November 27, 2017

The Honorable Orrin Hatch  
Chairman  
U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510  

Dear Chairman Hatch:

I am writing on behalf of the American Society of Hematology (ASH) to express the Society’s concerns with the Tax Cuts and Jobs Act. ASH has concerns with certain provisions in the legislation that passed in the US House of Representatives on November 16, 2017 as well as with the version currently awaiting a vote in the Senate.

ASH represents over 17,000 clinicians and scientists worldwide who are committed to the study and treatment of blood and blood-related diseases. These disorders encompass malignant hematologic disorders, such as leukemia, lymphoma, and multiple myeloma, as well as non-malignant conditions, such as sickle cell anemia, thalassemia, bone marrow failure, venous thromboembolism, and hemophilia. In addition, hematologists were pioneers in demonstrating the potential of treating various hematologic diseases through bone marrow transplantation, and we continue to be innovators in the fields of regenerative medicine, transfusion medicine, and gene therapy. ASH membership is comprised of basic, translational, and clinical scientists, as well as physicians who are providing care to patients in diverse settings including teaching and community hospitals, as well as private practices.

ASH has concerns with a number of the provisions in the Tax Cuts and Jobs Act. The Society has outlined these concerns below.

**Repeal of the Individual Mandate**

ASH opposes the repeal of the Affordable Care Act’s (ACA) individual mandate. The Congressional Budget Office (CBO) estimates that this repeal will result in 13 million more Americans being uninsured by 2027. The individual mandate helps to stabilize the health care marketplace and keep premiums down by encouraging more healthy individuals to purchase insurance and thereby, spreading risk more broadly across beneficiaries. The repeal of this mandate will further destabilize the health insurance marketplace and increase premiums for those who need to maintain coverage. Ultimately, higher numbers of uninsured Americans mean more illness, more disease, and higher health care costs. Patients with hematologic diseases and disorders depend on a stable marketplace and affordable premiums, as these individuals are frequently faced with costly, yet clinically vital, treatments.

**Repeal of the Orphan Drug Tax Credit**

The Society does not support the legislation’s changes to the Orphan Drug Tax Credit (ODTC), which currently allows manufacturers of drugs for rare diseases, defined as a disease that affects fewer than 200,000 people in the US, to claim a tax credit of 50 percent of the qualified costs of clinical and drug testing of orphan drugs. This tax credit,
along with other benefits, has incentivized an increasing number of companies to develop treatments for rare diseases. While the Senate version of the legislation does not fully repeal the credit, as the House bill does, it does limit the credit. It is estimated that, due to these limitations, expenditures on the tax credit will fall from a projected $75 billion to an estimated $29.7 billion from 2018 – 2027.

The Society is very concerned that the proposed changes to the credit would limit the number of eligible drugs and lead to fewer available treatments for patients with rare diseases, which include many hematologic diseases and disorders, such as hemophilia and sickle cell disease. There are already limited treatment options for these diseases and the treatment options available are costly, with the majority of that cost falling on the patient. The medical research community as a whole must be looking for ways to increase treatment options for these patients, not to limit them.

**Repeal of the Medical Expenses Deduction**
ASH supports the medical expense deduction. Currently, individuals are eligible for this deduction if they are spending more than ten percent of their income on medical expenses, and even then, the deduction only applies to those expenses that are more than that ten percent. These are individuals faced with extremely prohibitive costs for medical treatment. While the Senate bill does not yet include a provision to repeal this deduction, it was included in the version that passed the House, and the Society is concerned that it could be added as an amendment or as part of the House-Senate conference agreement. According to the Internal Revenue Service (IRS), about nine million individuals use this deduction each year. As previously stated, many individuals with hematologic diseases or disorders are faced with incredibly high treatment costs, and a repeal of this deduction could disproportionately impact the patients our members serve.

**Impact on Students**
ASH strongly supports developing a diverse and sustainable scientific and physician workforce. Hematologists with various training backgrounds are currently studying some of the most devastating medical problems that affect health care in the United States. Our members are developing novel treatments for anemia associated with chronic diseases like cancer and chronic kidney disease, and devising alternatives to blood transfusions and enhancements of bone marrow transplantation through the use of umbilical cord blood, stem cells and other technologies.

However, the Tax Cuts and Jobs Act would eliminate the student loan interest deduction, which allows low and middle-income Americans to deduct up to $2,500 a year in student loan interest. Additionally, the legislation would require graduate students to pay income tax on tuition waivers, which allow qualifying students to receive free tuition in exchange for teaching or doing research.

ASH believes these changes will disincentivize individuals from pursuing a career in medicine and research as these benefits had lessened the cost barriers faced by today’s students, especially those choosing to enter such careers.

**Cuts to Non-Defense Discretionary Spending**
The Tax Cuts and Jobs Act is expected to add $1.5 trillion to the federal deficit over the next decade. ASH is very concerned about the negative implications this has for the overall federal budget and on the nation’s ability to adequately fund government programs, such as Medicare and public health agencies including the National Institutes of Health and the Centers for Disease Control and Prevention (CDC). CBO estimates that the increased deficit will cause Medicare to be cut by $25 billion per year. In 2016, 16.7 percent of the population received health insurance through Medicare.
Blood cancers disproportionately impact older Americans, who qualify for this program. The median age for diagnosis of acute myeloid leukemia (AML) is 67 years, and more than 60 percent of newly diagnosed patients are older than 60 years. Additionally, one in six beneficiaries or 17 percent qualify for Medicare because of disability. Because of the debilitating nature of the disease, many individuals with sickle cell disease, an inherited chronic disorder affecting nearly 100,000 Americans, qualify for Medicare due to disability. The patient population served by Medicare cannot afford an increase in cost for coverage or a decrease in benefits covered – both of which would be results of such significant cuts.

Elimination of the Prevention and Public Health Fund (Prevention Fund) is also routinely targeted as an option to provide offsets. The Prevention Fund has supported many critical projects at the CDC including investments in immunizations and health-care associated infections which are directly related to patients with hematologic diseases and disorders. Currently, the Fund comprises approximately 12 percent of CDC’s budget and should be preserved. The Society is strongly opposed to legislation that could lead to cuts for Medicare, the Prevention Fund, or other critical government programs.

**Name and logo royalties treated as UBIT**

The legislation proposes to subject royalty income derived from the licensing of a nonprofit organization’s name or logo to unrelated business income tax (UBIT). Royalties closely resemble other passive income for tax-exempt organizations – such as rent, interest and dividends. Whether a particular income-generating activity is a royalty must be determined by the facts and circumstances of each case, but ASH believes that royalties should not be taxed when there is little service offered by the tax-exempt organization in return for the payment. Royalties are a significant source of non-dues revenue or non-contributed revenue that can be reinvested in education, skills training, standard-setting, research and other activities critical to the mission of a tax-exempt entity. The Society opposes this provision.

Thank you for the opportunity to provide feedback. We welcome the chance to discuss these comments and others being considered with you and your team. If you have any questions or require further clarification, please contact Suzanne Leous, ASH Director of Government Relations and Practice at sleous@hematology.org or 202-292-0258, or Leslie Brady, ASH Policy and Practice Manager at lbrady@hematology.org or 202-292-0264.

Sincerely,

Kenneth C. Anderson, MD
President

Cc: United States Senate