



May 22, 2009

The Honorable Max Baucus  
Chairman  
U.S. Senate Committee on Finance  
Washington, DC 20510

The Honorable Charles Grassley  
Ranking Member  
U.S. Senate Committee on Finance  
Washington, DC 20510

Sent via: Health\_Reform@finance-dem.senate.gov

Re: Senate Finance Committee Policy Options Paper, *Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue options*

Dear Chairman Baucus and Ranking Member Grassley:

The National Association of Dental Plans (NADP) is the recognized voice of the dental benefits industry. Dental plans provide access to oral care services for over 173 million Americans through dental HMOs, dental PPOs, discount dental plans and dental indemnity products. Our membership includes major national carriers, and regional and local companies. Together, we are committed to improving Americans' oral health by providing access to affordable, high-quality dental benefits.

NADP greatly appreciates the opportunity to review and provide feedback on the Senate Finance Committee's policy options document, *Financing Comprehensive Health Care Reform: Proposed Health System Savings and Revenue options*. We applaud the Committee's process for seeking stakeholder input into the challenging and exciting task of health care reform. Our comments focus on key issues and concerns related to the role of the dental benefits industry in improving America's oral health. NADP's comments highlight how the proposed changes in taxing benefits may unknowingly have a negative impact on ancillary plans, such as dental and vision. We look forward to working with you on these issues as you develop legislation.

Our comments and recommendation are outlined below:

## Section II: Option to Modify the Exclusion for Employer-Provided Health Coverage

Recommendation: *The Committee's proposal should maintain the tax exemption for ancillary benefits, such as stand-alone dental and vision.*

-continued -

### National Association of Dental Plans

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The policy document refers to health coverage and is likely to include ancillary plans such as dental and vision. The proposed option of reducing the preferential tax treatment of health benefits, without separating ancillary plans, will have a disproportionate impact on the dental and vision benefit industry and force ancillaries to compete directly with medical for the tax excluded dollars allowed under the cap. As employees are forced to spend more of their after tax dollars on medical premiums and out of pocket expenses, they are likely to eliminate their dental coverage. Diminishing dental coverage could be costly as studies have shown individuals without dental benefits are less likely to visit their provider. As the U.S. Surgeon General's report *Oral Health in America* emphasized, dental insurance plays an important role in promoting oral health.

While the Committee's proposal seems to create more equity in the use of tax subsidies, for dental the cap would not be equitable. Instead of creating equal limits on the tax exclusion for medical and dental, as proposed the option would force dental to compete directly with medical for the limited tax exclusion dollars allowed. It is critical that dental coverage continue to directly participate in the tax preferences provided by current law and the Committee keep a tax-preferred pathway open to encourage employers to offer benefits that promote oral health.

The policy document does not propose an outright repeal of the exclusion. However, the effect of capping or limiting the 'health' benefit exclusion could result in the de facto repeal of this tax incentive and thereby reducing utilization and access to dental services - threatening to negatively impact the oral health of individuals. Currently, 152 million Americans have private dental insurance with 97% receiving that coverage through their employers. For employer-sponsored dental benefits to continue to increase accessibility and effectively meet patient needs, dental needs to be treated differently from medical if the Committee pursues creating limits on the tax exclusion.

A proposal in the policy document targets the limit to a benchmark plan with FEHBP shown as an example. Many of the plans in FEHBP do not offer comprehensive dental or vision coverage. Those services are offered through the voluntary Federal Employees Dental & Vision Insurance Program (FEDVIP.) The U.S. Congress recognized that the organization and delivery of dental care differs from the medical care model and authorized FEDVIP in 2004.

Over the last 40 years, the prevalence of employer-sponsored dental insurance has helped increase utilization of valuable oral health prevention services which improves overall health and reduces the need for more costly care. Tooth decay is the leading childhood disease. Dental plans are supporting the fight against tooth decay by covering dental sealants – the major tool to combat cavities.

Research has demonstrated that individuals with dental insurance are 2.5 times more likely to see their dentist and report practicing healthier oral care habits. Taxing dental benefits will lessen an employee's incentive to enroll in group-sponsored dental coverage, and thus reduce access to needed oral health care services.

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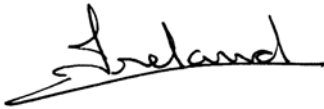
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In conclusion, it is critical for patient access that dental coverage continues to participate in the tax preferences provided by current law and the Committee keeps a tax-preferred pathway open to encourage employers to offer benefits that promote oral health. We understand the challenges and difficult choices the Committee must make as it considers healthcare reform, and we look forward to working with you to advance health reform.

Thank you, for your consideration of NADP's views. If you have any questions or need additional information, please contact Kris Hathaway, NADP Director of Government Relations at 972.458.6998x111 or through e-mail at khathaway@nadp.org.

Sincerely,



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