Member Day Hearing on "Tax-Related Proposals to Improve Health Care

---

HEARING

BEFORE THE

SUBCOMMITTEE ON HEALTH

OF THE

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

May 17, 2016

SERIAL 114-HL08

Printed for the use of the Committee on Ways and Means

COMMITTEE ON WAYS AND MEANS Kevin Brady, Texas, *Chairman*	
KEVIN BRADY, Texas SAM JOHNSON, Texas DEVIN NUNES, California PATRICK J. TIBERI, Ohio DAVID G. REICHERT, Washington CHARLES W. BOUSTANY, JR., Louisiana PETER J. ROSKEM, Illinois TOM PRICE, Georgia VERN BUCHANAN, Florida ADRIAN SMITH, Nebraska LYNN JENKINS, Kansas ERIK PAULSEN, Minnesota KENNY MARCHANT, Texas DIANE BLACK, Tennessee TOM REED, New York TODD YOUNG, Indiana MIKE KELLY, Pennsylvania JIM RENACCI, Ohio PAT MEEHAN, Pennsylvania KRISTI NOEM, South Dakota GEORGE HOLDING, North Carolina JASON SMITH, Missouri ROBERT J. DOLD, Illinois TOM RICE, South Carolina	SANDER M. LEVIN, Michigan CHARLES B. RANGEL, New York JIM MCDERMOTT, Washington JOHN LEWIS, Georgia RICHARD E. NEAL, Massachusetts XAVIER BECERRA, California LLOYD DOGGETT, Texas MIKE THOMPSON, California JOHN B. LARSON, Connecticut EARL BLUMENAUER, Oregon RON KIND, Wisconsin BILL PASCRELL, JR., New Jersey JOSEPH CROWLEY, New York DANNY DAVIS, Illinois LINDA SÁNCHEZ, California
DAVID STEWART, *Staff Director* NICK GWYN, *Minority Chief of Staff*	

SUBCOMMITTEE ON HEALTH PATRICK J. TIBERI, Ohio, *Chairman*	
SAM JOHNSON, Texas DEVIN NUNES, California PETER J. ROSKAM, Illinois TOM PRICE, Georgia VERN BUCHANAN, Florida ADRIAN SMITH, Nebraska LYNN JENKINS, Kansas KENNY MARCHANT, Texas DIANE BLACK, Tennessee ERIK PAULSEN, Minnesota	JIM MCDERMOTT, Washington MIKE THOMPSON, California RON KIND, Wisconsin EARL BLUMENAUER, Oregon BILL PASCRELL, JR., New Jersey DANNY DAVIS, Illinois JOHN LEWIS, Georgia

CONTENTS

WITNESSES

Panel One

The Honorable Lynn Jenkins Member of Congress, Washington D.C.

The Honorable Erik Paulsen Member of Congress, Washington D.C.

The Honorable Adrian Smith Member of Congress, Washington D.C.

Panel Two

The Honorable Mike Kelly Member of Congress, Washington D.C.

The Honorable Mark Meadows Member of Congress, Washington D.C.

The Honorable Luke Messer Member of Congress, Washington D.C.

The Honorable Kristi L. Noem Member of Congress, Washington D.C.

Panel Three

The Honorable Ami Bera Member of Congress, Washington D.C.

The Honorable Charles W. Boustany Member of Congress, Washington D.C.

The Honorable Chris Stewart Member of Congress, Washington D.C.

The Honorable Mike Thompson Member of Congress, Washington D.C.

Panel four

The Honorable Suzan K. DelBene Member of Congress, Washington D.C.

The Honorable Martha McSally Member of Congress, Washington D.C.

The Honorable Grace Meng Member of Congress, Washington D.C

MEMBER DAY HEARING ON "TAX-RELATED PROPOSALS TO IMPROVE HEALTH CARE"

Tuesday, May 17, 2016

House of Representatives,

Subcommittee on Health,

Committee on Ways and Means,

Washington, D.C.

The subcommittee met, pursuant to notice, at 10:04 a.m. in Room 1100 Longworth House Office Building, Hon. Pat Tiberi [chairman of the subcommittee] presiding.

---

*Chairman Tiberi. The subcommittee will come to order. Welcome to the Ways and Means Health Subcommittee Member Day hearing entitled, "Tax-Related Proposals to Improve Health Care".

Without objection, I would like to recognize our Ways and Means Committee chairman, the Honorable Chairman Kevin Brady from Texas, for an opening statement.

Thank you for joining us today, Chairman.

*Chairman Brady. Well, thank you, Chairman Tiberi, for holding this Member Day hearing, for your leadership on health care issues.

Last week Tax Policy Subcommittee hosted the first Member Day hearing we've had in years. Members on both sides of the aisle presented their ideas for improving our current tax system.

We're continuing that open and transparent process today under Chairman Tiberi with another Member Day hearing focused on a major priority of our committee, health care. We are moving forward with innovative solutions to provide Americans more access, better choices, and greater flexibility in health care.

This hearing is an important opportunity to show the people and families in our districts we're serious about making our health care system work better for them. A number of provisions in the tax code were created to expand health care access and lower costs for the American people. But some of them work better than others, and some may not be working at all. It is our responsibility to take a hard look at the tax code, build on what's effective, and fix what is not delivering results.

We need bold, forward-thinking solutions to ensure our tax code promotes the high-quality, patient-centered health care options Americans want and they need. The best way to do that is through an open, transparent, and collaborative process, one that returns us to regular order and allows Members to advance the priorities of their constituents.

That is what this Member Day hearing of the health care task force is all about. We are coming together to develop innovative legislative solutions and begin moving them to the floor. I am grateful to all the Members and to the chairman and ranking Member who are here today to present proposals. Your participation in this process is invaluable. It is a clear illustration of what we can achieve through regular order.

We are excited to hear about all of your ideas to modernize the tax code and improve our health care system.

And so, thank you, Chairman Tiberi, for your dedication and hard work and your leadership of the Health Subcommittee.

*Chairman Tiberi. Thank you, Mr. Chairman. And thank you all for joining us today. This is exciting, because today is -- the subcommittee is providing a public platform for any and all Members of Congress to discuss bills that they have introduced that modify the way health care is treated in our tax code.

Members have put a lot of work into developing and drafting these pieces of legislation, sometimes over years. And this Member Day hearing is their opportunity to share with their colleagues and the American people why these bills are important and why this Committee should take them up.

In addition to my colleagues from Ways and Means Committee I am excited to hear from other Members who serve on other committees who have worked diligently on their own health tax idea, health tax bills. We are committed to working through regular order, and that includes hearing from all those who are working in this space.

