tax Rate by 46% Since the TCJA was Enacted



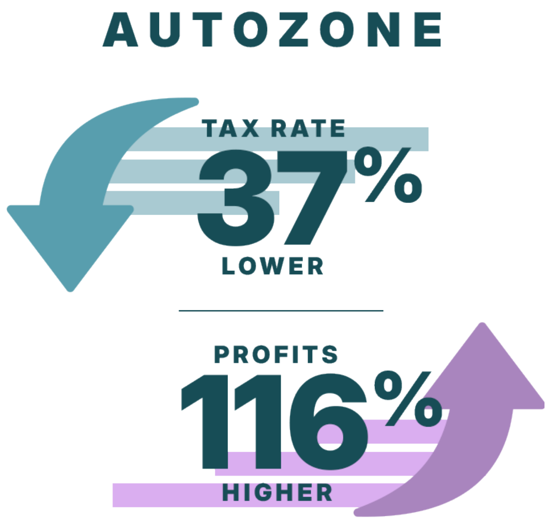
Source: Company Securities and Exchange Commission Filings, Institute on Taxation and Economic Policy

AutoZone

AutoZone is the largest retailer and distributor of auto parts and accessories in the U.S., operating more than 6,000 stores. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 37% lower and profits are 116% higher.

Since 2017, their margins have increased by 7%. Between 2017 and 2019, share repurchases nearly doubled. In the first quarter of 2021, the company resumed its share buyback program after temporarily pausing it during the onset of the pandemic, and the CFO-elect told shareholders the company expected to "return meaningful and historically unprecedented amounts of cash to shareholders." By 2021, repurchases were more than three times their 2017 levels.

In the first quarter of 2022, executives shared that their cost inflation was 2% while price increases were 4%, and the CEO noted this margin expansion was part of the driver for the "most incredible six straight quarters [they've] ever seen." And the CFO bragged that the company had "the luxury of having in this environment, a faster growing business with higher margin dollars overall." As with O'Reilly, AutoZone also noted that they increased prices before cost increases took place. In the second quarter of 2022, the CFO flippantly said, "Inflation has been our friend, it's helped us drive higher pricing." And in the third quarter of 2023, the CEO assured investors that business would only get better as inflation came down, given that the "industry has historically not reduced pricing to reflect lower ultimate costs." As costs have slowed or come down over the past year, their margins have grown for the first time in 5 years as they keep prices high.



compared to the two years prior to the TCJA's enactment

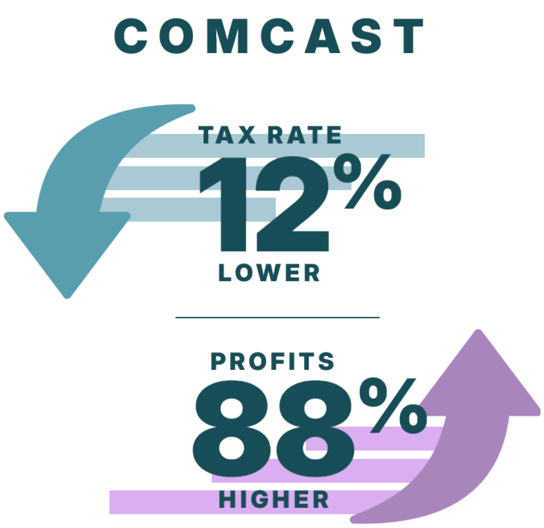
*Consumers are now spending **49% more** on motor vehicle maintenance and repair than they were before the TCJA was passed.*

Telecoms

Consumers are now spending 13.1% more on internet services and 28.2% on cable and streaming services than before the passage of the TCJA. American households spend, on average, $2,500 per year on cable, internet, and cell phone bills. Customers continually rank internet service providers and subscription television services as one of the worst industries. These companies often charge consumers "junk fees" like activation fees, administrative fees, router/set-top box rental fees (with no option to use your own equipment), early termination fees, and vague "network enhancement fees." Comcast provides over 30 million Americans with broadband, 12.5 million with cable, and nearly 8 million with phone services, along with 34 million Peacock streaming subscribers. Since the TCJA was enacted, Comcast has directly enriched shareholders by $115 billion and paid just $30 billion in taxes.

