



The American Association of Orthodontists 2019 Legislative Priorities

The American Association of Orthodontists

Founded in 1900, the American Association of Orthodontists (AAO) is the oldest and largest dental specialty professional association in the world. The AAO is dedicated to advancing the art and science of orthodontics and dentofacial orthopedics, improving the health of the public by promoting quality orthodontic care, and supporting the successful practice of orthodontics.

Goal for 2019

The AAO is eager to work with the 116th Congress on issues of importance to orthodontists as small business owners and healthcare professionals.



American
Association of
Orthodontists®

Easing the Burden of Student Loan Debt

Orthodontists must complete 10 to 11 years of post-secondary education before practicing their specialty. The average graduating orthodontic resident today owes approximately \$428,150 in student loan debt. Current federal student loan policy does not really account for a profession's ability to repay student loans, resulting in policies that compound the student loan crisis and undermine a federal goal to expand the number of medical professionals in the United States.

The AAO is concerned about the burden of such large amounts of debt on its current members, in addition to discouraging future members – particularly those from underserved communities – from entering the profession. The pressure created by the need to service high student debt loads often discourages medical professionals from establishing services in lower income communities that need access to more healthcare providers, while also affecting other career and personal decisions like purchasing a home. As such, many new orthodontists feel financial pressure that dissuades them from opening their own small businesses or practicing in the preferred location of their choosing. A January 2019 report issued by the Federal Reserve found that student loan debt was responsible for approximately 20 percent of the decline in homeownership rates since 2005 and that individuals with the highest student loan balances are the mostly likely to leave rural areas.¹

As Congress prepares to reauthorize the Higher Education Act, policy solutions are essential to provide a fair and equitable loan system for future borrowers and also to maintain a strong U.S. economy. While the AAO supports general policies to make college more affordable, our top priorities for easing the burden of student debt are below. The AAO has endorsed previous legislation to address many of these issues. The Student Loan Refinancing and Recalculation, or SLRR, Act (H.R. 4001, 115th), in particular, would preserve the in-school interest subsidy, reduce origination fees and borrowing rates, provide for federal student loan refinancing, and allow for residency deferments.

Keep Borrowing Affordable

Preserve the In-School Interest Subsidy

The AAO is concerned about the potential elimination of the undergraduate in-school interest subsidy, knowing the financial burden felt by our members when Congress eliminated the subsidy for graduate borrowers in 2011. In addition to supporting the preservation of the in-school interest subsidy in current law, the AAO supports the SLRR Act, which would delay student loan interest rate accrual for low- and middle-income borrowers while they are in school.

Reduce Fees and Rates for all Future Federal Borrowers

Currently, student loan interest rates are established at the 10-year Treasury note rate, plus a margin of 2.05% for Undergraduate Stafford Loans, 3.60% for Graduate Stafford Loans, and 4.60% for PLUS Loans. Recently, the Treasury note rate increased, which increased all student loan interest rates. Additionally, origination fees on Undergraduate and Graduate Stafford Loans are set at 1.062%, and for PLUS loans they are 4.248%. The marginal rates that are added to the market rate should be reduced on all federal Direct Loans, and the origination fees should be removed. Because orthodontists tend to borrow heavily to complete 6 to 7 years of graduate school, such rate reductions would be of great value to orthodontic students.

Strengthen Repayment

Support Student Loan Refinancing

In 2013, Congress passed the Bipartisan Student Loan Certainty Act, which set student loan interest rates to the financial markets for the life of the loan.

While the legislation provided a degree of certainty to borrowers, students now face limited options to refinance their federal loans once they have graduated from college. Instead, borrowers should be able to refinance their undergraduate and graduate federal student loans whenever borrowing rates are reduced, just as with the home mortgage market. There are a number of bipartisan bills previously introduced to allow for student loan refinancing, and the AAO has endorsed several, including SLRR and the Student Loan Refinancing Act (H.R. 1614, 115th).

Defer Residency Payments

Unlike almost all other medical residents, most orthodontic residents do not receive a stipend or salary, leaving most to borrow large sums of money. As a result, few orthodontic residents can make payments on their student loan debt while in their residency. For example, interest alone for some residents can total \$40,000 per year. Default for such borrowers is not a huge risk, given their high rates of repayment after they enter the workforce. SLRR and the Resident Education Deferred Interest (REDI) Act (H.R. 5734, 115th) would allow for deferment.

Protect the Teaching Profession

Given the large debt load required for orthodontic students, it is a significant challenge to recruit and retain qualified individuals to fill faculty positions in the field. The AAO appreciates Congress' support of new dental faculty loan repayment grant cycles in recent years. However, that repayment assistance is currently taxed. The AAO supports legislation like the Dental Loan Repayment Assistance Act (H.R. 7259, 115th), which would exclude certain federal loan repayments made to dental faculty from being included as gross income and prevent a potentially hefty tax bill on those federal loan repayments defined in the Public Health Service Act.

