



March 6, 2017

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of Treasury  
1500 Pennsylvania Ave, N.W.  
Washington, D.C. 20220

Dear Secretary Mnuchin:

In a January 31<sup>st</sup> [letter](#), the National Association of Dental Plans (NADP) shared five areas of concern to the dental benefits industry in the Administration's consideration of policy alternatives and modifications to the Affordable Care Act (ACA). As a follow-up, we wanted to provide more detail about the dental benefits market and the potential impact of taxation on the oral health and overall health of the nation, including medical costs.

- Tax policy should provide incentives for employers and individuals to purchase dental coverage.

Current tax treatment of employer-provided health and dental benefits strongly incentivizes employers to offer, and employees to maintain, efficient and affordable coverage. Federal policy should:

- (1) preserve the tax exclusion for employer-sponsored dental benefits,
- (2) continue to allow employees to purchase dental benefits pre-tax whether employers fully or partially fund coverage,
- (3) provide tax deductibility of premiums for families and individuals that purchase dental benefits on their own, and
- (4) eliminate the Health Insurer Tax (HIT) and exchange related fees so that government imposed taxes and fees do not make dental benefits unaffordable.

**KEY POINTS IN SUPPORT OF THESE RECOMMENDATIONS:**

- Dental benefits are the most requested health benefit after medical and pharmacy coverage.
- Dental benefits deliver access to the specific care needed by children and adults to lower their overall dental treatment costs as well as lower costs for emergency room treatment and the treatment for high cost and chronic medical conditions.
- Consumers with dental benefits are more likely to go to the dentist and take their children to the dentist as well.

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"the representative and recognized resource of the dental benefits industry"



- Over 90% of employees with dental benefits pay some or all of the premium for their dental benefits.
- Dental benefits deliver value at low and stable premiums.
- Taxation of dental products under the ACA was unfair and should be eliminated.

**Dental benefits are the most requested health benefit after medical and pharmacy coverage.**

Data from the Bureau of Labor Statistics shows that dental benefits have the highest offer and take-up rates of health benefits offered behind medical and pharmacy benefits.<sup>1</sup> NADP [survey data](#) shows that more than 90% of large employers (101 or more employees), 80% of medium sized employers (51-100 employees) and half of small employers (50 and fewer employees) offer dental benefits.<sup>2</sup> Employer delivery models ensure access to dental benefits.

**Dental benefits deliver access to the specific care needed by children and adults to lower their overall dental treatment costs as well as lower costs for emergency room treatment and the treatment for high cost and chronic medical conditions.**

There are only two dental diseases, i.e. caries or cavities and periodontal or gum disease. Both are preventable with early and regular check-ups and preventive care. Caries is the leading disease in children, and is six times more prevalent than asthma. Dental plans ordinarily cover sealants for permanent teeth, and often for primary teeth as well, as a preventive service at 100%. Sealants are proven to reduce cavities by 93 percent.

The Center for Disease Control reports that half of U.S. adults over 30 have periodontal disease.<sup>3</sup> The rates of gum disease are higher in men, the elderly, the Mexican American population, smokers, and Americans living in poverty. These segments of the population often have the highest incidence of high cost chronic medical conditions as well. [Studies](#) have shown that reductions in emergency room visits for dental conditions when adult dental services are included in Medicaid. In the privately insured population, simple, noninvasive periodontal therapy has been shown to improve health outcomes for pregnancy and other systemic conditions by 40% to 70%.

Oral health services are #7 on the list of top ten most costly health conditions for Americans in 2013 (JAMA). With only 66% of the population covered by insurance, only half of the cost of oral health treatment is paid by insurance. With greater incentives to purchase benefits and more coverage improving access to dental treatment, the overall costs of oral health treatment can be reduced.

<sup>1</sup> Healthcare benefits: Access, participation, and take-up rates, March 2016: <http://bit.ly/2md05UM>

<sup>2</sup> NADP Employer ACA Implementation Tracking Study, Feb 2016: <http://bit.ly/2jgyP1l>

<sup>3</sup> Prevalence of Periodontitis in Adults in the United States: 2009 and 2010, Journal of Dental Research, 91(10):914-920, 2012: <http://bit.ly/2mcOBAy>

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## **Consumers with dental benefits are more likely to go to the dentist and take their children to the dentist as well.**

Consumers with dental benefits coverage are twice as likely to visit the dentist as well as take their children to the dentist. Without dental benefits, which fund half the cost of dental treatment nationwide, dental visits would drop precipitously. And given that maintaining oral health for adults is critical to lowering costs for treatment of chronic and high cost medical conditions, medical costs would rise further for adults with periodontal disease and diabetes, heart disease, susceptibility to stroke and pregnant women at risk for low birth weight babies.

