



AMERICA'S ESSENTIAL HOSPITALS

November 13, 2017

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Sander Levin
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressional Leaders:

On behalf of America's Essential Hospitals, I offer feedback on several provisions in H.R. 1, the Tax Cuts and Jobs Act, which was reported out of the Committee on Ways and Means last week.

America's Essential Hospitals represents 325 hospitals and health systems dedicated to high-quality care for all, including the vulnerable. Our members are vital to their communities, providing primary care through trauma care, disaster response, health professional training, research, public health programs, and other services. Essential hospitals are community pillars, large employers, and major contributors to local economies. Like your bill, our member hospitals also seek to increase jobs and improve the economic health of their communities. However, we are concerned that several provisions in the Tax Cuts and Jobs Act will make it harder for our member hospitals to work toward this common goal.

Medical Expense Deduction

Section 1308 of the bill would repeal the medical expense deduction. Currently, the tax code allows individuals a tax deduction for their high-cost medical expenses. Qualifying individuals must spend at least 10 percent of their income on a list of IRS-approved expenses, such as medications and doctors' bills.

We are deeply concerned about this provision, and we encourage the committee to reconsider eliminating this deduction. Many taxpayers shoulder the cost of care for themselves or loved ones with significant health issues, a disability, or chronic conditions. This deduction helps reduce the burden of medical bills and out-of-pocket spending, and without it, these taxpayers who grapple with major health issues will have fewer resources to dedicate to their care.

As essential hospitals, we care for people in our communities who face severe financial hardships and often cannot cover the full cost of their care. This commitment to mission creates significant uncompensated costs for our hospitals. In 2015, essential hospitals provided 16.9 percent (or about \$6 billion) of all uncompensated care in the nation, and roughly half of all patients treated were uninsured or on Medicaid. Eliminating this deduction would put a significant added strain on our hospitals' already-limited resources. We urge the committee to strike from the bill section 1308, the provision to repeal the medical expense deduction.

Private Activity Bonds and Advanced Refunding Bonds

Sections 3601 and 3602 would eliminate the tax exemption of private activity bonds and advanced refunding bonds. We are seriously concerned these provisions will significantly hurt our hospitals' ability to meet their mission.

Essential hospitals—nonprofit entities—often have contractual agreements with their localities to provide indigent care to the community. These hospitals, which serve the vulnerable, rely on bonds to support necessary capital projects, such as modernizations to improve patient safety and new infrastructure to keep up with community needs.

In 2015, essential hospitals operated with a 3.2 percent margin, less than half the 7.4 percent operating margin of other U.S. hospitals. Tax-exempt bonds help reduce our hospitals' debt so they can use their limited resources to expand access to care. Without tax-exempt status for bonds, essential hospitals could not make improvements or invest in local economies through new capital projects and would have fewer resources to care for their communities. We urge the committee to strike from the bill sections 3601 and 3602, which would eliminate the tax-exemption of private activity bonds and advanced refunding bonds.

Student Loan Interest Payment Deduction

Section 1204 of the bill would repeal the student loan interest payment deduction. This provision troubles us greatly, as it would harm medical students and others seeking a health professional degree. In 2015, our hospitals trained nearly three times as many physician residents as other U.S. teaching hospitals. Nonetheless, many urban and rural areas continue to suffer shortages of medical professionals. Eliminating this valuable deduction only will exacerbate these health care deserts by discouraging individuals from pursuing medical and clinical degrees, particularly in specialties lower on the compensation scale.

We encourage Congress to craft federal policies to ease this crisis, not make it worse. We urge the committee to strike from the bill section 1204, which would repeal the student loan interest payment deduction.

Low-Income Housing Tax Issues

Two other provisions of the legislation that would affect essential hospitals and their patients and communities are the elimination of the New Markets Tax Credit (NMTC) and the reduction of the corporate tax credit. The NMTC has created more than 750,000 jobs and leveraged more than \$80 billion in public-private investments in low-income areas of the country. The proposed reduction of the corporate tax cut from 35

percent to 20 percent without modifying the low-income housing tax credit (LIHTC) program would dilute the value of the LIHTC, which accounts for more than 90 percent of all affordable rental housing in the United States today. It also would diminish investor appetite for the primary financing of affordable housing production.

Providing housing support for low-income, high-need individuals can result in net savings due to reduced health care costs, which consequentially reduces the rate of uncompensated costs at essential hospitals, which serve these populations. Notwithstanding these provisions, we encourage Congress to take steps to make housing affordable to economically stabilize communities and help essential hospitals better serve patients.

The provisions noted constitute the highest priority concerns for our hospitals, but are not exhaustive of all potential concerns. We hope to work with you in the coming weeks on ways to improve the Tax Cuts and Jobs Act. If you have questions, please feel free to contact Shawn Gremminger, MPP, director of legislative affairs, at sgremminger@essentialhospitals.org or 202-585-0112.

Sincerely,

/s/

Bruce Siegel, MD, MPH
President and CEO