

December 16, 2009

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, DC 20510

Dear Majority Leader Reid:

The Patient Protection and Affordable Care Act, establishes an excise tax of 40 percent on health plan and flexible spending account (FSA) costs that exceed \$8,500 for single coverage and \$23,000 for family coverage. Many employer-sponsored health plans are likely to exceed these thresholds simply because they include many older workers or retirees with higher cost health care needs, or because they are concentrated in locations with high health costs. As a result, rather than controlling medical services cost growth, many employers would be compelled to reduce benefits (Mercer Survey, 12/2/2009). This policy could lead employers to cut limited service supplemental benefits and FSAs that fund much-needed and prevention oriented dental, vision and limited service supplemental plans in order to avoid the tax..

Cuts in these crucial benefits will lead to a decline in access to necessary care. Patients rely on the preventive services covered by the dental; vision and limited service supplemental plans to prevent infections, slow the progress of chronic disease, and facilitate early treatment of preventable conditions. A consumer study conducted by the National Association of Dental Plans (NADP) in 2007 and federal data including the Surgeon General's report on oral health indicate that individuals without dental coverage are 2.5 times less likely to go to the dentist and get preventive care. As a result of the prevention orientation, dental, vision and mental health care quality has improved substantially.

The stand-alone, supplemental plans already exhibit the cost effective qualities missing from many medical plans, such as slower growth in premium costs over time. **For example, on a cumulative basis from 2000 to 2009, the monthly premium of a dental plan for an employee-only dental plan has increased 29.9%<sup>1</sup> whereas the cumulative cost of employee-only health coverage has increased 95.2%<sup>2</sup>**

For millions of patients and consumers, most of whom are middle and low income working Americans, the excise tax is unfair and punitive, leading to reduced preventive, primary care services. Ideally, it would be eliminated and replaced with a fair and broad funding source. Without consensus for such policy, there are solutions that can mitigate the severe harm the excise tax poses to patient care, that we ask you to consider. These include:

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<sup>1</sup> Dental Benefits Reports: Premium Trends--2001-2009; National Association of Dental Plans, Dallas, Texas

<sup>2</sup> Employer Health Benefits, 2009 Annual Survey; Henry J. Kaiser Family Foundation, Menlo Park, California, and Health Research & Educational Trust, Chicago, Illinois.

- 1) Exclude FSAs, as well as managed and limited service dental, vision and mental health supplemental, stand-alone plans from the calculation of health plan costs;
- 2) Raise the threshold to account for costs of limited scope supplemental coverage (FEHB BC/BS standard option dental and vision supplemental coverage costs approximately \$1,535 for family coverage annually) AND index the threshold to medical inflation;
- 3) Replace the single and family coverage thresholds with a per covered person threshold, a fairer approach to plan cost allocation.<sup>3</sup>

The revenue impact of such modifications should be modest, as they are the components of health care with modest cost growth and associated with primary care essential to preventing expensive care in both the short and long term.

We ask you to either replace the excise tax with another funding source that does not impact these critical prevention-oriented benefits or modify the excise tax to ensure important primary, preventive care is excluded from the base in calculating and applying the tax.

Please feel free to contact any of the undersigned if you have questions or would like further information.

Sincerely,

Academy of General Dentistry  
American Academy of Pediatric Dentistry  
American Association of Oral and Maxillofacial Surgeons  
American Benefits Council  
American College of Prosthodontists  
American Dental Association  
Communications Workers of America  
Guardian Life Insurance Company of America  
National Association of Vision Care Plans  
Service Employees International Union  
Vision Service Plans

Cc: Members of the U.S. Senate and House of Representatives

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<sup>3</sup> The number of dependents enrolled in a plan's family coverage varies, plans with larger numbers of dependents are unfairly taxed even when the per enrolled person cost reflect efficient benefits.