So, how is this going to work? Simple. Members will have five minutes to discuss their current health tax legislative priorities. And I would remind Members that they are also able to submit written testimony in support of their legislation.

Thank you again to all the witnesses for taking time out of your busy schedules to join us today, and we look forward to hearing from all of you.

*Chairman Tiberi. I will now yield to the distinguished ranking member, Dr. McDermott, for the purposes of his opening statement.

*Mr. McDermott. Thank you, Mr. Chairman and Mr. Chairman Brady. I know it is election season and we have to have hearings like this. I am not sure -- I don't know if this is on CSPAN or not, but it is a good time to get some footage of you defending something or other for your campaign commercials. And I really am glad we are holding this. It gives everybody a chance to get up on TV.

The legislating that we will be discussing should be scrutinized carefully. And I hope we can make some constructive conversation today, although I am not sure how much questioning there will actually be. There needs to be tough questions asked at each of these bills.

At the heart of our analysis what must be is a careful examination of what these bills do to the health security of the American people. We must also consider the impact these bills will have on the sustainability of our health care system. Proposals that undermine the reforms provided by the Affordable Care Act will weaken health security by taking coverage away from working families, and the proposals that carve unnecessary holes in the tax code deprive the Federal Government of the needed revenue to make the system sustainable. None of these ideas should get a free pass.

As the Ways and Means Committee, it is our duty to analyze and scrutinize the legislation that comes before us. We can't gloss over the important facts, such as the fact that unpaid-for tax breaks add billions to the deficit, or that political attacks on the ACA undermine health care reform.

Today's hearing is just the first step in what should be an ongoing process. I saw on Sunday's paper that it is now costing people $2,000 more a year on their hospital bills because of consolidation. We ought to be looking at issues like that, as well.

I hope that it might be even an opportunity to fulfill my Republicans -- colleagues' unrealized promise of a return to regular order. Chairman Brady has mentioned it, and I think it is the only way this Congress is going to get back to a functioning stance.

Returning to regular order means we listen to ideas, some good, some bad. and make informed decisions that are the product of careful debate. Holding this Members Day is not enough. It is a nice start, but substantive legislative hearings, markups, amendments,

and further debate will allow us to take a hard look at these proposals and find ways to improve them.

There is something that has been missing from the Congress and that this -- and for this Committee for some time. I look forward to learning more about the legislation our witnesses will discuss this morning, and I intend to ask tough questions about these ideas. Thank you, Mr. Chairman.

*Chairman Tiberi. Thank you, Ranking Member McDermott. Without objection, other Members' opening statements will be made part of the record.

Let's move on to today's first panel of witnesses. And our first panel consists of members of our Health Subcommittee. The three witnesses that will be testifying from our Health Subcommittee are the gentlelady from the second district of Kansas, Ms. Jenkins; the gentleman from the third district of Nebraska, Mr. Smith; and the gentleman from the third district of Minnesota, Mr. Paulsen.

And we will start with ladies first. Ms. Jenkins is recognized for her testimony.

STATEMENT OF THE HON. LYNN JENKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

*Ms. Jenkins. Thank you, Chairman Tiberi, for holding this hearing and allowing me to have an opportunity to speak on H.R. 1270, the Restoring Access to Over-the-Counter Medication Act, legislation that I have sponsored along with our colleague, Representative Kind from Wisconsin.

I was very pleased that the committee decided to mark up this legislation last October, and subsequently reported it favorably out of committee. This legislation still merits more discussion to ensure that we get it across the finish line and into law before the end of the year.

H.R. 1270 would eliminate the unnecessary requirement that individuals have a prescription from a physician in order to purchase over-the-counter medicines with their health savings accounts and flexible spending accounts. Health savings accounts and flexible spending accounts allow individuals and families to make their own health care choices, while simultaneously making them aware of health care costs and giving them incentives to make financially prudent decisions.

And for many years, folks in Kansas and all across the country used these accounts to buy over-the-counter medications, including products such as allergy or cold medicines, antibiotic ointment or pain relievers. The FDA thoroughly and rigorously examines all over-the-counter drugs, also known as OTC drugs, to ensure that they are indeed safe and effective for self-treatment. And in 2002 the IRS designated OTC drugs as qualified medical expenses.

Despite this fact, the President's health care law added a layer of bureaucratic red tape that forces account holders to go to their doctor to obtain a prescription for these OTC medicines before purchasing them with their HSA or FSA. If the patient does not jump through these hoops and still purchases OTC medications with their account, they receive a tax penalty from the Federal Government for making a non-qualified distribution.

This law not only defeats the entire purpose of OTC medications, but it also places a bureaucratic burden on account holders, it clogs doctor's offices with needless visits, it decreases access to OTCs, and it increases health care costs all around. Worst of all, it discourages people from taking control of saving for their health care needs.

H.R. 1270 would roll back this Obamacare tax, help keep costs down, and improve customer choice and access to health care. As we all work towards getting our financial house in order while also ensuring Americans are receiving quality health care, I strongly encourage my colleagues to support this legislation and help bring it to the House floor.

Thank you, Mr. Chairman, and I yield back.

*Chairman Tiberi. Thank you, Ms. Jenkins.

Mr. Smith, you are recognized. Proceed for your testimony.

STATEMENT OF THE HON. ADRIAN SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

*Mr. Smith of Nebraska. Thank you, Mr. Chairman, Ranking Member McDermott, and certainly the subcommittee, for being here today and allowing the opportunity to share ideas.

I introduced a bill as a result of taxpayers facing penalties through no fault of their own through losing -- their losing coverage, health care coverage, through the failure of the consumer-operated and oriented plans, or so-called co-ops. And I appreciate, like I said, this opportunity.

My bill would exempt taxpayers from the individual mandate if they would lose health coverage because of the failure of the co-ops in their local area. Under my bill the exemption applies for the remainder of the calendar year for those who lose coverage in the months of January through September, and through the next calendar year for those who lose coverage in October, November, or December.

With co-ops failing and other insurers choosing to pull out of the marketplaces, more than 650 counties, largely in rural areas, are projected to be covered by only one health insurance provider in 2017. This compounds the existing barriers impeding access to necessary, affordable health care for rural Americans.

I would like to ask unanimous consent to include in the record a May 15th Wall Street Journal article titled, "Insurance Options Dwindle in Some Rural Regions."

*Chairman Tiberi. Without objection.