Comcast

Comcast is one of the biggest media and telecommunications companies in the world. They are the largest internet provider in the U.S. and operate Peacock and NBCUniversal. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 12% lower and profits are 88% higher.



compared to the two years prior to the TCJA's enactment

Just after the TCJA was signed into law, Comcast announced $1,000 bonuses for some employees following their $12.7 billion windfall from the tax cuts, amounting to a $171 million expense for the company. In January 2018, the company increased dividends by 21%, and in the first quarter alone, directly enriched their shareholders by $2.4 billion – 14 times the expense of the employee bonuses.

In 2018, the company beat margin expansion expectations by 60% and in 2019 by an additional 180% for their cable/broadband segment, due to price increases and low programming costs. Between 2017 and 2020, their margins increased by more than 9%. In mid-2022, they bragged to investors about their "margin reach[ing] a record high of nearly 45%." Margins continued to expand, topping 47.3% by the second quarter of 2023. The company continually bragged to shareholders during those years about how it cut costs for non-programming expenses, such as customer service. On top of recurring price increases, Comcast bombards customers with surcharges (that they repeatedly increase) to hike their bills even when they think they've locked in a rate.

In 2018, Comcast hiked the price of a basic broadband plan by $10 (40%), added a $1 (10%) hike on the modem rental fee, and increased the regional sports fee by $1.75 (35%). In 2019, they increased the modem rental fee again to $14 (up from $11), the cable box rental fee to $4.60 (84%), and even the remote rental fee, which more than doubled to 40 cents. Between November 2018 and January 2020, Comcast increased the broadcast TV surcharge three times – a junk fee the Federal Communications Commission has now banned – from $8.85 to $13.99 for an increase of 57%. In November 2020, they announced across-the-board price increases, including a 50% increase in the rental fee for television boxes, a 43% increase in the installation fee, and a 20% increase in the basic cable plan. In 2022, they increased the price of the basic cable plan by 8%, and broadcast and sports fees topped $24.95 and $17.50, respectively, for some customers. In 2023, they yet again hiked these fees, from $14 to $15 for modem rentals and broadcast fees up to $27.25 for some customers.

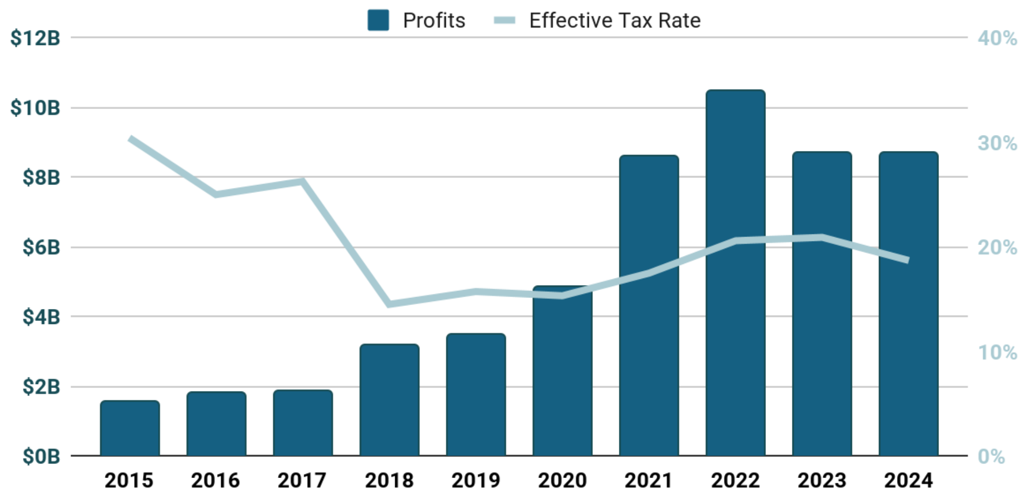
*Consumers are now spending **13.1% more** on internet services and **28.2% more** on cable and streaming services than before the passage of the TCJA.*

Housing

Consumers now spend 35% more on housing than they did before the TCJA was passed. The price of existing single-family homes has increased by 65%, and the median price of new single-family homes has increased by 30% since the TCJA passed. A household now needs an annual income of $107,000 to afford a new single-family home – more than 25% more than the median household income – and 75% of U.S. households cannot afford a median-priced new home. Half of the 43 million renter households in the U.S. spend more than 30% of their income on housing costs. Unsurprisingly, 77% of Americans believe we're facing a housing affordability crisis.

