



# Health Care Provisions in the *Tax Cuts and Jobs Act*

*Editor's Note: CHRT updated this fact sheet Jan. 12, 2018 to include more recent Medicare beneficiary numbers, updated information on PAYGO, and reflect that the conference report is now law.*

The *Tax Cuts and Jobs Act* passed the U.S. House of Representatives on November 16, 2017, and an amended version passed the U.S. Senate on December 2, 2017. Congress reconciled the differences between the two bills, and it was signed into law on December 22, 2017 (Public Law No: 115-97). While the purpose of the law is to reduce tax rates for businesses and individuals, it includes several major health care policy changes. These provisions are described below.

	<b>Individual Mandate</b>		<b>Medical Expense Deduction</b>		<b>Orphan Drug Tax Credit</b>	
<b>Description</b>	Requirement that most individuals have health insurance or pay a tax penalty		Allows individuals to deduct qualified health care expenses that exceed 10% of income		Tax credit for pharmaceutical companies that develop drugs to treat rare diseases (defined as diseases that affect less than 200,000 individuals)	
<b>Changes in the <i>Tax Cuts and Jobs Act</i></b>	<b>Public Law No: 115-97:</b> Repeals the tax penalty for those who choose not to enroll in health insurance		<b>Public Law No: 115-97:</b> Keeps the deduction and lowers the threshold from 10% to 7.5% of income for tax years 2017 and 2018		<b>Public Law No: 115-97:</b> Limits the tax credit amount for qualified expenses	
	<b>House:</b> Not addressed	<b>Senate:</b> Repeals the tax penalty for those who choose not to enroll in health insurance	<b>House:</b> Repeals the deduction entirely	<b>Senate:</b> Keeps the deduction and lowers the threshold from 10% to 7.5% of income for tax years 2017 and 2018	<b>House:</b> Repeals the tax credit entirely	<b>Senate:</b> Limits the tax credit amount for qualified expenses
<b>Estimated Policy Impact of the Law</b>	CBO estimates 13 million fewer individuals will have health insurance over 10 years; health insurance premiums for ACA Marketplace plans will increase an additional 10% per year <sup>1</sup>		In tax years 2017 and 2018, more taxpayers and/or more expenses will be eligible for the deduction than under current law		The current tax credit rate is cut from 50% to 25% of qualified clinical testing expenses	
<b>By the Numbers</b>	<b>6,665,480 Americans</b> paid the tax penalty in the 2015 tax year  <b>189,160 Michiganders</b> paid the tax penalty in the 2015 tax year <sup>2</sup>		<b>8.8 million Americans</b> took the deduction in the 2015 tax year  <b>235,145 Michiganders</b> took the deduction in the 2014 tax year <sup>3</sup>		<b>Approximately 7,000 rare diseases</b> affect 25-30 million Americans <sup>4</sup>	

# Pay-As-You-Go (PAYGO) Act

*Editor's Note: On December 21, 2017, Congress waived the PAYGO Act as it relates to the Tax Cuts and Jobs Act.*

The *Tax Cuts and Jobs Act* triggers the Pay-As-You-Go (PAYGO) Act of 2010. PAYGO requires automatic mandatory spending program cuts if the federal budget deficit is increased, unless Congress takes action to amend PAYGO.

<b>Estimated Policy Impacts</b> of <i>Tax Cuts and Jobs Act</i>	<b>The law adds over \$1.4 trillion</b> to the deficit over the next 10 years, triggering cuts to mandatory spending programs including Medicare <sup>5</sup>  <b>\$25 billion cut</b> to the Medicare program in fiscal year 2018 <sup>6</sup>
<b>By the Numbers</b>	<b>58,930,890 Medicare beneficiaries nationally</b> as of November 2017  <b>1,998,358 Michigan Medicare beneficiaries</b> as of November 2017 <sup>7</sup>

## ENDNOTES

<sup>1</sup> "Repealing the Individual Health Insurance Mandate: An Updated Estimate," Congressional Budget Office, November 2017: <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf>

<sup>2</sup> "SOI Tax Stats - Historic Table 2," Internal Revenue Service, Accessed December 4, 2017: <https://www.irs.gov/statistics/soi-tax-stats-historic-table-2>

<sup>3</sup> Shvedov, Maxim, "Medical Expense Tax Deduction: Key Characteristics by State," AARP Public Policy Institute, November 2017: <https://www.aarp.org/content/dam/aarp/ppi/2017/10/medical-expense-tax-deduction-key-characteristics-by-state.pdf>

<sup>4</sup> "FAQs About Rare Diseases," Genetic and Rare Diseases Information Center, Updated November 30, 2017: <https://rarediseases.info.nih.gov/diseases/pages/31/faqs-about-rare-diseases>

<sup>5</sup> "Reconciliation Recommendations of the Senate Committee on Finance," Congressional Budget Office, November 26, 2017: <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/reconciliationrecommendationssfc.pdf>, "Cost Estimate for the Conference Agreement on H.R. 1," Congressional Budget Office, December 15, 2017: <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/53415-hr1conferenceagreement.pdf>

<sup>6</sup> "H.R. 1 Hoyer Letter," Congressional Budget Office, November 13, 2017: <https://www.cbo.gov/system/files/115th-congress-2017-2018/costestimate/hr1hoyerletter.pdf>

<sup>7</sup> "Medicare Enrollment Dashboard," Centers for Medicare and Medicaid Services, Accessed January 11, 2018: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Dashboard/Medicare-Enrollment/Enrollment%20Dashboard.html>



**Center for Healthcare Research & Transformation**  
2929 Plymouth Road, Suite 245 • Ann Arbor, MI 48105-3206  
Phone: 734-998-7555 • [chrt-info@umich.edu](mailto:chrt-info@umich.edu) • [www.chrt.org](http://www.chrt.org)

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