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December 11, 2017

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Committee on Ways and Means
1139E Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

On behalf of our physician and medical student members, the American Medical Association (AMA) offers the following recommendations to the Conference Committee as it works to reconcile differences between the House and Senate passed versions of H.R. 1, the “Tax Cuts and Jobs Act.”

The AMA urges the conferees to adopt the Senate language on tax deductibility of high medical expenses. Under current law, the Internal Revenue Service allows individuals to deduct qualified medical expenses that exceed 10 percent of a person’s adjusted gross income for the year. The Senate language maintains the deduction and lowers the threshold for the medical expense deduction to 7.5 percent for 2017 and 2018. The medical expense deduction, which is used by 8.8 million Americans, half with incomes of \$50,000 or less, is critical for patients who need extended skilled nursing, custodial, medical, and hospital care, such as children with special needs and patients with Alzheimer’s disease and other dementias. Eliminating this deduction, as the House language would do, would effectively raise low- and middle-income patients’ out-of-pocket costs and make care unaffordable for many of them.

We strongly urge the conferees to preserve current law that provides for the deduction of student loan interest and the tax exempt status of qualified tuition reductions. Medical education remains the most expensive post-secondary education in the United States, with an average medical student debt for indebted graduates of \$176,348, and over 40 percent of all graduates carrying debt balances of more than \$200,000. At this level of indebtedness, the student loan interest deduction is an important benefit as medical residents complete their postgraduate training. Importantly, medical residents who do not itemize can avail themselves of this above-the-line deduction. The AMA strongly believes that the high cost of medical education should not be a barrier to the training of a diverse physician workforce accessible to Americans regardless of income level. The student loan interest deduction should be retained.

The qualified tuition reduction is also of crucial importance, particularly to the subset of medical students enrolled in MD-PhD dual degree programs, such as the Medical Scientist Training Program. Such programs typically provide enrollees with tuition reductions as a recompense for their required work as teaching or research assistants. These functions—mandatory features of doctoral degree programs—are important to the delivery of high quality undergraduate education and the performance of cutting edge scientific research. With average in-state tuition at a public medical school costing over \$30,000 annually, eliminating the exemption for qualified tuition reductions students receive in exchange for these

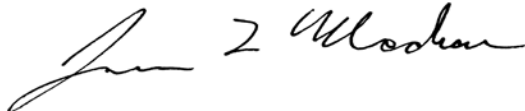
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duties would add substantially to their federal income tax burden. By retaining the exemption, Congress will preserve a key incentive for students to pursue these programs, helping our nation remain at the forefront of advances in clinical science.

The AMA does not support provisions in the Senate version of the tax bill that would effectively eliminate the Affordable Care Act's (ACA) individual responsibility requirement to obtain qualified health insurance coverage. This provision would result in millions of Americans losing their coverage and lead to significant yearly premium increases for those who wish to retain it. Repealing this provision would also remove a key component of a broader health insurance market structure designed to ensure that low- and moderate-income patients, and patients with pre-existing conditions, are able to secure affordable and adequate coverage in the individual market. In particular, without the individual responsibility requirement, individuals would be able to forego coverage until they become ill or injured, leading to higher premiums and a less stable insurance market. We therefore urge the conferees not to include language in the final bill that would repeal the ACA's individual responsibility provision; rather, Congress should take a more comprehensive and discerning approach to strengthen our nation's health care system to ensure that all Americans have access to quality, affordable health insurance coverage.

The AMA appreciates the conference committee's consideration of our recommendations and stands ready to work with Congress to achieve reforms to our health care system that increase the number of Americans with access to quality, affordable health insurance.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. Madara". The signature is fluid and cursive, with a large initial "J" and "M".

James L. Madara, MD

cc: Conference Committee Members