[The information follows: The Honorable Adrian Smith]

*Mr. Smith of Nebraska. Thank you. Created under the Affordable Care Act, the 23 co-ops were authorized by the Centers for Medicare and Medicaid Services. They received nearly $2 billion in federal startup funds, mostly in the form of loans.

However, on December 23, 2014, the Iowa insurance commissioner filed a petition to liquidate CoOportunity Health, which was providing coverage to nearly 120,000 people across Nebraska and Iowa. In 2015 an additional 11 co-ops discontinued operations. The 11 remaining co-ops also continued to lose money, including Community Health Options of Maine, the only one of these entities ever to have reported a period of profitability.

While taxpayers deserve an accounting of what went wrong with the co-ops, where this money went, and if these loans will ever be paid back, it is not the focus of today's hearing or my testimony. The premise of my legislation is simple: Regardless of one's opinion of the ACA, the facts remain. Consumers were required to purchase health insurance under that law. Many chose to purchase insurance through the state and federal exchanges, and consumers in 13 states who chose co-op plans lost coverage through no fault of their own. Those consumers who made a good-faith effort to comply with the law should not be forced to pay a penalty because the plan they chose ceased operation.

While CoOportunity is the only co-op to be liquidated in the middle of a plan year so far, experience tells us it may not be the last. Community Health Alliance of Tennessee was in danger of midyear liquidation before HHS permitted it to halt enrollment. And recent reports indicate Community Health Options of Maine may be on the brink of collapse.

I would also like to ask unanimous consent to enter into the record a March 23, 2016 article from the Portland press entitled, "Maine Sought to Put Struggling Health Insurance Co-op Into Receivership."

*Chairman Tiberi. Without objection.

[The information follows: The Honorable Adrian Smith]

*Mr. Smith of Nebraska. Thank you. A recent lawsuit by the Iowa insurance commissioner against the U.S. Department of Health and Human Services over the distribution of corridor funds to CoOportunity may raise additional solvency concerns and drive liquidation decisions for commissioners overseeing the remaining co-ops.

I would also like to note, while Nebraska and Iowa consumers were provided a special enrollment period to select a new insurance plan, we should not assume one will be provided in the future.

In addition, depending on how quickly consumers choose a new plan during a special enrollment, they may still have uninsured months which could be subject to penalty.

Some consumers who choose high-deductible plans should not be penalized if the best decision for them is to wait until a new plan year, rather than start over on a new deductible, when they have already paid large sums toward a deductible in their previous plan. True fairness would waive penalties for these taxpayer.

Again, I thank you for the opportunity to testify today. My bill is a simple solution which would provide a measure of relief for consumers who follow the law and purchase health coverage, only to lose it through no fault of their own.

I look forward to working with you to improve our health care system. Thank you.

*Chairman Tiberi. Thank you. Mr. Paulsen is recognized.

You can proceed with your testimony.

STATEMENT OF THE HON. ERIK PAULSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

*Mr. Paulsen. Thank you, Mr. Chairman, also for holding the hearing today and giving Members the opportunity to share our ideas on how we can improve health care in America.

I want to start by thanking the committee for moving forward last year on my bipartisan legislation to permanently repeal the harmful medical device tax. Congress wisely turned off this tax for two years in January, and we are already seeing the results, because medical technology manufacturers are investing more in R&D, they are creating more jobs, and they are producing more life-improving and life-saving devices. We need to make sure this bad policy doesn't start back up again, and I look forward to working with the committee to permanently end this thoughtless tax.

But I want to spend the rest of my time discussing the legislation that Senator Hatch and I have authorized to expand and improve health savings accounts. When I host telephone town halls and Congress on Your Corner events and speak with Minnesotans, one of the most common topics that people bring up is health care. Their message is

clear: costs are too high, seeing your doctor is too complicated, insurance coverage is too confusing, and patients lack control of their health care decisions.

Minnesotans want to have more choice and flexibility when it comes to health care for themselves and their families. They want to be empowered to shop around for the best quality care at the lower cost, like anything else that they can buy. That is why more than 800,000 Minnesotans have opted for an HSA-eligible health plan. Minnesotans aren't the only ones that are using these accounts. Nearly 20 million Americans now have an HSA-eligible plan, and HSAs should be a central component of a health care -- health care in the United States.

Unfortunately, too many Americans are barred from contributing and using these accounts. Furthermore, current law is too restrictive in what types of health care services these accounts can be used for. That is why Senator Hatch and I have introduced the Health Savings Act, H.R. 4469. This bill removes barriers to allow seniors on Medicare, active duty members of the military, Native Americans, and members of health care sharing ministries to save their money in HSAs, where it can grow tax free, and can be used to pay for their medical expenses.

It also expands what these accounts can be used for, including direct primary care, preventative and over-the-counter medications, nutrition and dietary supplements, exercise equipment, physical fitness programs, and membership at a physical -- at a fitness facility.

I want to thank Representatives Jenkins, Kind, Boustany, and Kelly for their work on individual pieces of legislation that are included in my larger bill. I support their bills, as well, which they are sharing today.

And in addition to their bills, I would like to highlight two individual parts of my bill that the committee should consider.

While Medicare will pay for much of a senior's health care costs, a study found that an average couple turning 65 will need to find some other way to pay for about $250,000 of health care costs the rest of their lives, and that is a lot of money. As a result, nearly 20 percent of Americans aged 65 or older are still working. Upon turning 65, most seniors are automatically enrolled in Medicare Part A, which still comes with a high deductible for hospital admission.

What they don't know is this automatic enrollment also terminates their ability to contribute to their HSA, even if they are still working. Allowing seniors to continue to contribute to their HSA will help millions of seniors save for the long-term care costs that are not covered by Medicare. My bill would empower seniors by allowing those enrolled in Medicare Part A to continue to contribute to their HSA.

It would also allow Medicare beneficiaries participating in Medicare Advantage to contribute their own money to their medical savings accounts. Currently, these seniors

only receive a contribution from Medicare. Medicare has done wonderful things, Mr. Chairman, to improve the health of America's seniors, and we can help our seniors even more by increasing the number of tools beneficiaries have at their disposal to pay for their health care costs.

The other provision I would like to highlight is the tax treatment of direct primary care models. Direct primary care is an innovative, alternative payment model offering low monthly membership-based payments for integrated primary care services. Employers and employees both love this setup, because it is cost effective, it keeps patients healthy, and it provides high-quality care.

Unfortunately, the IRS effectively bars you from utilizing direct primary care arrangements if you have a high deductible health plan that is paired with an HSA. And this is simply due to the IRS's outdated definitions that consider these innovative models as a form of insurance. My bill would simply clarify that these are not health plans and would expand who can access these primary care models.

