601 E Street, NW | Washington, DC 20049
202-434-2277 | 1-888-OUR-AARP | 1-888-687-2277 | TTY: 1-877-434-7598
www.aarp.org | twitter: @aarp | facebook.com/aarp | youtube.com/aarp

April 15, 2015

The Honorable Chuck Grassley
United States Senate
Committee on Finance
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Mike Enzi
United States Senate
Committee on Finance
379A Russell Senate Office Building
Washington, DC 20510

The Honorable Debbie Stabenow
United States Senate
Committee on Finance
731 Hart Senate Office Building
Washington, DC 20510

Attn: Individual@finance.senate.gov

Dear Senators Grassley, Enzi and Stabenow:

On behalf of our nearly 38 million members and all Americans age 50 and older, AARP would like to take this opportunity to express our thoughts on the important and necessary role that tax incentives play in promoting and improving the health security of millions of older Americans and their families. AARP believes that proposals to restructure all or part of the federal tax system should recognize the importance of – and therefore maintain -- incentives for access to health care. Such incentives are not only important to assist individuals in attaining the security they deserve, but are vital to our nation's future economic well-being. We also urge that as tax reform advances, changes to the tax code should not result in a disproportionate, adverse impact on older Americans.

A major priority for AARP has been to assure that Americans have access to affordable and meaningful health insurance coverage. Health care costs in the private sector have been increasing at rates that far exceed inflation; it has been consuming an increasing share of household income and chipping away at workers ability to save for retirement and other needs. When health care costs become unaffordable, people forego or delay seeking care, to the detriment of their health and also the health of our economy. A Commonwealth Fund report estimated that the loss in economic output due to health-related absenteeism from work amounted to about $260 billion a year. AARP believes the tax code should continue to play an important role in preserving and expanding access to affordable health care.

The tax exclusion for employer sponsored health insurance has been critical in encouraging employers to offer health insurance coverage and keeping coverage affordable for workers. Employer-sponsored coverage will continue to be the backbone of America's health insurance coverage for the foreseeable future. According to the Robert Wood Johnson Foundation, nearly 60 percent of Americans under the age of 65 obtain health coverage through their employer. In 2013, 149 million Americans were covered in this manner. The health care tax expenditure also produces longer term gains. A healthier person has fewer health care needs when he or she eventually qualifies for Medicare, which ultimately saves public dollars. AARP therefore urges you to maintain or improve this tax exclusion as it will continue to support the goal of affordable coverage for workers.

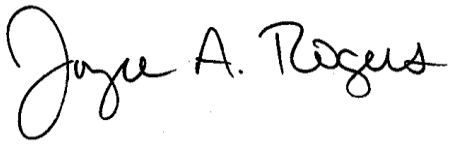
AARP also urges retention of the medical expense itemized deduction that helps individuals with high medical costs, including long-term services and supports (LTSS) or long-term care (LTC) costs. Medical expenses include amounts paid for prevention, diagnosis, treatment, equipment, qualified long-term care services, and limited amounts paid for any qualified long-term care insurance contract. Individuals with qualified long-term care insurance policies can deduct their premiums, up to a maximum limit that increases with age. To be eligible, the taxpayer must itemize deductions and have medical costs in excess of 10 percent of adjusted gross income (or 7.5 percent for individuals age 65 and older through 2016.) The cost of LTSS in particular is tremendous – the 2015 national median annual cost of a private room in a nursing home is over $91,000 and the 2015 national median annual cost for home care is over $45,000 a year (based on 44 hours per week). Since the deduction is tied to a percentage of income, this tax expenditure is already among the most progressive. The deduction is also based on spending that individuals generally cannot control -- high health care costs. We therefore urge that the 7.5 percent threshold be retained for those age 65 and older, and restored to 7.5 percent of income for all taxpayers.

Finally, AARP supports the creation of a new, non-refundable federal tax credit for family caregivers. About 42 million family caregivers provided an estimated $450 billion in unpaid care in 2009 to adults at any given point in time. In the same year, about 3.9 million family caregivers provided care to a child under age 18 because of a medical, behavioral, or other condition or disability. Not only does this assistance help people live in their homes and communities, it saves taxpayer dollars by helping to delay or prevent their loved ones from needing more costly nursing home care and helping to prevent unnecessary hospital readmissions. However, family caregiving is costly both in terms of direct expenses and potential income and retirement savings foregone. A tax credit for family caregivers would help address the financial burdens of caregiving, help family caregivers remain employed, and help address their financial security. We therefore urge the establishment of a family caregiver tax credit.

Once again, AARP would like to thank the members of the Committee for the opportunity to provide comments on the important role tax incentives play in promoting and securing the health of millions of older Americans and their families. If you have

any questions or need additional information, please feel free to contact me, or have your staff contact Ariel Gonzalez on our Government Affairs staff at 202-434-3770.

Sincerely,



Joyce A. Rogers
Senior Vice President
Government Affairs

CC: Chairman Hatch
Ranking Member Wyden