REPORT OF THE COUNCIL ON MEDICAL SERVICE

CMS Report 2 - A-98

Subject: Increasing Access to Health Care Services for Children Through the Use of Tax Credits or Deductions (Resolution 111, I-97)

Presented by: Arthur R. Traugott, MD, Chair

Referred to: Reference Committee A (Mark Ivey, Jr., MD, Chair)

At the 1997 Interim Meeting, the House of Delegates referred Resolution 111 to the Board of Trustees. Introduced by the District of Columbia delegation, the resolution calls for the AMA to "study the idea of increasing access to health care for indigent children by means of a tax credit or deduction for physician providers at comparable Medicaid reimbursement rates."

Based on problems with this concept identified in previous reports approved by the House of Delegates, the Reference Committee recommended reaffirmation of Policy H-180.965, (AMA Policy Compendium), in lieu of the resolution. That policy states that the AMA "will not pursue efforts to have federal laws changed to provide tax deductions or credits for the provision of care to the medically uninsured and underserved." Similarly, Policy H-160.969 states that the AMA "does not believe that it should seek a special income tax deduction for providing medical care to the indigent." Nonetheless, at the request of the sponsor, Resolution 111 (I-97) was referred to the Board and, subsequently, to the Council on Medical Service for a report back at the 1998 Annual Meeting.

Proposals for a tax credit or deduction to physicians for provision of charity or under-compensated care have, in fact, been studied and have been rejected by the House on four previous occasions, most recently in not adopting Resolution 209 at the 1996 Interim Meeting. Council on Medical Service Report G (A-82) and Board of Trustees Reports N (I-89) and 49 (I-93), all adopted by the House, detailed the drawbacks of Association support for such proposals. These included:

- The negative response on the part of the public to physicians receiving a substantial tax subsidy for treatment of the poor.

- The fact that the Constitution would not allow limiting such a credit or deduction only to services provided by physicians and that the resulting potential for abuse could be substantial.

- The likely Congressional response to the anticipated effect of such a change on the federal deficit, particularly if more than physicians' services were so subsidized.

- The fact that under the tax code, charitable contributions can be made only to tax exempt charitable organizations, not to individuals, and that deductions can be taken only for out-of-pocket expenses, not for services or time.

- The potential intrusion of the Internal Revenue Service into medical practice to determine the "proper" tax write-off for free or undercompensated care, and the "eligibility" of recipients for such care.

- The greatly increased documentation and administrative requirements that would be imposed on the physician's office.

The Council on Medical Service has reconsidered the subject, and believes that these drawbacks continue to be significant. A number of long-standing AMA policies, including Policies H-160.961, H-140.958 and H-160.974, call for individual physicians to share in caring for the indigent. Most notably, Policy H-160.961 states the following:

> Each physician has an obligation to share in providing care to the indigent. The measure of what constitutes an appropriate contribution may vary with circumstances such as community characteristics, geographic location, the nature of the physician's practice and specialty, and other conditions. All physicians should work to ensure that the needs of the poor in their communities are met . . . In addition to meeting their obligation to care for the indigent, physicians can devote their energy, knowledge and prestige to designing and lobbying at all levels for better programs to provide care for the poor.

The Council believes that a reversal or substantive alteration of these policies would not only reflect poorly on the AMA, but could provoke a negative response to the Association's many other current patient advocacy initiatives.

Finally, the need for a tax subsidy may well diminish significantly as states utilize the new funds for child health care coverage made available through the State Children's Health Insurance Program (SCHIP) provisions of the Balanced Budget Act of 1997 (PL 105-33). At the time that this report was written, 44 states were planning or had implemented programs to utilize these funds to improve access for children, through subsidized private insurance, Medicaid expansion or both. The Council supports a need for innovative approaches to increasing physician participation in Medicaid, which will become an expanded source of coverage for children under SCHIP provisions. In that regard, Policy H-290.982(11), adopted at the 1997 Interim Meeting, advocates that individual physicians contracting with Medicaid be allowed to temporarily defer a specified percentage (such as 25%) of their Medicaid income (and payment of tax thereon) up to a cap amount. Such an approach provides additional incentives toward Medicaid participation without the problems enumerated in this report that would result from providing physicians with a permanent, open-ended tax deduction or tax credit for all free or under-compensated care provided the indigent.

After careful consideration, the Council on Medical Service believes that present AMA policy provides the proper guidance and incentives for physicians to share in caring for the indigent, and that the disadvantages of the type of tax subsidy proposed in Resolution 111 (I-97) far outweigh the advantages.

RECOMMENDATION

The Council on Medical Service recommends that the following be adopted in lieu of Resolution 111 (I-97), and the remainder of the report be filed:

1. That the AMA reaffirm Policy H-160.961, which states that each physician has an obligation to share in the care of the indigent.

2. That the AMA reaffirm Policy H-290.982(11), which encourages innovative methods of increasing physician participation in the Medicaid program, such as plans of tax deferred compensation for Medicaid providers.