

Submission For The Record

Submitted by The Organized Dentistry Coalition

To House Ways and Means Health Subcommittee

Regarding hearing on 5/17/2016:

Member Day Hearing on “Tax-Related Proposals to Improve Health Care.”

On behalf of the undersigned dental organizations, representing a majority of the clinical professionals in the field of dentistry, we welcome the opportunity to submit a statement for the record regarding the May 17, 2016 Ways and Means Health Subcommittee Member Day Hearing on “Tax-Related Proposals to Improve Health Care.”

As you know, a Flexible Spending Account (FSA), also known as a Flexible Spending Arrangement, is a tax-free spending account, usually funded through voluntary salary reduction agreements between employees and employers, which allow consumers to pay for qualified out-of-pocket health care costs. As you are also aware, the Affordable Care Act (ACA) put new restrictions on FSAs by imposing a \$2,500 (increased to \$2,550 in 2015) annual cap on an individual's contribution to an FSA.

We believe this restriction on consumer health care spending has been a major step back for consumers at a time when out-of-pocket costs for health care have never been higher. Even more limiting, the ACA states that unused FSA funds set aside in one year will be inaccessible under a "use-it-or-lose it" policy. (This provision was amended in 2013 allowing families to rollover \$500 to the next calendar year. This was an improvement, but it doesn't completely eliminate the "use it or lose it" concern that many have about the current plan.)

Out-of-pocket costs for “traditional” medical insurance easily exceed the current \$2,550 annual cap. When you factor in the rising costs of deductibles, co-pays and prescription medication; this inflexibility forces some patients to forgo necessary care, including dental care. According to the 2015 Milliman Medical Index, consumers spent an average of \$4,065 for out-of-pocket expenses in 2015.ⁱ This is nearly double the amount consumers are allowed to save under the current FSA restrictions. In the current health care environment, hundreds of thousands of Americans – many of whom have middle-class incomes and are without access to dental insurance – rely on medical FSAs to cover rising out-of-pocket health care costs.

Many dental procedures, even for those with dental insurance, require out-of-pocket expenses for consumers. Many common and necessary dental procedures such as dental implants, a set of braces, a root canal, or even

the extraction of an abscessed tooth require out-of-pocket spending. By restricting consumers to save only 50 percent of what they can expect to spend out of pocket, we are forcing them to make critical medical decisions based on what they can afford, not on what is medically necessary.

However, these uncomfortable and potentially dangerous decisions could be avoided if we just allow consumers to save more of their pre-tax dollars for health care expenses. One legislative approach which would allow consumers to drive their own health care spending is being sponsored by Rep. Steve Stivers and Rep. Michelle Lujan Grisham, the RAISE Health Benefits Act (H.R. 1185). Under H.R. 1185, families and individuals will be able to:

- *Save more by increasing the annual FSA cap to \$5,000 per year from the current \$2,550;*
- *Add an additional \$500 to the FSA savings cap for each dependent above two dependents;*
- *Better prepare for expected and unanticipated health care costs by carrying over unused funds and eliminating the IRS's onerous "use it or lose it rule."*

This common sense legislation would be a huge step in the right direction and we would strongly encourage the Committee to include this legislation as it considers tax-related proposals to improve health care.

The undersigned organizations appreciate the opportunity afforded by Chairman Tiberi and Ranking Member McDermott to provide this statement and we thank you for your commitment to finding solutions within the tax code to help improve the health care system. Should you have any questions of need further information, please do not hesitate to contact Ms. Jeanne Tuerk of the AAOMS Governmental Affairs Department at 847/233-4321, or jtuerk@aaoms.org.

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ⁱ 2015 Milliman Medical Index, <http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/2015-MMI.pdf>