Preserve Access to Federal Loans and Grants for Graduate and Professional Students

Preserve the Direct PLUS Loan Program for Graduate Students

The Grad PLUS Loan is a federal loan available to students attending graduate school and professional school. The loans were included as part of the Bipartisan Student Loan Certainty Act, which means their interest rates are tied to market rates and provide certainty over the life of the loan to graduated borrowers. Grad PLUS Loans help pay for educational expenses up to the cost of attendance (minus all other financial assistance), which is crucial for many orthodontic students given the cost of orthodontic programs. They also come with additional protections (i.e., loan terms, forgiveness opportunities, and repayment options) since they are federal loans. Any efforts to cap the borrowing amount for graduate and professional students would be devastating to future classes of orthodontic graduate students. The AAO fears future students may be forced to choose between entering the private loan market to pay for the cost of orthodontic school or will decide to forgo the profession entirely due to the loan burden. Moreover, graduate and professional student borrowers have much higher repayment rates and have fewer default issues than other borrowers, meaning their repayment helps support the other loan programs administered by the Department of Education.

Permit Unused Pell Dollars for Graduate School

Federal law limits the amount of federal Pell Grant funds individuals can receive over their lifetime, which is the equivalent of six years of an individual's maximum scheduled annual Pell award. Some individuals graduate using only part of their lifetime Pell eligibility. For instance, if a student graduates in four years, she may have two more years of lifetime eligibility, but students may not apply that remaining eligibility to graduate school. The Aim Higher Act of 2018 (H.R. 6543, 115th) would have permitted the use of remaining Pell eligibility towards graduate programs. Given the AAO's concern that the cost of orthodontic school can be prohibitive to students with exceptional financial need, we support efforts to broaden eligibility to graduate and professional programs to help pay for the cost of attendance.

¹ See <https://www.federalreserve.gov/publications/files/consumer-community-context-201901.pdf>.

Improving Healthcare Policy

All Americans deserve access to high quality and affordable healthcare. As Congress considers how to stabilize and strengthen the healthcare market, the AAO supports a healthcare system that maximizes patient control of healthcare decisions, such as choosing their qualified medical professional and determining how best to fund their healthcare needs.

The AAO's top healthcare priorities are to:

Strengthen and Expand Consumer-Directed Healthcare Options by Passing the RAISE Act

- Lift the artificial annual cap on contributions to flexible spending accounts (FSAs) (currently \$2,700):
 - FSAs are utilized by individuals of all incomes and are one of the many critical protections for the underinsured as well as individuals with extraordinarily high healthcare expenses.
 - The current cap does not accurately reflect the substantial out-of-pocket healthcare costs that a family may face, and penalizes larger families by failing to take into account their increased health costs.
 - Elements of the RAISE Act passed the House in the summer of 2018 with bipartisan support. We encourage this Congress to finish the job of giving working families more control over their healthcare spending.
- Magnify the power of patient-directed healthcare spending:
 - Increase the cap on FSA contributions to at least \$5,000 per year (and index for inflation moving forward), which would allow patients to save more for their own healthcare needs and actively plan for major expenses that exceed annual contributions.
 - Expand the FSA contributions cap to allow an additional \$500 per year for each dependent, after the first two dependents, to give larger families the same purchasing power a family of four has under the law.
 - Remove the "use-it-or-lose-it" rule to allow families to carry forward unused funds in perpetuity. Families should be encouraged to build reserves that will help them manage major medical expenses in the future without fear of forfeiting or wasting funds.

Repeal the Medical Device Tax

- The AAO has consistently and strongly opposed the medical device tax, which imposes a 2.3% excise tax on medical device manufacturers and importers.
- We applaud the past two Congresses for acting on a bipartisan basis to suspend the tax. Under current law, however, the tax will be reinstated on January 1, 2020.
- The medical device excise tax will place pressure on small business medical providers, like AAO members, who should not be forced to choose between absorbing the cost or passing the cost on to their patients.
- The increase in oral healthcare costs because of the excise tax on medical devices, including the costs of dental and orthodontic services, would negatively affect access to oral care at a time when many are struggling with rising healthcare costs.
- While the AAO supports temporary relief, we continue to urge permanent repeal of the medical device tax.

Expand Health Coverage Options for Small Businesses

- Current law does not adequately address the needs of small businesses who want to offer health coverage to their employees.

- Small business owners should have the option of reimbursing their employees' out-of-pocket healthcare expenses through health reimbursement arrangements (HRAs).
- We are encouraged by the Administration's recent proposal to expand HRAs, and look forward to working with the Department of Labor and Congress throughout implementation to ensure an adequate framework for HRAs in the future.
- The AAO supports Congressional efforts to expand options for small businesses, including proposals like small business health accounts, which would allow employees of a small business to set aside money on a pre-tax basis to help cover their families' healthcare expenses.

