

The Medical Expense Deduction for the Chronically Ill Key Points

Takeaway: *If Congress ends the Medical Expense Deduction, many Americans paying for Long-Term Services and Supports (LTSS) costs will not be able to pay for both LTSS and federal income tax at the same time. Raising the standard deduction and lowering rates will not address the issue. Why? Because many chronically ill Americans will pay all of their income towards care, and without the Medical Expense Deduction they could still have a tax liability that they cannot afford to pay.*

Background: Long-term Services and Supports (LTSS)

- Provides assistance with activities of daily living, such as feeding, getting dressed, or bathing.
- Common conditions requiring LTSS: Alzheimer’s disease, Multiple Sclerosis, or spinal cord injury.
- It’s expensive:
 - 15% of those turning 65 can expect LTSS costs of over \$250,000
 - A private nursing home bed costs a median of \$97,000 a year.
- Medicare does not cover LTSS. Medicaid is the primary payor, covering more than half of all LTSS costs.

The Medical Expense Deduction For Individuals with LTSS

- The deduction applies only to those expenses above 10% of Adjusted Gross Income and when a taxpayer must itemize their deduction.
- “Chronically ill individuals” can use this provision to deduct “qualified long-term care expenses,” such as nursing home or personal care services.

Impact of Ending the Medical Expense Deduction

- Possible Eviction From a Care Facility. Without the deduction, individuals paying privately for LTSS may not have the funds to pay their tax liability and cost of care. This could lead to eviction from a care facility.
- Uncollectible Tax From Some Medicaid LTSS Population. Individuals in Medicaid must contribute substantially all their income to pay for care with Medicaid paying the rest. They will not have funds to pay their tax liability.
- Hurts Family Caregivers. Children can also use this deduction if they pay for more than half of his or her parent’s care. Eliminating this deduction will have a negative effect on the financial well-being of a child trying to care for a chronically ill parent.
- Increased Reliance of Government Programs. Many middle- and working-class individuals must “spend-down” their resources to qualify for Medicaid. This will happen much faster without a tax subsidy and will place a larger burden on an already stressed federal/state system.