This provision is common sense and has bipartisan support with Senators Cassidy and Cantwell introducing a stand-alone bill.

In conclusion, Mr. Chairman, HSAs are an important way to empower consumers and reduce costs. I would encourage the committee to look at all initiatives, including the Health Savings Act, that will end -- be able to expand these innovative and popular accounts. I yield back.

*Chairman Tiberi. Thank you, Mr. Paulsen.

Our second panel is -- sorry about the competition with the drill, by the way. We are trying to take care of that. The second panel is with us.

We have, representing the entire State of South Dakota, Mrs. Noem. You are recognized for five minutes.

STATEMENT OF THE HON. KRISTI NOEM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH DAKOTA

*Mrs. Noem. Thank you, Mr. Chairman. And I want to tell you how much I appreciate the opportunity to testify today.

If you remember my testimony from last week before the Tax Policy Subcommittee on H.R. 3080, the Tribal Employment and Jobs Protection Act, because it is both a tax and a health care issue. But the reason I am before you today is because the employer mandate in the Affordable Care Act is poised to have a very negative impact on tribal governments, on tribally owned business in Indian Country. And many of the areas that we are talking about are some of the poorest in the country, including several in my home

State of South Dakota. The last thing the tribes in South Dakota need is a punitive tax penalty from the Federal Government.

The Federal Government has a trust responsibility to provide health care for Native Americans and for Alaska Natives. This means the Federal Government supports the care of Native Americans through the Indian Health Service and other departments and agencies. For this reason, individual tribal members are exempt from the individual mandate under the ACA.

But only in Washington, D.C., and with hastily-written legislation like the ACA, could you come up with the scenario tribes and their members now find themselves in today. Individual tribal members are exempt from the individual mandate. However, tribal governments, which primarily employ tribal members, are not exempt from the employer mandate. As a result, tribes must offer coverage or pay a tax penalty for not providing coverage to people the Federal Government is already responsible for caring for.

Moreover, the Federal Government contracts with tribes to provide other vital services in Indian Country, whether it is law enforcement, education, or health care. Imposing the mandate penalty on tribes, which I believe it was never intended to do, will divert limited resource from other areas. As the Rosebud Sioux Tribe in South Dakota wrote to me, "With over 800 employees, estimates show that compliance with this mandate could possibly cost the Rosebud Sioux Tribe in excess of $6 million annually."

For an already impoverished people residing on a reservation with an unemployment rate that hovers around 87 percent, this could quite possibly mean dissolution of any of the tribal jobs that do currently exist on Rosebud today. It will also result in the reduction in services to our elders and youth and the imposition of severe limitations on various other social programs.

Clearly, tribes are very concerned. And over the past several years they have tried to work with the Treasury Department on a solution. Just last week Treasury had a government-to-government consultation call with tribes from across the country, where it reiterated that it has no authority to exempt tribes from the large employer mandate. While that may be true, Treasury also seems to be unwilling to advocate for a constructive policy solution to this issue.

We owe it to the tribes to provide them with certainty they need to provide for the general welfare and opportunity of their members and exempt them from the employer mandate. This is why I have introduced legislation, and I look forward to working with the members of this Committee to fix this critical situation.

With that, I yield back.

*Chairman Tiberi. Thank you. We are pleased that you came to share your information with us today. And obviously, an important member of our Ways and Means Committee.

We are now welcomed by a member of our leadership, our policy chairman who represents the sixth district of Indiana [sic]. Mr. Messer is recognized for five minutes.

STATEMENT OF THE HON. LUKE MESSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

*Mr. Messer. Thank you, Mr. Chairman, and thanks to the entire committee. I appreciate this process today, allowing Members of the body to come forward with legislation and testify and, of course, give a voice to the people we represent.

I rise today in support of what I believe is a modest proposition that will make a big difference for schools all across America. You know, whatever you think of the President's health care law, it wouldn't be fair that we would be paying for that health care law on the backs of schools across this country. And if we really care about our kids, we need to do something about it. And that is what my bill does.

It is called H.R. 769. It is the School Act. And it very simply exempts K through 12 schools, institutions of higher learning, and state and local education agencies from the requirements of the President's employer mandate. The handout that I have before you highlights the impact of this bill -- this problem in districts all across this country.

We have had hearings both out in the field and in the Education and Workforce Committee highlighting the very real impact for schools. One witness that testified in the hearing last year said that the President's employer mandate would have a $4.6 million impact in their school district. I have had districts -- or school districts in my congressional district that have shown impacts as high as 300, 400, up to $1 million dollars.

And of course, the real challenge when this happens in cash-strapped times is that the kids and instruction are being impacted, as well. It is a problem that this Committee knows well, that when the mandate within the law was set at the 30-hour threshold, employers across America were required to push employees below that threshold or release them all together.

We have, as an institution, through the Hire More Heroes Act, the Protecting Volunteer Firefighters Act, addressed this problem for other groups. And I think it is important that we address it for schools.

Thank you, I yield back.

*Chairman Tiberi. Thank you for your testimony.

We are joined by the gentleman representing the 11th district of North Carolina. Mr. Meadows is recognized for five minutes.

STATEMENT OF THE HON. MARK MEADOWS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

*Mr. Meadows. Thank you, Chairman Tiberi. Thank you, Ranking Member McDermott and members of this Subcommittee for this forum. We had the opportunity just a few days ago to come before a different subcommittee on this same bill, and with Mr. Kelly and Mr. Renacci attending there, and it is refreshing to see the open dialogue, to be able to put forth ideas.

I am asking for your consideration of H.R. 210, which is the Student Exemption Act. Really, the genesis of this particular piece of legislation came from a chancellor of a university in my district. As all of the best ideas typically come from those we represent, this is no exception. And as we look at this particular bill, it is designed to exempt student workers at universities.

One of the byproducts of the Affordable Care Act, not debate the merits pro or con, was to include student workers in the mandate. The university would actually have to provide coverage if they were temporary workers. Well, this had a chilling effect on student workers, as you well imagine, increasing the cost. And actually, under the Affordable Care Act, most students are required to be covered under their parents' coverage up to age 25, or other related activities. And so we actually are requiring them to be double-covered by insurance.

And so, this particular Act is very specific in that it would actually exempt those student workers, it would allow them to actually work their way through college, instead of having universities cut back on their hours.

We were very encouraged to get endorsements from a variety of associations and institutions of higher learning, typically the type of endorsements that someone with my conservative background would not get. And so, as I look at that, it is something that not only we could find great bipartisan support, but certainly it is one that makes a difference for students, universities, and keeps costs low for those institutions and students who are just trying to work their way through college.

