Conferees to Meet on Tax Bill This Week

Your Voice Is Needed to Protect Health Coverage,

Hospitals’ Access to Tax-exempt Bond Financing

House and Senate conferees are meeting this week, including a public meeting on Wednesday, on the Tax Cuts and Jobs Act, legislation to overhaul the tax code that contains several notable provisions affecting hospitals (see below).

ACTION NEEDED:

AHA last week sent a letter to conferees outlining our concerns. Please contact your legislators, particularly if they are Republicans, and share these concerns, also outlined below. (See our Dec. 6 Action Alert for a list of House conferees and our Dec. 8 Action Alert for a list of Senate conferees.) While the Democrats have named conferees, Republicans will ultimately be the ones who shape the final bill. Further, every Republican vote will be critical when it comes time to vote on final passage.

KEY ISSUES:

- **Individual Mandate** – The Senate bill repeals enforcement of the Affordable Care Act’s mandate that most individuals obtain health insurance. The House bill does not repeal the individual mandate.

  The AHA opposes the inclusion of repeal of the individual mandate, which could result in loss of coverage and increase premiums in the nongroup health insurance market by 10 percent.

  The Coalition to Protect America’s Health Care continues to engage its digital community of nearly 1.6 million supporters. Over the last two weeks, Coalition supporters made more than 65,000 contacts with congressional offices via email, phone and social media urging them to maintain the mandate. In addition, the Coalition launched Facebook and Twitter ads focused on relevant members of Congress.
• **Access to Tax-exempt Bond Financing** – The House bill eliminates the tax-exemption for private-activity bonds (PABs), including qualified 501(c)(3) hospital bonds. In addition, the House bill amends the tax code to eliminate the ability of hospitals to execute “advance refundings” of outstanding tax-exempt bonds. The Senate bill does *not* include changes to tax-exemption for PABs, but does include the elimination of hospitals’ ability to execute advance refundings of outstanding tax-exempt bonds.

The AHA opposes the inclusion of any changes to hospitals’ ability to access tax-exempt bond financing in any tax legislation. Please urge your legislators to support the Senate bill’s exclusion of PABs. It is crucial that the final tax bill protect hospitals’ and health systems’ access to this vital source of low-cost capital, including retaining current law on PABs, as done in the Senate bill, enabling hospitals to keep infrastructure expenditures low so that they can efficiently fulfill their mission and focus on the work they do.

The AHA is running ads on cable television – during MSNBC’s Morning Joe, CNN’s New Day, Fox’s Fox & Friends and the Sunday news programs Fox News Sunday, Meet the Press, Face the Nation and This Week – urging legislators to protect hospitals’ ability to access tax-exempt bond financing. To view the ad, visit [www.aha.org/bonds](http://www.aha.org/bonds).

• **Interest Deduction for Debt** – Both bills would change the way companies could deduct interest expense on their debt, generally by limiting the deduction to 30 percent of adjusted taxable income. Importantly, however, the bills differ on the definition of taxable income – defined in the House bill as Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). In contrast, the Senate bill defines income as only Earnings Before Interest and Taxes (EBIT), which would make its 30 percent limit far more disadvantageous for companies carrying a significant debt load.

The AHA urges conferees to adopt the House definition of income based on EBITDA. Investor-owned hospitals have made significant investments in the communities they serve – particularly rural areas – in recent years. When these investments were made, it was under the assumption that existing rules regarding the long-standing tax treatment of these borrowed funds would remain. Unfortunately, this legislation would change the rules and adversely affect certain hospitals for undertaking these past investments, as well as make it more difficult to make similar investments in the future.

• **Medical Expense Deductions** – The House bill eliminates taxpayers’ ability to itemize deductions for large medical expenses, while the Senate bill does not eliminate deductibility for medical expenses, and lowers the threshold for medical expense deductions from 10 percent to 7.5 percent for two years.

The AHA opposes eliminating deductibility and supports the Senate provision to lower the threshold.
• Executive Compensation – Under both bills, a 501(c)(3) employer would be liable for a 20 percent excise tax on pay for the five highest-compensated employees receiving compensation in excess of $1 million.

The AHA opposes inclusion of this provision in any final tax legislation but, at a minimum, recommends inclusion of an exception for existing contracts or nonqualified deferred compensation plans for applicable tax-exempt organizations, similar to the amendment for private corporations included the Senate bill.

TIMING:
Conferees will meet publicly Wednesday to iron out details in the final legislation with the goal of sending a final bill to President Trump for his signature before adjourning for the holidays. A vote could come early next week.

In addition, Congress is working on legislation to potentially address a number of issues critical to hospitals and health systems before the end of the year. These include: funding for the Children’s Health Insurance Program; measures to stabilize the individual health insurance market; the extension of several Medicare programs critical to rural hospitals; the delay of Medicaid cuts to disproportionate share hospitals; issues surrounding 340B hospitals; waiving pay-go rules to ensure the final tax legislation does not result in cuts to Medicare; and overall funding of the government. Legislation has been introduced in one or both houses of Congress on many of these issues.

To help track the status of these issues, please see our legislative tracker. This document will be updated regularly and is available in the AHA Action Center.

For questions, please contact us at 1-800-424-4301.