Latest Federal Tax Proposal Could Raise Health Care Costs for DC Residents

By Jodi Kwarciany

The tax bills now working their way through Congress could increase health costs for DC residents, including those with serious health problems.

The Senate and House have each passed tax bills lowering the tax rates for corporations and high-earning individuals, and are now working together to fashion a final bill by the end of the year. The goal is to have something ready for the President to sign before the New Year.

Both bills have provisions that would make health care more expensive. The House bill eliminates the **medical expense deduction**, introduced in the 1940's, which allows individuals to deduct medical expenses from their taxable income if those expenses are more than 10 percent of their adjusted gross income. Eliminating this deduction would substantially increase taxes for individuals with the highest and most burdensome out-of-pocket health expenses, making them less able to afford care. In 2015, nearly 9 million Americans claimed the deduction, half of whom were over the age of 65. By contrast, the Senate bill keeps it and makes it more generous.

The Senate bill would eliminate the **individual mandate**, a requirement of the 2010 Affordable Care Act that requires most Americans to purchase health coverage or pay a fine. By ensuring broad participation in health coverage, the mandate plays an important role by spreading the costs of care over a large population. This makes coverage more affordable for everyone while still maintaining consumer-friendly provisions like covering people regardless of their preexisting conditions.

Eliminating the mandate would result in 13 million fewer people having coverage, as some healthier people opt not to get it. This would save the federal government more than $300 billion over a decade, in lower spending on Medicaid coverage or subsidies that make health premiums more affordable. Yet this would leave the pool of people with health insurance less healthy, which would result in higher premiums for everyone. Eliminating the mandate would also cause many to hold off getting coverage until they become ill, making it more expensive for everyone and potentially leading to worsened health outcomes. The Senate bill eliminates the mandate, while the House bill maintains it.

Beyond that, the tax bills would increase the federal deficit substantially, which will create pressure for cuts to federal programs, including entitlements like Medicare. This seems unlikely for now as many members of

Congress face an election in 2018 (plus most people [really, really like](#) Medicare), but could still be along the horizon due to its increasing costs and enrollment, particularly as Baby Boomers continue to retire. Currently, Medicare covers nearly 86,000 residents in DC, including 9 in 10 District residents over age 65.

A major tax cut requires a cut from somewhere else – using our health care system to fund it is a bad place to start.