And so, I would ask for your consideration. I thank you for this environment, and I yield back, Mr. Chairman.

*Chairman Tiberi. Thank you for bringing that to our attention. We have had students in our district who have experienced that same problem. Thank you.

We are joined by another member of the full Ways and Means Committee, the gentleman representing Northwestern Pennsylvania. Mr. Kelly is recognized for five minutes.

STATEMENT OF THE HON. MIKE KELLY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

*Mr. Kelly. Thank you, Chairman Tiberi and Dr. McDermott, for giving us this opportunity.

I actually have two tax-related health care bills that I wish to discuss today: H.R. 3678 and H.R. 1752. And both involve making slight modifications to the Affordable Care Act.

But I think the real key is that these are people policies. These are the type of things that people send us here to do for them, and develop policies that actually help people. Too often we are on other sides of the debate and, at the end of the day, neither side wins, but our people lose.

So the first one is the Preserving Access to Orphan Drug Act. Congressman Neal and myself are on this bill. It has eight other Ways and Means sponsors, including you, Mr. Chairman. In short, H.R. 3678 would change the orphan drug exception to the annual fee on branded prescription pharmaceutical manufacturers and importers.

By the way of background, the longstanding policy has been to have laws on the books to encourage the development of orphan drugs to treat Americans with rare diseases. The fact that it is an orphan drug just means it is such a small patient population -- and these are rare diseases -- that there is generally not a financial incentive. In some cases, there is a financial loss associated with developing these drugs.

Now, when the ACA was being crafted, orphan drug production was exempted from the annual tax on branded drugs. The reason is there is widespread recognition that there are significant costs and challenges in developing these orphan drugs. Therefore, the orphan drug production was supposed to be exempted from the new fee. Yet, in drafting the exemption they tied the exemption to the use of another tax credit, the orphan drug credit, which created a problem. And the problem is that not all companies take this credit. And because of this, they would not be exempted from the new ACA fee.

Now, after passage of the Affordable Care Act, it was discovered that an estimated 41 orphan drugs were ineligible for the exemption. And you can imagine this caused quite a problem. So our legislation seeks to remedy the Affordable Care Act fee issue as it relates to the development of orphan drugs, to ensure that there remains an adequate pipeline of drugs and therapies to help the most vulnerable of patients, many of them children.

Our legislation would exclude all therapies licensed and indicated solely to treat rare diseases at the time of the Affordable Care Act's passage from the annual pharmaceutical fee, regardless of whether the orphan drug tax credit was claimed at that time. This issue has been reviewed by the Ways and Means Committee in the past. In the last Congress

Mr. Gerlach introduced similar legislation. That language was incorporated into the Camp tax reform template published by the majority two years ago.

This legislation is supported by the National Organization for Rare Diseases, a coalition that has served Americans who suffer from rare diseases.

Making this minor modification to the ACA will go a long way towards helping Americans today and in the future with those that suffer from rare diseases.

And the second bill is a bill that I have put together with Congressman Dan Lipinski. This is H.R. 1752, the Health Care Sharing Ministries bill. The bipartisan bill right now has 113 cosponsors in the House; 15 of my colleagues on Ways and Means are on the bill, with a majority of members of the Health Subcommittee.

As you know, millions of Americans decline to carry health insurance for religious or ethical reasons. Many Americans cover their medical expenses by becoming members of a health care sharing ministry. Now, this is not insurance, but rather a form of mutual aid. Members help each other pay their medical bills in a personal, faith-filled way.

Health care sharing ministries operate similarly to other religious-based mutual aid societies that have existed for over 100 years. This is just basically what we do in this country. Our country has such an open heart, and our faith-based people feel that they have an obligation not just to themselves, but to each other.

Now, the issue is that uncertainties exist with respect to the appropriate savings treatment of these arrangements with regard to the health savings accounts and deductibility. In recognizing health care sharing ministries in the Affordable Care Act, Congress did not update the HSA section of the code, Section 223, that effectively bars hundreds of thousands of American families from having a health savings account. Because of its voluntary, non-contractual nature, membership in a health care sharing ministry probably does not qualify as health insurance for purposes of the medical expense deduction under the tax code, although it serves a similar function.

Now, I believe Congress needs to clarify the tax code on these questions to that end. I have introduced legislation to correct this problem. H.R. 1752 would treat membership in a health care sharing ministry as coverage under a high-deductible plan.

Mr. Chairman, thank you for allowing us to be here today. I think when people see what is going on, they say, "This is the Congress that we have always thought should be there. This is the Congress that the founders put together. This is the Congress that actually works in solving problems for the people." I don't care how they are registered; they are all Americans, and we got to take care of them, and we can.

Mr. Chairman, thank you. I yield back.

*Chairman Tiberi. Thank you, Mr. Kelly.

And I would like to thank the four of you for your testimony today. You are more than welcome to get on with your day, appreciate you being here, and we will go to the next panel.

And one of those panelists is here, so I will introduce the first person in our next panel. Representing the seventh district of California, Dr. Bera is recognized for five minutes.

Thanks for being here.

STATEMENT OF THE HON. AMI BERA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

*Mr. Bera. Thank you, Mr. Chairman. I appreciate the opportunity to talk about this issue, H.R. 4217. It is to amend the Internal Revenue Code of 1986 to determine eligibility for health insurance subsidies without regards to amounts included in income, by reason of conversion to a Roth IRA.

This bill came to me and this idea came to me through a constituent, Larry. Larry was not yet eligible for Medicare, and decided to purchase health insurance through California's online exchange, Covered California. Because his only income in 2014 was through Social Security, Larry qualified for a ta credit to help him pay for his health insurance premium.

Larry was also proactive in preparing for retirement, and decided to transfer money from his traditional IRA to a Roth IRA. Because that is a taxable event, Larry paid the income tax on that money. However, at the end of the year, Larry found out that Covered California viewed that transition as income, and determined he was not eligible for any premium assistance.

Additionally, they required that Larry repay the full value of his advanced tax credit for the past year, over $7,000. Now, that is not appropriate. We shouldn't be punishing people who are saving for retirement. Larry never saw any of this income as new money in his pocket. It remains in his retirement account. Asking someone who is living solely on Social Security to pay over $7,000 is unreasonable and unfair.

The challenge is, because of the inflexibility of the tax code, the IRS and Covered California have no choice but to follow the law. My bill is simple. For the purposes of calculating premium assistance, IRA conversions would not be included in gross income.