D.R. Horton and Lennar, the two largest homebuilders in the U.S., have directly enriched their shareholders by $17 billion and paid just $13 billion in taxes since the TCJA was enacted. Lennar and D.R. Horton are both vertically integrated, keeping the vast majority of land acquisition and development and mortgage financing in-house, allowing them to capture even greater profit margins.

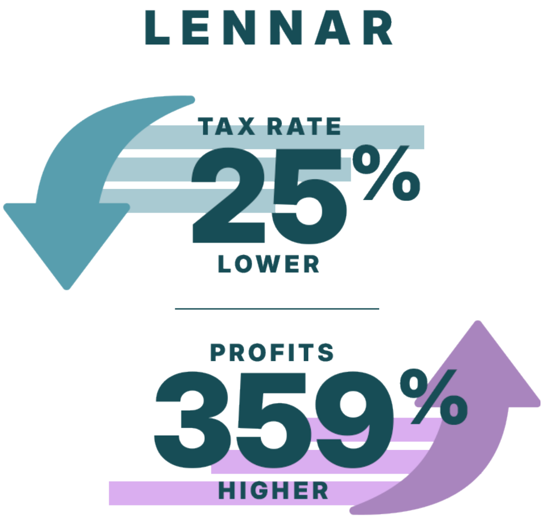
The Two Largest Homebuilders in the U.S. More Than Quadrupled Their Profits and Decreased Their Effective Tax Rates by Nearly 30% Since the TCJA was Enacted



Source: Company Securities and Exchange Commission Filings, Institute on Taxation and Economic Policy

Lennar

Lennar is the second-largest homebuilder in the U.S. The company closed more than 85,000 homes in 2024. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 25% lower and profits are 359% higher.



compared to the two years prior to the TCJA's enactment

After the tax cuts went into effect in 2018, the company resumed share repurchases after pausing them in 2016 and 2017. In fact, in 2018, the company authorized a new repurchase program (worth $1 billion) for the first time since 2001. In 2020, the company nearly tripled dividends, and in 2021, increased them by an additional 60 percent and a further 50% in 2022 and 33% in 2024. Share repurchases also more-than-quadrupled between 2020 and 2021 and nearly doubled between 2023 and 2024.

Between 2017 and 2024, the company's profit margins increased by 55%. Within its financial services segment – which provides mortgage financing for home buyers, including for 80% of homes the company built and sold last year – margins increased by more than 150%. Despite a considerable affordable housing shortage in the U.S., Lennar's CEO told investors in 2021 that the company "slowed sales to generate higher profits."

Consumers now spend ***35% more*** *on housing than they did before the TCJA was passed.*

D.R. Horton

D.R. Horton is the largest homebuilder in the U.S. The company closed almost 90,000 homes in 2024. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 31% lower and profits are 480% higher.

