

Floor Statement on the Medical Expense Savings Act

Senator Susan M. Collins

January 16, 2019

Today I rise to introduce a bill that would help Americans who are struggling with high health care expenses.

The tax deduction for certain unreimbursed out-of-pocket medical expenses assists many taxpayers significantly. Regrettably, the threshold to claim this important tax deduction rose from 7.5% to 10% of income at the end of 2018, ending its value for many American taxpayers who simply will no longer qualify. Today, I reintroduced legislation that I have sponsored with my colleague, Senator Cantwell, that would reinstate and make permanent the lower income threshold for the medical expense deduction.

Our bill, the *Medical Expense Savings Act*, would once again allow taxpayers to deduct unreimbursed health care costs that exceed 7.5% of their income. Mr. President, for those who suffer from preexisting medical conditions, have chronic illnesses, experience unexpected sickness or injuries or require long-term care, out-of-pocket health care expenses can quickly become an unbearable burden. Too many Americans are forced to choose between medical services and other equally necessary expenditures, or they find themselves going deeply in debt.

The *Affordable Care Act* increased the income threshold for taxpayers to deduct their medical expenses from 7.5% to 10%. I very much oppose that provision of the ACA. For individuals under 65, the crease went into effect in 2013, but for those over 65, individuals would have been exposed to this higher threshold for the first time in 2017. Fortunately, we were able to remedy that for those over age 65. When the ACA increase was phased in, many individuals struggling with serious health conditions saw their financial health worsen. For example, a 2016 study estimates that parents, including many with limited means, already provide nearly \$36 billion annually in uncompensated medical care at home to children with special health care needs, such as muscular dystrophy or cystic fibrosis. A 2016 survey of cancer survivors show that one-third go into debt, and of those, more than half incurred more than \$10,000 in unreimbursed expenses.

For his with significant long-term care needs, the deduction helps with the cost of home health or personal care services, or when needed, the cost of a long-term care facility, such as a nursing home. The deduction can also be used for other expenses that Medicare generally does not cover, including dental treatment, vision care, and certain transportation costs. Seniors can also use the medical expense deduction for expenses like wheelchair ramps, installing railings and support bars in bathrooms, lowering or modifying kitchen cabinets and equipment, and other home modifications made for medical reasons. These improvements can allow seniors with

medical conditions or disabilities to live at home in the safety, comfort, and familiarity of their own homes safely. Some seniors find that their savings become rapidly depleted.

They may spend down their financial resources in order to receive the services and support they require through the Medicaid program. According to Genworth's 2018 Cost of Care Survey, home aid service can cost \$50,000 annually, while a private room at a nursing home can cost nearly \$100,000. By retaining a lower threshold for medical expense tax deductions, some families would be able to continue to pay these essential costs themselves. Now, Mr. President, some erroneously believe that this deduction only benefits the wealthy when in fact it is mainly lower and middle-income Americans who have been hurt.

According to AARP, nearly 70% of taxpayers taking the deduction in 2014 reported income of \$75,000 or less and nearly half reported incomes of \$50,000 or less. In Maine, according to AARP, almost 36,000 of our residents claimed this deduction in 2014, and nearly 19,000 of these individuals reported an income of \$50,000 or less. That is why during the tax reform debate in 2017, I introduced a successful amendment that rolled back the income threshold to 7.5% for taxpayers to deduct their medical expenses in 2017 and in 2018. My amendment expanded upon the efforts of Senators Rob Portman and Sherrod Brown who had worked to prevent this increase from going into effect for individuals over 65. As I said, my amendment was incorporated into the new tax law and thus for 2017 and for 2018 the threshold for deducting these out-of-pocket medical costs was 7.5% of income. But at the end of last year, that expired.

The AARP and 44 other consumer groups have strongly endorsed the effort undertaken by Senator Cantwell and me stating, "It provides important tax relief which helps offset the cost of acute and chronic medical conditions for older Americans, children, pregnant women, disabled individuals, and other adults, as well as the cost associated with long-term care and assisted living." Mr. President, this is a step that we can take to reinstate an expired tax deduction that will make a real difference to people who are struggling with high out-of-pocket medical costs. I urge my colleagues to support our legislation that will help our families cope with high medical costs by making sure that this important deduction remains available for future tax years.

Mr. President, I ask unanimous consent that a letter from AARP dated January 15, 2019, endorsing the Collins-Cantwell legislation be entered into the record.

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