Regardless of how you feel about the Affordable Care Act, we should not be punishing seniors who are doing the right thing to save for retirement.

*Chairman Tiberi. Thank you for your testimony today.

*Mr. Bera. And Mr. Chairman, I have got a --

*Chairman Tiberi. Okay.

*Mr. Bera. I have got a second bill here.

*Chairman Tiberi. You have got three minutes, go ahead.

*Mr. Bera. H.R. 4832, the Health Savings Protection Act. This is a bill that I was honored to again work with a fellow doctor, Dr. Boustany, on, a common-sense health care fix.

The so-called Cadillac tax was well intentioned to bring down the cost of health care, but it is a blunt tool. I have serious concerns about how it might affect the costs that are passed through to employees, especially in high-cost states like my home state, California.

While I was happy to see a delay included in the recently-passed spending bill, more has to be done. That is why Dr. Boustany and I introduced the Health Savings Protection Act.

As it stands right now, when the Cadillac tax goes into effect, employees' personal contributions to their health savings accounts will be counted towards the calculation of the tax, and the dollar value of their overall health benefit. This was not the intention of the Cadillac tax. This will discourage responsible Americans from saving for their health care needs, and threatens to eliminate HSA. Employers simply won't offer the option to open a HSA if it could threaten to trigger the 40 percent tax. And if they do, we all know the excise taxes almost always surface as pass-throughs. The employees will ultimately be left footing the bill.

We should be doing more to encourage savings for unexpected health expenses. That is why we introduced this simple bill to preserve health savings accounts and protect workers from seeing increases in health costs. The bill would exclude any employee contributions from triggering the Cadillac tax.

I want to thank Dr. Boustany for his hard work on this bill, and hope that we can come together to give families the certainty they need. Thank you.

*Chairman Tiberi. Thank you for joining us today. We are now going to turn to a member of the subcommittee, fellow member of the subcommittee representing the fifth district of California.

Mr. Thompson is recognized. Please proceed.

STATEMENT OF THE HON. MIKE THOMPSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

*Mr. Thompson. Thank you, Mr. Chairman, and thank you for providing this opportunity today. I am going to talk about legislation that I have introduced with my colleague and my friend, Congressman Boustany from Louisiana.

Our bill is bipartisan and it is bicameral. It has got more than 85 cosponsors in the House, and it is endorsed by dozens of small businesses and small business organizations across the country. Our bill would allow small businesses with fewer than 50 employees to offer health reimbursement arrangements, HRAs, accounts that employees could use to buy health insurance in the individual market, or to pay for qualified health expenses if they are already covered.

Right now small businesses are subjected to a $100-per-person-per-day fine for offering HRAs to their employees, because an HRA doesn't meet the requirements for group health plans. The businesses that we are talking about don't even have to offer any type of health coverage to their employees. There is no requirement for small companies of 50 or fewer people to provide health insurance. These are businesses that offer HRAs because they are looking for a way to support their workers.

HRAs are a critical retention and attrition tool that puts small businesses that may not have the resources to negotiate employer-sponsored coverage on a level playing field with their larger competitors. We shouldn't be penalizing responsible business owners who are going above and beyond for their employees.

Small businesses drive job creation and grow our economy. We should be going out of our way to help them support their employees and focus on what they do best, running their business.

And this is working. These small businesses are providing health care for their employees. This penalty takes that away from them. And I am proud to join my friend in trying to resolve this issue.

And I yield back, Mr. Chairman.

*Chairman Tiberi. Thank you, Mr. Thompson. We are now joined by another member of the Ways and Means Committee, a leader on health care issues representing the third district of Louisiana.

Dr. Boustany, you are recognized. Please proceed with your testimony.

STATEMENT OF THE HON. CHARLES BOUSTANY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

*Mr. Boustany. Well, thank you, Mr. Chairman, and it is great to see everybody on the dais there. And I want to thank my friend and colleague, Mr. Thompson from

California, for describing out bill, H.R. 2911, which would give small business relief from this onerous penalty.

If you recall, going back into the last Congress I questioned Secretary Lew about this penalty, and Secretary Lew admitted that this was a serious problem for small businesses. And the Administration actually put these penalties on hold for almost a year. But now they have come back, and we are hearing from small businesses across the country about this onerous $100-per-day-per-employee penalty, which is penalizing small businesses that are trying to do the right thing, provide health insurance for their employees.

So this is a carefully crafted bill. It has got bipartisan support in both the House and Senate. And I certainly hope that we can move forward to a formal committee markup of the bill.

I have two other bills I would like to highlight. And again, I thank my colleague, Mr. Thompson, on this. But H.R. 928 is repealing the health insurance tax. For more than five years and three congresses I have been proud to introduce legislation to repeal the Affordable Care Act's annual tax on health insurance providers. And as the committee is well aware, the health insurance tax will generate $156 billion in revenue between 2017 and 2026, according to CBO estimates, a cost that will be borne entirely on the backs of everyday Americans through increased premium costs and out-of-pocket expenses.

Mr. Chairman, we continue to see the cost of health insurance premiums and deductibles rise precipitously, while the portion of health care costs our insurance plans actually cover has declined. Americans are struggling, struggling to afford coverage at all. We could provide some relief by simply repealing this onerous tax. This would be very helpful to small businesses and families, and I hope we can work with the committee to see this pathway on this.

We were able to put the tax on hold this year for this in the PATH Act, but it is going to bounce back. And we are projected to see massive hikes in premiums in every state, as a result of this tax. I am hopeful we can do something on it.

And lastly, I also -- I have another bill that I have cosponsored with my friend from California, Mr. Thompson, a bipartisan bill, H.R. 3539, Reinvigorating Antibiotic and Diagnostic Innovation Act.

I want to highlight this bipartisan bill because we have got problems today with resistant bacteria and resistant infections at hospitals that no antibiotic treatment is available for them. Bacteria tend to change over time. They evolve and develop this resistance, and they lead to these horrible infections, sometimes after surgery, sometimes just de novo infections. And what our legislation would do would be to establish a tax credit for up to 50 percent of the clinical development of expenses to incentivize the development of two components necessary to making progress to reducing these very virulent infections.

First, new diagnostic tests for initial and expedited identification of the underlying bacterial or fungal infection. We need this because delay, even by 24 hours, can cause deaths in a hospital, and certainly extensive morbidity. So rapid detection and rapid understanding of the underlying features of these infections is very important.

And secondly, developing antibiotic and antifungal medications that treat these serious life-threatening infections for which there is currently no reliable medical course of action for recovery.