D.R. HORTON

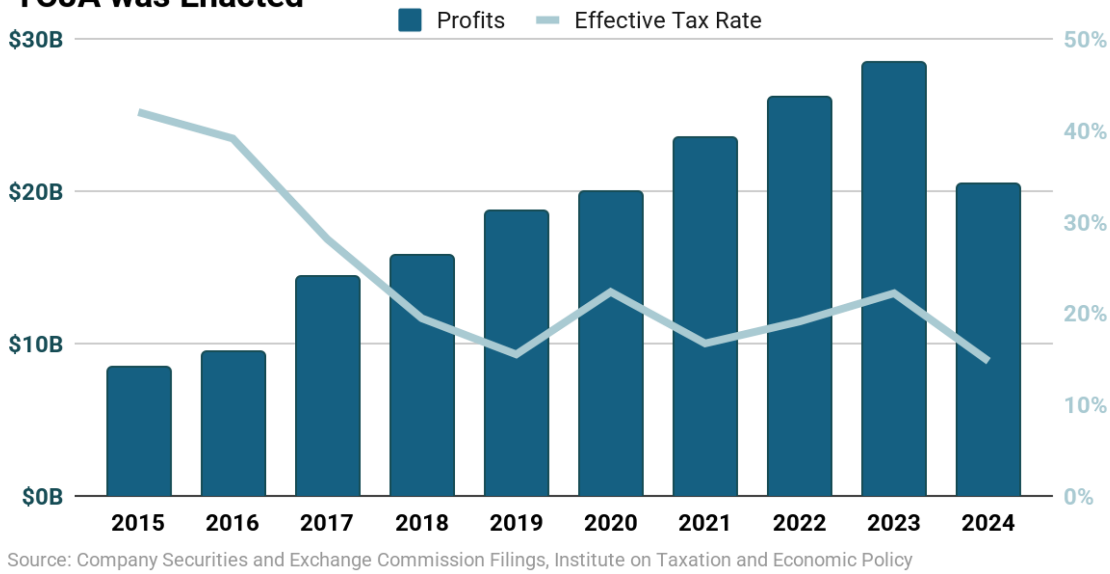
compared to the two years prior to the TCJA's enactment

In 2018, D.R. Horton increased dividends by 20% and share repurchases by 19%. Between 2016 and 2018, the company's profit margins increased by 15%. Interest rate increases have raised the cost of buying and owning a home – especially for low-wealth homebuyers who have to finance a greater share of the purchase price. Yet D.R. Horton's margins for its financial services segment – which provides mortgage financing for homebuyers, including 78% of homes the company built and sold last year – increased by 21% between 2016 and 2024.

Health Care

The average employee contribution for health insurance premiums for American families with employer-sponsored insurance has increased by 32% since before the TCJA was passed. Premiums now run families an average of nearly $600 per month, while employers' contributions have increased by 27% to an average of over $1,400 per month. Out-of-pocket medical expenses have increased by 37%. The share of workers with an out-of-pocket maximum above $9,100 is now 67%, an increase of 17.5% since 2017. The average deductible for Affordable Care Act (ACA) Marketplace plans has increased by 26% and is now more than $3,000, and average Marketplace premiums have increased by 27%. Insurance companies have other ways beyond premium hikes to make you pay more for less. Denying claims, raising deductibles, increasing co-pays, and requiring complicated prior authorization and out-of-network claim approval are all ways that health insurers make it more time-consuming and costly for consumers to access affordable care.

The Two Largest Health Insurers in the U.S. Nearly Doubled Their Profits and Decreased Their Effective Tax Rates by 60% Since the TCJA was Enacted



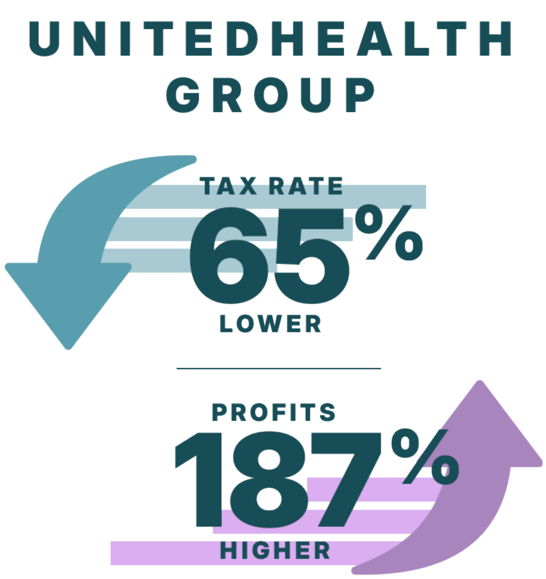
Source: Company Securities and Exchange Commission Filings, Institute on Taxation and Economic Policy

Only 55% of American adults can access and afford quality health care. Just 28% of Americans consider health care coverage in the U.S. to be excellent or good, and just 19% are satisfied with the cost of health care. About half of adults say that it is difficult to afford their health care costs, and one in four adults – including 6 in 10 uninsured – have skipped or delayed health care they needed in the past year due to cost. Forty-one percent of adults say they have debt due to medical or dental bills. Out-of-pocket health costs are the third most frustrating cost increase for Americans. UnitedHealth Group and Elevance Health, the two largest health insurance providers in the U.S., have directly enriched their shareholders by $105 billion and paid just $54 billion in taxes since the TCJA was enacted.

