October 31, 2011

Commissioner Douglas H. Shulman
Department of the Treasury
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

RE: NPRM - Health Insurance Premium Tax Credit, REG 131491-10

Dear Commissioner Shulman:

The National Association of Dental Plans (NADP) is writing in response to the notice of proposed rulemaking; "Health Insurance Premium Tax Credit" as posted in the Federal Register, Vol. 76 /No.159 on Wednesday, August 17, 2011.

NADP is the largest non-profit trade association focused exclusively on the dental benefits industry, i.e. dental PPOs, dental HMOs, discount dental plans and dental indemnity products. NADP's members provide dental benefits to almost 90 percent of the 166 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.

In Section 2c (pg. 50937), the NPRM specifically requests information on computing the premium tax credit in relation to pediatric dental coverage. As the Patient Protection and Affordable Care Act (ACA) Section 1311(b)(2)(B)(ii) provides that standalone dental benefits may provide coverage for the "pediatric oral services" required under the EHBP, the IRS must consider how to appropriately divide the premium tax credit. Approximately 70 percent of dental coverage today is provided by standalone dental carriers not affiliated with a medical plan; therefore it is feasible that families or individuals with children may purchase their medical and dental policies (combined to meet the EHBP) from different carriers. Therefore, the IRS must consider how to share the tax credit premium between the separate medical and dental plans.

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This fall NADP released jointly with the Delta Dental Plans Association, a timely white paper, titled "*Offering Dental in Health Exchanges: A Roadmap for State and Federal Policymakers*," which is available at nadp.org. The Exchange white paper provides detailed background on the dental benefits industry, and includes a section on the premium tax credit. The authors discussed this issue at great length and three different scenarios emerged; after laying out the positive and negatives of each option the clear recommendation of Option 2 for the IRS became clear. ACA indicates tax credit payments are made to the insurer; as such the three scenarios below fulfill this provision:

Option 1: Medical insurer receives the full tax credit: Under this model, the medical carrier would act as a collector and possibly distributor of tax credits. In other words, all tax credit payments would be made to the medical insurer. The tax credit could be applied fully to medical coverage or the medical insurer could remit a dental share to the dental carrier based on a pre-determined federal formula or pre-negotiated split. This model would require all qualified health plans (QHP) operating in the Exchange to be willing to serve this role and develop the necessary interfaces with all qualified dental plans (QDP) in the Exchange, a significant administrative cost. While this approach is direct from the federal government's perspective, states may need to implement policies to make it operational on the plan level, such as notification of the medical plan of the dental plan selected by their enrollees, etc.

Option 2: Federal government splits value of tax credit proportionately: Under this model, the federal government would split the value of the individual's premium tax credit and deliver the appropriate portion of the premium subsidy to either the medical and dental insurer or a designated aggregator based on the proportionate value of the premiums. While this would require the federal government to develop a formula to determine the proportion by which the tax credit would be split, it would forgo the need to develop infrastructures on the medical and dental plan levels which could increase premium costs. While it may be reasonable to split the tax credit amount respective to the proportion of medical and dental premiums, both carriers would still need to collect premium payments from consumers. This creates a host of challenges for carriers, particularly dental plans.

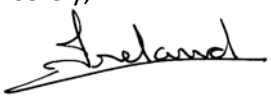
Option 3: Federal government splits value of tax credit with full payment of dental coverage with the balance to medical coverage: Under this model, the federal government would split the value of the individual's premium tax credit and deliver the premium subsidy to both the medical and dental insurer or a designated aggregator based on the subsidy level of the individual. This option would not require the development of a formula to determine the proportion by which the tax credit would be split. Rather, the federal government would pay the full amount of the subsidized coverage for the "pediatric oral services" and transmit the balance to the medical carrier. This approach avoids additional costs to develop infrastructures on the medical and dental plan levels which could increase premium costs. It is the most consumer-friendly as they would then have a single bill from the medical carrier for the portion of the premium not subsided. As the pediatric dental premium is diminutive compared to an individual's medical premium, at no level of consumer subsidy would the dental premium not be covered.

Recommendation

When a separate dental policy is selected covering "pediatric oral services," the federal government should split the value of the tax credit on a basis proportionate to the premium for the "pediatric oral services" in the dental policy and the medical policy. The subsidy should be paid directly to the dental plan and medical plan as required by ACA. Where an aggregator is used by the state Exchange, the subsidy should be paid to the aggregator for distribution on the same basis as required for subsidies paid directly to the dental plan and medical plan.

NADP greatly appreciates the opportunity to share our views from the dental benefits industry. Questions regarding our comments should be directed to Kris Hathaway, Director of Government Relations at khathaway@nadp.org or 972 458-6998 x111.

Sincerely,



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