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New Tax Overhaul and Government Funding Measures: What's in It for Health Care?

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In the week before Christmas, Congress approved and President Trump signed into law the final Republican tax overhaul bill. While primarily focused on individual and business tax cuts and reform, the new tax bill taking effect in 2018 includes two provisions expected to directly impact health care coverage and indirectly affect reimbursement.

First, the bill effectively repeals the individual mandate established by the Affordable Care Act (ACA) by eliminating the tax penalty starting in 2019. The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) estimate that repealing the mandate will increase the number of uninsured individuals by four million in 2019, and 13 million by 2027. Of the 13 million additional uninsured in 2027, CBO and JCT estimate that five million would come from Medicaid; five million from the individual market, including the ACA's insurance exchanges; two million from employment-based coverage; and the remainder from other sources of coverage. CBO also estimates the average premiums in the individual market would increase by about ten percent in most years over the following decade, relative to CBO's baseline projections.

While experts continue to debate these specific projections, it is likely that repeal of the ACA's individual mandate penalty will result in fewer insured patients, affecting access to health care and potentially increasing uncompensated care costs for providers.

Second, the bill expands the medical expense deduction, which allows individuals to deduct out-of-pocket expenses in excess of ten percent of adjusted gross income, by reducing the threshold to 7.5 percent of income for 2017 (retroactively) and 2018 only. The increased medical expense deduction is expected to provide some support for individuals and families struggling to afford access to health care.

On December 21, Congress also passed a bill to continue funding the government through January 19, 2018, averting a potential government shutdown ahead of the December 22, 2017 deadline for the previous funding measure. In addition to funding the federal government, the bill extends funding for the Children's Health Insurance Program (CHIP) through March 31, 2018 and includes several additional specific provisions affecting health care, including:

- $550 million for Community Health Centers;
- $65 million for the National Health Service Corps;
- $15 million for the Teaching Health Center Graduate Medical Education Program for the first and second quarters of fiscal year (FY) 2018; and
- $37.5 million for the Special Diabetes Program for Type 1 Diabetes for the first and second quarters of FY 2018.

These health care provisions are paid for by redirecting $750 million from the ACA's Prevention and Public Health Fund. Finally, the funding bill waives the pay-as-you-go or PAYGO rules for the GOP tax bill, referenced above, preventing an estimated $120 billion per year in reductions to government programs, including Medicare.

Beyond these highlighted provisions, the tax overhaul and government funding bills do not include further provisions expected to directly impact health care reimbursement or employer coverage requirements, including policies affecting Medicare and other health extenders, the ACA's employer mandate, and/or tax exclusion of employer-sponsored insurance. Congress may likely revisit some of these health issues in early 2018 (e.g., CHIP funding reauthorization and Medicare extenders), and we will keep you posted on further developments.