## **Over 90% of employees with dental benefits pay some or all of the premium for their dental benefits.**

More than 93% of the 157.5 million Americans with private dental benefits receive them through their employer. [Small and large employers](#) offer dental benefits coverage as part of their benefits strategy and to assure the health and productivity of their employees.<sup>4</sup> NADP data shows that only 7% of employers fully fund their employees' dental premium, and 22% of employers contribute nothing to the purchase of dental coverage.<sup>5</sup> And just over 70% of employers share the cost of dental premiums with their employees. Favorable tax treatment of these contributions is key to continued offering and funding of dental benefits.

## **Dental benefits deliver value at low and stable premiums.**

Nationwide dental premiums are roughly 1/12<sup>th</sup> of medical premiums. So, an annual dental benefits policy costs what a medical policy does for a month.

Dental premium costs have remained stable over the last 5 years with changes ranging from -0.4% to 1.5%. Consumers are extremely price sensitive to the cost of their dental benefit premiums whether offered through their employer or purchased in the individual market. A 2009 NADP survey of consumers found that if consumers were taxed on the dental benefit premiums they pay for themselves and their families, **54% or 85 million indicated they were likely to drop their existing dental benefits.**

Dental premiums are kept low by an annual maximum benefit which meets the needs of 95% of consumers. NADP's most recent [data](#) shows that in any year only 1% to 6% of those with dental benefits hit their annual maximum.<sup>6</sup> If employers want to offer more extensive coverage, higher maximum amounts are available at a higher premium cost for all of their employees.

## **Taxation of dental products under the ACA was unfair and should be eliminated.**

Under the ACA, only pediatric benefits were included as an essential benefit and only in the small group and individual market. There was no general mandate to purchase dental benefits

<sup>4</sup> <http://bit.ly/2jgyP1l>. (see footnote 2)

<sup>5</sup> NADP Dental Benefits Report: Enrollment, September 2016, pg. 11.

<sup>6</sup> 2015 NADP Dental Benefits Report: Premium and Benefit Utilization Trends, January 2016, pg 13. <http://bit.ly/2lQg4qi>

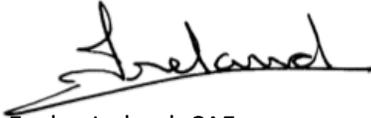


and subsidies have not been available to consumers that cover their children with separate standalone dental plans on the exchanges.<sup>7</sup> Yet, the Health Insurance Tax was levied on the totality of insured dental premium and, in addition some state assessments for operation of exchanges were also levied on carriers' total revenue whether or not they offered coverage on the exchange. For some carriers, these ACA taxes and fees added 5-6% to premium in a period when the cost of dental policies has otherwise been stable.

Given the low cost of dental benefits (1/12<sup>th</sup> of medical), the relatively flat premium increases,<sup>8</sup> and consumer sensitivity to the price of dental products, these taxes and assessments were disproportionate and unfair to dental consumers. NADP survey data shows that approximately half of all dental benefits are through employers that self-insure. By self-insuring employers can eliminate these taxes and fees as well as state premium taxes of another 2-4%<sup>9</sup> to lower overall cost or provide more robust coverage for their employees. Taxation of dental benefits will accelerate this trend to self-insurance, leaving only small employers without an avenue to avoid the additional costs imposed by the ACA. For these reasons, federal taxes on dental benefits should be removed and not be re-imposed.

Thank you for your consideration of NADP's views. We look forward to working with stakeholders to ensure consumer choice and access to dental care in a way that is consistent with NADP's principles—principles that value oral health and the role of the dental benefits industry in improving access to affordable, quality dental care and lower medical treatment costs as well.

Sincerely,



Evelyn Ireland, CAE  
Executive Director

#### **NADP Description**

NADP is the largest non-profit trade association focused exclusively on the dental benefits industry, i.e. dental PPOs, dental HMOs, discount saving plans and dental indemnity products. NADP's members provide dental benefits to more than 92 percent of the 205 million Americans with dental benefits. Our members include the entire spectrum of dental carriers: companies that provide both medical and dental coverage, companies that provide only dental coverage, major national carriers, regional, and single state companies, as well as companies organized as non-profit plans.

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<sup>7</sup> Treasury approved a change in the rules on subsidies that would correct the formula for subsidies so that the premium for an SADP is added to the premium base on which ACA subsidies are calculated. This change would be implemented in 2019.

<sup>8</sup> Changes in premium have been mitigated by changes in coverage, deductibles and annual maximums.

<sup>9</sup> Eiting, Paul. Taxes, Fees, and Your Premiums. America's Health Insurance Plans (AHIP) Blog. 25 May 2016:

<http://bit.ly/2l8Caod>

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