UnitedHealth Group

UnitedHealth Group (UHG) is the largest health insurer and the fourth-largest company in the country, providing coverage for more than 50 million people through employer-sponsored, ACA, and Medicare plans. The company also operates Medicaid and the Children's Health Insurance Program (CHIP) in 30 states, and 40% of its revenue came from the Centers for Medicare and Medicaid in 2023. Additionally, UHG is involved in direct health services – including OptumRx, the pharmacy drug benefit manager (PBM), and OptumHealth, which operates clinics and physician practices – which often contribute more than half of the company's revenue.

The company has been laser-focused on expanding vertical integration efforts: In 2019, they acquired DaVita Medical Group, a network of physician practices and outpatient medical centers, for $4.3 billion, and in 2023, they acquired LHC Group, a home health provider, for $5.4 billion. Further, in 2022, they acquired Change Healthcare, the largest health insurance claims processor. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 65% lower and profits are 187% higher.



compared to the two years prior to the TCJA's enactment

In January 2018, UHG claimed they would use just $200-$300 million of their almost $2 billion windfall from tax cuts to invest in data and technology improvements, community health initiatives that would "make health care far more affordable and of far higher quality." In June 2018, the company juiced shareholder dividends by

20% and share repurchases increased by 200% ($3 billion) in 2018, thanks to the benefits reaped from the TCJA. Rather than returning these benefits to patients and policyholders as they claimed, they padded their bottom lines: In the first year of the TCJA's reign, UHC increased OptumHealth's margins by 13.4%.

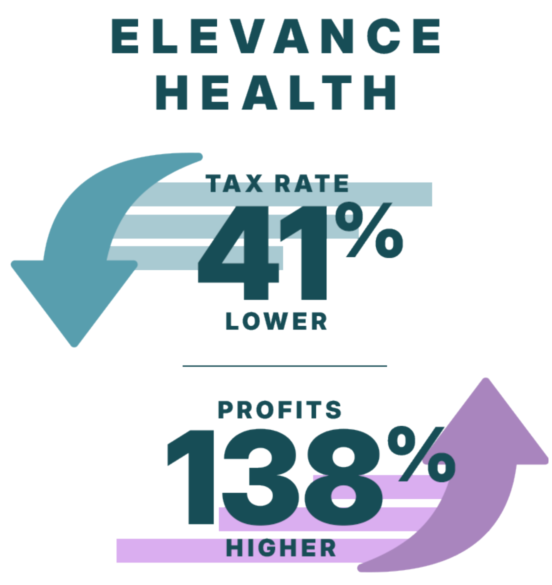
In 2020, UHG acquired naviHealth, a post-acute care management company. NaviHealth developed nH Predict, an AI model that forecasts the "optimal" length of patient stays in skilled nursing facilities, inpatient rehab centers, or home health services following hospital stays. NaviHealth's pitch to health insurance companies, prior to being acquired by UHG, was to manage post-discharge care logistics for insurers and split any savings. Those "savings" were largely the result of denying coverage for services.

In 2023, the families of two deceased former beneficiaries sued UHG, claiming that the company used an algorithm called nH Predict to deny "elderly patients care owed to them under Medicare Advantage plans." The families alleged that nH Predict was known to have a 90% error rate, and the model was used to override physician orders for extended care. A U.S. Senate investigation revealed that the denial rate for skilled nursing facility admissions skyrocketed when UHG implemented nH Predict: In 2019, the denial rate was 1.4%, and in 2022, the first full year naviHealth was managing post-acute care claims for UHG, it increased to 12.6% – an 800% increase.

Between 2018 and 2023, UHG's medical loss ratio (the amount they pay out for beneficiaries' claims as a share of the revenue they take in from premiums) was below 85%, the level mandated by the ACA. Profit margins for the company increased by 16% between 2017 and 2022. In 2022, UHG directly enriched shareholders by $13 billion, an increase of 204% from 2017. By 2024, returns to shareholders topped $16.5 billion, a jump of nearly 300% since the TCJA's implementation.