Improve Access to High-Quality Dental Care

- All Americans deserve access to the highest quality dental and orthodontic care, particularly those living in underserved areas.
- Orthodontists are highly trained medical professionals who are uniquely qualified in the diagnosis, prevention, and treatment of orthodontic problems. During their extensive formal training, orthodontists learn how to safely carry out necessary procedures, without leading to irreversible and expensive damage such as tooth and gum loss, changed bites, and other issues.
- While we must make every effort to remove barriers to oral health care, the AAO strongly urges Congress to ensure that such policies do not come at the expense of high quality and safe care for all Americans.

Adopting Reforms for Small Businesses

Support Growth of Small Businesses through Tax Policy

Small business IS the nation's biggest business. Most AAO members are both highly-skilled medical professionals and the owners/operators of their own small business. We appreciate the work Congress did to pass major tax reform in 2017, but we remain concerned about how that legislation might affect small businesses, particularly medical professional businesses.

Medical Professionals as Small Business Owners:

The new tax law is very complex in its treatment of medical professionals who own and operate their own business, making it more difficult for these small businesses to create new jobs. When Congress considers adjustments to the new tax reform bill this year, it needs to make sure small businesses, particularly medical professional businesses, are not disadvantaged by the new law. For that reason, we are asking Congress to direct appropriate federal agencies, like the IRS and Small Business Administration, to study and report back on the impact of the 2017 tax law on small business in general, and medical professional small businesses in particular.

Professional Association Dues:

Medical professionals like the AAO's members pay thousands of dollars a year in professional association dues that allow them to access a wealth of educational resources and professional assistance that ultimately benefits their patients. These dues have always been deductible, but reform changed that at the last minute. Congress should reinstate the deductibility of professional association dues.

Get to Know the American Association of Orthodontists

Who are America's Orthodontists?

Orthodontists are uniquely qualified and highly educated dental specialists who correct improperly aligned teeth and jaws. Orthodontists receive an additional two to three years of specialized education beyond dental school to learn the proper way to align and straighten teeth.

This formal education allows graduates to call themselves “orthodontists,” and only orthodontists may be members of the American Association of Orthodontists. There are approximately 9,600 active, practicing members of the AAO in the U.S. Applicants must meet the following criteria for membership:

- (1) complete the full curriculum of a CODA accredited dental school plus at least two academic years of a CODA accredited advanced specialty training program in orthodontics;
- (2) be a member in good standing of the American Dental Association when applying for AAO membership; and
- (3) adhere to the *Principles of Ethics* of the AAO.

The average orthodontist is 50 years old and has 20 years of experience. Females will comprise 50 percent of graduates of accredited orthodontic residency programs in 2018, as compared to 27 percent in 2006. AAO membership among females grew from 9 percent in 1998 to 25 percent in 2018.

Understanding the Orthodontic Patient Population

As of 2016, there are an estimated 4.1 million children and adolescents and roughly 1.6 million adults in the United States being treated by AAO member orthodontists. As adults live longer, healthier lives, they appreciate the benefits that come from orthodontic care, whether seeking it for the first time or for re-treatment. The rate of adult orthodontic patients is increasing. Today, more than one in four patients treated by AAO member orthodontists is an adult.

Paying for Orthodontic Services

Approximately fifty-nine percent (59%) of new orthodontic patients in 2016 had dental insurance that covered a portion of the costs associated with orthodontic care. Patients may use a combination of financial options to pay for their orthodontic care, including insurance, FSAs, HSAs, payment plans offered by orthodontists, third party finance companies, or simply pay out-of-pocket. As of 2016, about one in four new patients treated by AAO members used FSAs.

The Business of Orthodontics

Orthodontics is one of America's finest examples of a thriving small business that generates outstanding white-collar job opportunities in communities nationwide. Approximately eighty-five percent (85%) of America's orthodontists are in single or group practices. Survey results indicate that the average orthodontic practice employs nine full-time and three part-time dental service professionals, such as clinical assistants, radiology technicians, receptionists, and business managers.

Unfortunately, the orthodontic practice is a dental specialty that is often hard-hit by economic downturns, as families often defer what may be perceived as elective orthodontic treatment during tough financial times. At the same time, according to recent dental industry surveys, orthodontic practice costs are among the highest in the dental industry. The result is that orthodontic practices have the second lowest profit margins among dentists and all of the dental specialties, making it difficult to sustain orthodontic practices in underserved or rural communities.

Pro Bono Care by AAO Members

Collectively, American orthodontists provide millions of dollars annually in free or discounted care to U.S. patients in need. They do this because it's the right thing to do, and without funding from the government. Some care is provided by orthodontists independently, and some through formal programs such as the AAO's Donated Orthodontic Services program, which was founded as a five-state pilot program in 2009 and, as of January 2016, has been expanded to serve patients in all 50 U.S. states. Other programs for which AAO members volunteer their services to provide access to care for the underserved include Smiles Change Lives and Smile for a Lifetime Foundation.