Mr. Chairman, this two-pronged approach to jumpstart new innovation in antibiotics, antifungal medications, and diagnostics will not only help to tackle the critical and growing problem of medication resistance, antibiotic resistance, but it also will help preserve medical innovation and those industry jobs here in America. This is also a big source of cost in our hospitals today. And so this is a very small step, very important step, I believe, in spurring innovation.

So I look forward to working with the committee to advance this legislation as well, and I yield back my time. Thank you.

*Chairman Tiberi. Thank you, Dr. Boustany, for your testimony today.

We are now joined by the gentleman from Utah representing the second district.

Mr. Stewart, you are recognized for five minutes. Thanks for being here.

STATEMENT OF THE HON. CHRIS STEWART, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

*Mr. Stewart. Thank you, Chairman. And to other members of the committee, thanks for the opportunity to come and talk to you about a bill that I have been working on for nearly two years, H.R. 868, Veterans TRICARE Bill. And let me explain just very briefly what it does.

If you are a veteran, like myself, and you ever opt in to an HSA account, it terminates your TRICARE from that moment forward, and there are disincentives to do something that many people recognize is efficient for themselves, for their family. They can build an asset through the HSA. In many cases, it is a great option for their family. But they are disinclined to do that because they lose their TRICARE, their veterans benefit, after that.

This simply allows an off-on switch so that someone like myself could maybe opt in to an HSA for, you know, a period of time, maybe when it is offered through my wife's employment or through my own and, you know, 5 years or 10 or 20 years later, when that phase of my life is complete, to opt back in to the TRICARE program.

It has broad support, bipartisan support, 92 cosponsors. It is about a 60-30 split between Republicans and Democrats. I believe there was something like 12 members of this Committee that have signed on on this, a number of subcommittee chairmen. We originally sponsored the bill with our Democratic cosponsor, Tulsi Gabbard, who is a strong supporter of the bill.

It is also supported by many outside organizations that deal with veterans or veterans issues: The National Guard Association; Airline Pilots Association. Not surprising that many of them are former veterans who would like to take advantage of HSAs offered through their employment but, again, don't because they are afraid of losing that benefit. The Association of the U.S. Navy is a supporter of this, as well.

So, support among veterans groups, professional groups, very simple, very little cost, and we would just ask your support. I mean, honestly, it is a little frustrating to me that for two years we have been trying to do this very simple bill with bipartisan support that helps our veterans, and haven't been able to do that. So we look forward to the committee taking this up, and your support.

And with that, Mr. Chairman, I yield back.

Chairman Tiberi. Thank you for bringing that to our attention today.

We are now joined by two more Members. I will first recognize in order of coming the gentlewoman representing the first district of Washington State. Ms. DelBene is recognized for five minutes.

STATEMENT OF THE HON. SUZAN DELBENE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

*Ms. DelBene. Thank you, Mr. Chairman and Ranking Member McDermott and members of the subcommittee. I really appreciate the opportunity to testify today on my legislation to improve the small business health insurance tax credit.

As a former businesswoman and entrepreneur, I know firsthand that when small businesses and start-ups get the tools and the opportunities to succeed, America's economy is stronger. And in my home state of Washington there are over half-a-million small businesses. They comprise 98 percent of all businesses and employ nearly 1.3 million workers, more than half of the state's private sector workforce. Helping small businesses thrive is an important way to grow our economy across the country.

From the businesses that I have met with, I have heard repeatedly how important health coverage is to recruiting and retaining great employees. Whether it is Bramble Berry in Bellingham, or Frost Doughnuts in Mill Creek, they all want to provide quality coverage, but often find it is too expensive, too complicated, or there are too few options that are available to them.

In fact, according to the Small Business Majority, 70 percent of small business owners who don't offer health insurance to their workers say it is because they can't afford to do so. These business owners just want a little bit of help. And the Affordable Care Act took an important step in addressing this problem. It created a tax credit to help small businesses afford the cost of health coverage for their workers and their families.

Unfortunately, the ACA small business tax credit isn't working as well as it was intended. Too many businesses are either ineligible for the credit or discouraged by the complexity of its requirements. In 2012 the Government Accountability Office found that only 170,000 small employers had claimed the credit, a fraction of the up to 4 million businesses that were estimated to be eligible by federal agencies and small business organizations.

To help small businesses compete and grow, Congress should make the tax credit more accessible to employers, and available for a longer period of time. That is precisely what my legislation would do. Among other changes, the Small Business Tax Credit Accessibility Act would raise the maximum size of businesses that are eligible for the credit from 25 to 50 employees. It would increase the number of years for which a small business can receive the credit from two to three consecutive years, and eliminate eligibility requirements that are unnecessarily complex and discourage businesses from claiming the credit.

This proposal will go a long way towards ensuring that more small businesses can provide health coverage to their workers, while continuing to compete and grow in a still-fragile economy.

I am grateful to have been able to partner with Congressman Kind on this effort, along with Senators Koon and Merkley, who have introduced companion legislation in the Senate. It enjoys broad support among industry, small businesses, and health care organizations, including the National Association of Health Underwriters, the National Grocers Association, the National Retail Federation, Third Way, and Small Business Majority. I urge members of this Subcommittee to support it.

Members of Congress have a responsibility to be good stewards of public policy by keeping our laws updated and making adjustments, when necessary, to ensure that they work in the real world. This is a common-sense bill that will offer meaningful help to entrepreneurs and workers across the country, and I look forward to working with members of the committee from both sides of the aisle to move it forward.

Thank you so much for the time, and I yield back.

*Chairman Tiberi. Thank you for joining us today.

We are now joined by the gentlelady representing the sixth district of New York. Ms. Meng is recognized for five minutes.

STATEMENT OF THE HON. GRACE MENG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

*Ms. Meng. Thank you, Chairman Tiberi, Ranking Member McDermott, and our distinguished members of the subcommittee. Thank you for the opportunity to share my proposals with you. I am here today to discuss H.R. 3117, the Fund Essential Menstruation Products, or FEM Products Act of 2015.

Before I get to my legislation, I want to share just how important access to affordable feminine hygiene products is. Access to these products is a serious and ongoing need for women and girls in the United States. When women are able to purchase quality safe and affordable feminine hygiene products, we are able to continue on with our daily lives at work, at school, and in our communities with minimal interruption.

According to a Feeding America survey from 2011, people across the country at all income levels listed these products as "items that cannot be foregone or easily substituted." When women do not have access to sanitary feminine hygiene products, we are forced to substitute cheap materials, and this can cause some serious health problems.

