December 12, 2017

Senate Majority Leader Mitch McConnell
United States Senate
317 Russell Senate Office Building
Washington, DC 20510

House Speaker Paul Ryan
United States House of Representatives
1233 Longworth House Office Building
Washington, DC 20515

Senate Democratic Leader Charles Schumer
United States Senate
322 Hart Senate Office Building
Washington, DC 20510

House Democratic Leader Nancy Pelosi
United States House of Representatives
233 Cannon House Office Building
Washington, DC 20515

Dear Majority Leader McConnell, Speaker Ryan, and Democratic Leaders Schumer and Pelosi:

On behalf of the more than 560,000 physicians and medical students represented by the combined memberships of the American Academy of Family Physicians, the American Academy of Pediatrics, the American College of Physicians, the American Congress of Obstetricians and Gynecologists, the American Osteopathic Association, and the American Psychiatric Association, we express our increasing alarm regarding tax reform legislation as passed by the House and Senate, and caution that the impact of these policies will be harmful to Americans and our health care system. Our members are the foundation of the U.S. health system and include the front-line physicians who care for families, adults, adolescents, women, and children in rural, urban, wealthy, and low-income communities. We are united in our deep apprehension that specific aspects of the tax reform bills passed in the House and Senate will harm American health and ask that you solve the problems enacted legislation could create by addressing the issues below.

<u>Medicare Cuts</u>. Medicare beneficiaries and the Medicare program should not finance any portion of tax legislation. Therefore, we strongly urge Congress to avoid triggering the Pay-Go requirements that could result in massive and sustained cuts in the Medicare program, or enact legislation to protect Medicare, and other vital health care programs, from statutory Pay-Go provisions. These cuts would have an across-the-board impact on patient care. First, the cuts would likely impact rates from other payers whose contracts commonly reference Medicare rates. In addition, the four-percent across-the-board Medicare payment cut could be compounded each year for the next decade, thus amplifying its impact. This cut would also be on top of previous cuts from The Budget Control Act of 2011 (2 percent across-the-board sequestration cut) and for physician services, 1.04 percent Medicare physician fee schedule reduction attributable to the misvalued codes (2016 -2018) provisions of the PAMA and ABLE Acts, resulting in a combined reduction of 7.04 percent in physician payments compared to the baseline

before such cuts were imposed. This annual and ongoing reduction bears a striking resemblance to the annual Sustainable Growth Rate of years past, which created an unstable and unsustainable system that required an increasingly costly Congressional intervention each year.

Additionally, these cuts could have a disproportionate and adverse effect on the primary care and other front-line physicians represented by our organizations, whose services are already undervalued by Medicare. Lastly, physicians in private practice function like small business. Under the cuts outlined above, practices could potentially be forced to manage the number of Medicare patients they can treat along with patients covered by private insurance and still remain profitable and keep the practice open. The lower the Medicare rate, the fewer number of patients a practice can likely accommodate.

Individual Mandate. Our organizations oppose policies that decrease coverage. If the individual mandate is repealed, the Congressional Budget Office (CBO) projects that 13 million more Americans will likely be uninsured within the decade, premiums could go up an average of 10 percent each year, and many insurers could leave the market, greatly destabilizing insurance markets and making coverage less affordable and available for the patients seen by our members. The individual mandate, or an equally effective alternative, is essential for current law protections for people having preexisting conditions to work, because without the mandate, many people will wait to buy insurance until they get sick, knowing that insurers cannot turn them down or charge them more for coverage. Without enough healthy people in the insurance pools to subsidize less healthy ones, premiums will have to go up substantially for everyone, if insurers continue to sell insurance at all. This will be true even if other market stabilization measures are enacted. Repeal of the individual mandate will do great harm to our patients by making coverage unaffordable for millions and impeding access to care. While our organizations are on the record in support of the Bipartisan Health Care Stabilization Act proposed by Senators Lamar Alexander and Patty Murray, it does not solve the problems created by repealing the individual mandate.

Medical Expenses. The House version of the tax bill repeals the deduction for medical expenses, which if included in the final bill, will have a devastating impact on millions of patients, children and adults, with expensive chronic diseases and mental health conditions. The Senate bill, by comparison, lowers the floor for deducting medical expenses from 10 percent to 7.5 percent. Diminution of the medical expense deduction both harms those with debilitating sickness and compounds Medicaid costs.[1] In 2015, 8.8 million filers deducted $87 billion in medical costs; future filers should receive at least similar treatment. We urge that any final tax bill include the Senate provision to lower the floor for deducting medical expenses.

Student Loan Interest and Tuition Waivers. Medical school is expensive and creates average debt near $200,000.[2] Students are required to begin repayments after conclusion of medical school and at the same time that loans for undergraduate school come due. Residencies, however, are not highly compensated and the student loan interest deduction has decreased the burden of medical school debt for many physician careers at the start of their careers. The House bill regrettably would eliminate the student loan and tuition waiver deductions. Currently, graduate students, including medical students, can receive tuition waivers for pursuing advanced degrees or working as a teaching assistant that are not taxed as income. The Senate's version would keep the tuition waiver intact. As our country is facing a shortage of hundreds of thousands of physicians in many fields, we should be encouraging more students to pursue careers in medicine, not making medical education more expensive. We urge any final tax reform to maintain the student loan and tuition waiver deductions.

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[1] See https://www.healthaffairs.org/do/10.1377/hblog20171114.518177/full/

[2] See *aamc.org/first/debtfacts*

The 560,000 physicians and medical students we represent urge you to do no harm to our patients by solving these four critical problems. Time is of the essence as the tax debate concludes. We offer our assistance and expertise as you work to mitigate the damage tax reform may cause to Americans' health and access to affordable health care.

Sincerely,
American Academy of Family Physicians
American Academy of Pediatrics
American College of Physicians
American Congress of Obstetricians and Gynecologists
American Osteopathic Association
American Psychiatric Association