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The following statement is submitted for the record of the March 5, 2013 Subcommittee on Oversight hearing on the **Tax-Related Provisions in the President's Health Care Law**. Specifically, these comments address the 2.3 percent excise tax on medical devices.

The Dental Trade Alliance is a trade association representing distributors, manufacturers and laboratories that manufacture and supply products and services to oral health professionals. Sales in the industry total almost \$7 billion dollars. The total number of employees is over 39,000. While we are a small portion of the total expenditure for health, the importance of good oral health is increasing as more and more studies show a link between oral health and health in the rest of the body. Both cardiovascular disease and low birth weight infants are linked to oral disease.

We oppose the excise tax on medical devices and support efforts to repeal the tax. We are concerned that the excise tax on medical devices disproportionately affects dental companies. In fact, the tax equals 27 times the potential benefit from additional profits. While the Obama administration claims there will be 'windfall' profits resulting from increased health care coverage, this is not the case for dental companies. Because of this we are concerned that any increase in the cost of dental care resulting from the added tax will affect access to oral care.

The original legislation drafted for health reform included coverage for oral health. Unfortunately, because of the cost of providing this care the coverage was dropped except for very limited coverage for children.

Many tax mechanisms were used in the law to pay for extended health coverage. One of these is a tax on medical devices. The tax applied to all classes of medical devices including dental devices. During the debate, DTA, along with other groups were successful in convincing the Senate to exclude Class I devices from the tax. The Class I device category covers many, but not all dental supplies. Unfortunately, at the eleventh hour, this provision was reversed such that law now requires a tax on essentially all medical devices, whether they support procedures covered in the legislation or not,

such as dental. There were other devices specifically excluded from the law such as hearing aids and eyeglasses.

The Congress and the Department of Health and Human Services (HHS) continues to collect data on the implementation of the law. We have collected information from government and government-funded sources to provide a prediction of the impact the law will have on the dental industry. To the best of our knowledge these figures are accurate based on data available at this time.

HHS reports in "National Health Expenditures" published by the Centers for Medicare and Medicaid, Office of the Actuary in January 2009 that the law provides expanded Medicaid coverage for 18 million individuals. One third of these are children, therefore approximately 6 million additional children will become eligible for oral healthcare services under the new law. There are currently 5.1 million eligible children under Medicaid. The law also provides that any insurance provided by the 'exchanges' must include pediatric dental care, however, HHS has determined that individuals purchasing health coverage from the exchanges are not required to purchase pediatric coverage. Therefore, it is difficult to estimate how many children, if any, this will add. It is likely that many of these children are receiving care on a private pay basis. At the present time we are not aware of any estimate of the number of children that may be eligible under these plans. In a collaboration of the Pew Center on the States, the DentaQuest Foundation and the W.K. Kellogg Foundation Medicaid utilization rates for eligible children was studied. It determined that the national utilization rate among children eligible for Medicaid dental services is about 25 percent. Based on CMS Office of Actuary numbers on the average amount of care provided to an eligible child, this means that the total amount of care added could be about \$330 million.

The industry share of the \$330 million is about \$20 million, using practice management statistics on the ratio of supplies and equipment to total practice revenue from the American Dental Association survey on Dental Practice. We believe that translates to about \$2 million dollars of pretax profit. The Congressional Joint Committee on Taxation estimates that the medical device tax on dental would be \$54 million in 2013. In addition, because the tax is applied to sales instead of profits, application of the excise tax is equivalent to increasing the corporate income tax rate above 50 percent for many companies.

These figures show that the tax is totally disproportionate to the revenues and profits generated by the dental device market from the legislation. In fact, the tax will be almost 27 times the benefit to the industry.