Unfortunately, this happens every day in the United States. This is a real issue in New York City, so much so that the YMCA of Greater New York began providing these products to young women and girls in order to make sure that these girls actually stayed in the programs and stayed in school. The YMCA now provides these products as part of the first aid kits at many of their programs across our city. Feminine hygiene products are also among the most requested items at food pantries and homeless shelters in New York City.

But this is not just an issue for low-income or homeless women and girls. Women make up 50.8 percent of the U.S. population. And in an average lifetime, a woman will use about 10,000 tampons or pads, 2 of the most common types of products. Purchasing these products is a continuous and costly expense for women that women must bear for much of our lives, from when menstruation begins at about age 12 to the time of menopause at approximately 54 years of age. Many women will spend at least $7,000 over the course of our lives.

Now, different population of women and girls face different barriers, in terms of access to affordable feminine hygiene products. I introduced H.R. 3117 to help women and their families to mitigate the costs of purchasing these products. This bill will also add feminine hygiene products to the list of items that can be purchased with funds in an FSA, flexible spending account.

An FSA allows for individuals to place up to $2,550 of their income in an untaxed account where the money currently can be used for certain medical expenses like bandages, crutches, and prescription medications. It only makes sense to include tampons, pads, and other feminine hygiene products, as well.

I also plan to introduce legislation that would create a refundable tax credit for feminine hygiene products for individuals who regularly use them. I am currently in discussion with advocates and industry experts to best determine yearly expenses. And I will scale the tax credit accordingly. It would cover low and middle-income individuals and families, and there would be no limit to the number of dependents who can claim this credit. A family with three teenage daughters or a same-sex female couple should receive a credit in accordance with their real costs.

I have already spoken at length about the great need for assistance in this area. A tax credit would help families afford these costly items and ensure that women and girls can continue to lead their lives without worrying about this basic health care need.

My efforts are part of an international movement to make these products more affordable through common-sense tax policy. Currently, 40 out of the 45 states that have a sales tax charge these products as luxury items. The sales tax is affectionately known as the Tampon Tax. In the past year, legislation to remove the tax has been introduced in seven states, including my home state of New York, where it has already passed both houses of the state legislature, and is awaiting the governor's signature. On the international stage, Canada got rid of this tax last year, and the United Kingdom has engaged in a heated debate over the issue for the past year, as well.

This is a complicated issue, because different populations of women and girls face different barriers in terms of accessibility and affordability. As Members of Congress, we should ensure that women and girls have access to safe quality and affordable feminine hygiene products, however we can. Thank you.

*Chairman Tiberi. Thanks for your testimony.

We are now joined by the gentlelady from the second district of Arizona.

Ms. McSally, you are recognized for five minutes.

STATEMENT OF THE HON. MARTHA MCSALLY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

*Ms. McSally. Thank you, Chairman Tiberi and Ranking Member McDermott, for hosting this important hearing to discuss tax-related proposals to improve health care, and for the opportunity to discuss legislation I introduced earlier this Congress.

Much attention has been given to taxes that pay for the Affordable Care Act, such as the medical device tax or the Cadillac tax. But buried in the Affordable Care Act is a lesser-known tax increase that is already hurting middle-class families, and is about to hit seniors. My bill, H.R. 3590, the Halt Tax Increases on the Middle Class and Seniors Act, protects seniors from this tax hike and rolls it back for middle-class families.

Health care costs are already high. Since 2005, have risen faster than inflation every year except 2008. Additionally, the trend towards rising health insurance deductibles is leaving people exposed to increasing out-of-pocket expenses. We should be working to reduce this burden, not making it worse. But that is not what this hidden tax hike in the Affordable Care Act would do.

Currently, the IRS allows Americans with high health care costs to deduct certain out-of-pocket expenses from their taxes. Before 2013, individuals could deduct out-of-pocket medical costs that exceeded 7.5 percent of one's adjusted gross income, or AGI. The Affordable Care Act changed that for Americans under the age of 65 by increasing that threshold to 10 percent of an individual's AGI, effectively raising taxes on middle-class Americans.

To make matters worse, the same tax is scheduled to hit Americans 65 and older, starting on January 1, 2017. Though it has not received much attention, the medical expense deduction means a great deal to some of the most vulnerable Americans. According to the IRS, more than 10 million people use this deduction; 87 percent of them earn less than $100,000 a year.

The average family taking advantage of this deduction makes just over $58,000 a year, and has seen an income tax increase of several hundred dollars per year since the threshold was raised for those under 65 in 2013. This deduction is extremely important for low and middle-income Americans who have already spent thousands in out-of-pocket medical costs, and they can't afford another shock to their wallets.

The same goes for seniors, many of whom already live on fixed incomes and struggle to make ends meet. Currently, seniors make up 56 percent of all claimants of the medical expense deduction. If the threshold is raised in January 2017, many seniors who have saved for their entire lives and have carefully planned for retirement will suddenly be faced with hundreds of dollars in extra taxes on top of the out-of-pocket medical costs they already pay.

That is why I introduced H.R. 3590, a bipartisan bill to stop this tax increase for seniors and roll it back for those under 65. The impetus to this legislation came to me from one of my constituents from Green Valley, Arizona. His name is Loren Thorson. Tragically, Loren passed away earlier this year, but he knew the importance of raising awareness of this tax hike, and was committed to doing what he could to stop it.

In closing, I want to thank the 14 cosponsors, including Congresswoman Lynn Jenkins, a member of this Subcommittee, as well as Congressman Bob Dold and Jason Smith, members of the full committee, and the various groups that are supporting this legislation, to include the AARP, Americans for Prosperity, 60-Plus, Americans for Tax Reform, the Association of Mature American Citizens, and the National Taxpayer Union.

I encourage the committee to consider my bill, and I look forward to working with you to protect seniors and the middle-class Americans from this tax hike that they just cannot afford.

Thank you.

*Chairman Tiberi. Thank you, Ms. McSally. You were last, but not least. Very good, I appreciate that. And I would like to thank all our colleagues for appearing before us today, and appreciate all the time and work you and your staff have done to put time into these bills.

Last month our committee started a robust conversation about how we can modernize the tax code to deliver the high-quality, affordable, portable health care options Americans deserve and expect. And I am happy we had the time to pursue regular order today and make a public record of efforts that can help us achieve that stated goal.

Please be advised that Members will have two weeks to submit written questions to be answered later in writing. Those questions and your answers will be made part of the formal hearing record.

Without objection, the subcommittee stands adjourned.

[Whereupon, at 11:06 a.m., the subcommittee was adjourned.]

Member Submissions For The Record

Public Submissions For The Record