Elevance Health

Elevance Health, formerly known as Anthem, is the second-largest health insurer in the country, providing coverage for nearly 50 million people through employer-sponsored, ACA, and Medicare plans. They operate Blue Cross Blue Shield plans in 14 states, as well as Wellpoint, which provides Medicaid coverage in seven states, and Carelon, its direct services brand, which includes the PBM CarelonRx. Compared to the two years prior to the TCJA's enactment, the company's effective tax rate is now 41% lower and profits are 138% higher.



compared to the two years prior to the TCJA's enactment

In February 2018, Elevance announced it would give 58,000 employees and recent retirees a one-time $1,000 contribution to their retirement accounts, a $58 million expense. The company detailed its plans to spend 25% of its $1.1 billion tax windfall on technology improvements and assured investors that 50% would be gifted to shareholders, compared to the 5% it distributed to its workers. In the first quarter after the tax law's enactment alone, the company spent 10 times as much as the 401(k) bonus program on buybacks and dividends. Between 2017 and 2018, Elevance's margins increased by 26%.

Elevance is a particularly bad actor when it comes to Medicaid claim denials. Wellpoint, the company's subsidiary, operates the Medicaid Care Organization in Georgia, which had the second-highest prior authorization denial rate in the country in 2019, having denied more than 1-in-3 requests for coverage. Between 2019 and mid-2022, the company denied more than 6,500 coverage requests for behavioral and mental health care and autism-related services for children covered by Medicaid, including many foster children.

*The average employee contribution for health insurance premiums for American families with employer-sponsored insurance has **increased by 32%** since before the TCJA was passed.*

A recent lawsuit alleges Anthem Blue Cross Blue Shield of New York maintains a "ghost network" of mental health providers, providing patients with an inaccurate practitioner directory, preventing access to in-network coverage. The complaint claims that more than 80% of the physicians listed don't exist, have non-working or inaccurate telephone numbers, or are not actually in-network. These deceptive practices, the suit details, are "a time-consuming, exhausting, frustrating experience that is detrimental to [patients'] mental health" and have caused patients to pay thousands of dollars for out-of-network providers because there were no in-network providers.

In 2022, Wall Street analysts recommended the stock, noting that the insurer's pricing power "supports margins against the backdrop of rising inflation." By denying coverage and forcing patients to out-of-network providers, they can keep their costs low while charging beneficiaries high premiums. It's no wonder that in the first 6 months of 2023, the company's profits jumped 14.4% over the same period in 2022.

Conclusion

Trump pitched the TCJA to the American public as a broad-based benefit that would lift up workers and families. Instead, it was a windfall for large corporations and the wealthy, while the rest were left to bear the burden of rising costs. Across essential sectors, companies used their tax savings to reward wealthy shareholders, even when a global pandemic and inflation stressed family budgets. Corporate executives took advantage of market dominance, supply chain disruptions, and the essential nature of their products to pad their profit margins by rising faster than costs, and the TCJA made sure they could keep more of their winnings.

The cost-of-living crisis facing American families wasn't accidental. It's the result of deliberate decisions by corporations to hike prices, shrink the package size of consumer goods, and charge excessive junk fees. These corporations were emboldened by a tax code that rewarded them for doing so. The TCJA has failed to deliver on its promises to everyone but large corporations and the ultra-wealthy, and now Trump and his allies in Congress want to double down on this failed experiment.

Extending and expanding these corporate tax breaks, as they have proposed, would deliver another round of unchecked profiteering, exacerbating the imbalances of power in our economic system that are already stacked against working families. Policymakers must reject this path and pursue tax and regulatory reforms that reduce corporate power and put the interests of workers and consumers ahead of wealthy investors.

About the Authors

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About Groundwork Collaborative

Established in 2018, Groundwork Collaborative is an economic think tank that transforms the way people understand the economy. To win policies that create strong, broadly shared prosperity and true opportunity for all, we advance new narratives about what a good economy looks like. Groundwork's unique tripartite structure – part communications shop, part think tank, and part issue advocacy organization – allows us to drive economic narratives with credibility, expertise, and impact.