IMPACT OF TAXATION ON EMPLOYER-SPONSORED DENTAL PLANS
Opinion Research Corporation was commissioned to poll 1001 Americans to determine the impact of taxation on continuation of dental coverage.

Annual tax amounts were estimated using National Bureau of Economic Research (NBER) average marginal tax rates and NADP data for average annual dental premiums ($1,000 for families, $300 for employee only).

<table>
<thead>
<tr>
<th>Percent of Premium Taxed</th>
<th>Annual Tax on Family Coverage</th>
<th>Annual Tax on Employee Only Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>$300</td>
<td>$100</td>
</tr>
<tr>
<td>50%</td>
<td>$150</td>
<td>$50</td>
</tr>
</tbody>
</table>

Telephone surveys on July 2-3 & 5 yielded 507 qualified respondents with employer-sponsored dental coverage for a margin of error of +/- 4%.
Most Families Will Drop Dental Plan with $300 Annual Tax on Premium

Of the 131 million Americans with employer-sponsored family dental coverage, 56% or 73.4 million are likely or very likely to drop their benefit at $300 annual tax.

NOTE: Tax Amounts based on Average Marginal Income Tax Rate according to the NBER
Over 1/3 of Families Drop Dental Plan with $150 Annual Tax on Premium

Of the 131 million Americans with employer-sponsored family dental coverage, 37% or 49.1 million, are likely to drop their benefits at $150 of annual tax.

NOTE: Tax Amounts based on Average Marginal Income Tax Rate according to the NBER
Full Taxation of Benefits Severely Reduces the Number of Americans with Dental Plans

<table>
<thead>
<tr>
<th></th>
<th>Before Full Taxation of Benefits</th>
<th>After Full Taxation of Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family</strong></td>
<td>131.7 million</td>
<td>57.8 million</td>
</tr>
<tr>
<td><strong>Employee Only</strong></td>
<td>20.5 million</td>
<td>12.7 million</td>
</tr>
</tbody>
</table>
Taxing Dental Plans = Less Dental Care

- Fewer Americans with dental benefits will increase the:
  - Number of children with cavities,
  - Adults with gum disease,
  - Costs of treatment for chronic diseases,
  - Dental related emergency room visits, and
  - Public health program costs.

- As more Americans forego preventive and early treatment, greater incidence of untreated dental disease will lead to:
  - More missed work days,
  - More missed school days,
  - Lower overall productivity.
Americans Likely to Drop Dental Plans if Taxed

<table>
<thead>
<tr>
<th>Percent of Dental Benefits Premiums Taxed</th>
<th>Very Likely</th>
<th>Likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% Taxable</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>100% Taxable</td>
<td>38%</td>
<td>15%</td>
</tr>
</tbody>
</table>

- 55.6 million respondents: 37% Very Likely to drop, 12% Likely to drop.
- 81.7 million respondents: 54% Very Likely to drop, 15% Likely to drop.

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Greatest Impact of Taxation is on Families

- **Family**:
  - 73.9 million
  - 56% Very Likely
  - 40% Likely
  - 12% Likely
  - 25% Very Likely
  - 37% Likely

- **Amount of Annual Tax**:
  - $150
    - 12% Likely
    - 25% Very Likely
  - $300
    - 16% Likely
    - 40% Very Likely

**NOTE**: Tax Amounts based on Average Marginal Income Tax Rate according to NBER

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Likelihood to Drop Dental Plan Due to Taxation

Amount of Annual Tax

$300

$150

Percent to Drop Dental Plan

Very Likely | Likely | Neither likely nor unlikely | Unlikely | Very Unlikely

Family

25% | 12% | 4% | 23% | 35%

Note: Tax Amounts based on Average Marginal Income Tax Rate according to the NBER

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July 2009
Likelihood to Drop Dental Plan Due to Taxation

Employee Only

<table>
<thead>
<tr>
<th>Amount of Annual Tax</th>
<th>Percent to Drop Dental Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>Very Likely: 28%</td>
</tr>
<tr>
<td></td>
<td>Likely: 10%</td>
</tr>
<tr>
<td></td>
<td>Neither likely nor unlikely: 6%</td>
</tr>
<tr>
<td></td>
<td>Unlikely: 29%</td>
</tr>
<tr>
<td></td>
<td>Very Unlikely: 26%</td>
</tr>
</tbody>
</table>

| $50                  | Very Likely: 20%            |
|                      | Likely: 12%                 |
|                      | Neither likely nor unlikely: 4% |
|                      | Unlikely: 32%               |
|                      | Very Unlikely: 30%          |

NOTE: Tax Amounts based on Average Marginal Income Tax Rate according to the NBER

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Demographics: Qualified Respondents

**Age**
- 65+ 10%
- 55-64 17%
- 45-54 23%
- 35-44 24%
- 18-34 26%

**Household Income**
- No Answer 13%
- Less than $35K 16%
- $35K to < $50K 15%
- $50K to < $75K 15%
- $75K to < $100K 17%
- $100K or more 23%

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Demographics: Who is Covered by Employer-Sponsored Dental Plan?

- Self: 94%
- Spouse/Domestic Partner: 60%
- Child/Children: 44%
- Other: 2%
- Only Self: 29%

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July 2009
SURVEY METHODOLOGY

This report presents the findings of a telephone survey conducted among a national probability sample of 1,001 adults comprising 501 men and 500 women 18 years of age and older, living in private households in the continental United States. Interviewing for this CARAVAN® Survey was completed during the period July 2-3, 5, 2009.

All CARAVAN interviews are conducted using Opinion Research Corporation's computer assisted telephone interviewing (CATI) system. CATI ensures that interviews are conducted in the most efficient manner and allows interviewers easy response recording.

The most advanced probability sampling techniques are employed in the selection of households for telephone interviewing. Opinion Research Corporation utilizes an unrestricted random sampling procedure that controls the amount of serial bias found in systematic sampling to generate its random-digit-dial sample. The sample is fully replicated and stratified by region. Only one interview is conducted per household. All sample numbers selected are subject to up to four attempts to complete an interview.

The analysis of the data from this survey yielded no significant differences between demographic groups in the likelihood to drop dental plans.