May 5, 2014

The Honorable Jack Lew  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Dear Secretary Lew:

The American Dental Association (ADA), American Academy of Pediatric Dentistry (AAPD), Delta Dental Plans Association (DDPA), and National Association of Dental Plans (NADP) are all strong proponents of every child having access to quality, affordable oral health coverage. As such, we have continued to monitor the availability of premium assistance for the purchase of pediatric dental benefits.

Due to IRS Rules, tax credits are available to support the purchase of stand-alone dental policies within the new Health Insurance Marketplaces only in very limited circumstances. To determine the impact of this interpretation on consumers, we completed an analysis of the types of plans being offered on Marketplaces nationwide.

Background
The Affordable Care Act (ACA) requires tax credits, also known as premium assistance, to be available for lower income individuals purchasing health coverage on Health Insurance Marketplaces. The assistance can be used toward the cost of monthly premiums for a consumer’s health benefits—both medical and pediatric dental. While pediatric dental can be embedded within medical coverage, the (ACA) provides for pediatric dental coverage to be offered separately from medical to parallel today’s insurance market where 99% of dental coverage is separate from medical coverage.

The IRS calculates a consumer’s tax credit based on the cost of a “benchmark” plan—defined as the second-lowest cost silver plan in a specific region. If the benchmark silver plan does not include pediatric dental, the federal tax credit amount families receive will not include the cost of pediatric dental coverage. When the benchmark silver plan includes pediatric dental, the federal tax credit amount families receive will include the value of pediatric dental whether or not pediatric dental is purchased by those families as part of their medical coverage or separately.

Key Findings
To determine where families are not receiving the full premium assistance value in their federal tax credits, NADP analyzed all 50 states and the District of Columbia to determine whether the benchmark plan in the largest and smallest population centers of each state includes pediatric dental. The attached map is a summary of that analysis. The largest and smallest population centers were selected for the analysis as they represent urban and rural populations of an entire state. Based on the sample and information released by the FFM we have determined that:

- eligible consumers in the largest population county or zip code in 37 states have not received premium assistance for the value of pediatric dental coverage under current IRS rules,
- 79% of the uninsured population in the 33 FFM states (all counties) reside in counties that would not receive tax credits for pediatric dental coverage, and
the value of lost subsidies for the families that insured children in the 0-17 age group on FFM Health Insurance Marketplaces\(^1\) through January 31st is $22.8 million impacting an estimated 68,000 low income children.

If the IRS does not amend its rule on the calculation of tax credits to include the value of separate pediatric dental coverage when the 2\(^{nd}\) lowest silver plan does not include pediatric dental, federal tax credits will be unfairly distributed among the states in 2014 and future years. Without premium tax credits that support the purchase of all 10 essential health benefits, as part of a medical plan or separately, many families may be forced to forgo pediatric dental coverage and critical preventive oral health care for their children.

**Recommendation**

To allow families to choose benefits that best meets their medical and dental coverage needs, we urge the IRS to revise its calculation of tax credits prior to the release of guidelines for filing 2014 tax returns to assure consumers receive tax credits based on all 10 essential benefits (whether contained in two policies or one) in all states.

Sincerely,

[Signatures]

Dr. John S. Rutkauskas, CEO
American Academy of Pediatric Dentistry

Dr. Kathleen T. O’Loughlin, Executive Director
American Dental Association

Steve Olson, CEO and President
Delta Dental Plans Association

Evelyn F. Ireland, Executive Director
National Association of Dental Plans

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\(^1\) Only the FFM has released detailed enough data to determine the number of consumers that covered children in the 0-17 age group where subsidies should apply. The estimate of lost subsidies will increase when state based Marketplaces release more detailed information.