

For years, health plan sponsors have focused their cost-management efforts on their largest expenditure (medical coverage) and the expenditure growing at the fastest rate (prescription drug coverage). It is important for plan sponsors not to overlook the value of dental coverage, which is typically the third most utilized health care coverage, after medical and prescription drug coverage.

Survey Examines Value of Dental Coverage

by Vincent Graziano

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The Segal Company conducted a *Survey of Dental Coverage* to determine the current state of that coverage. This brief article presents results of the survey, which was completed in fall 2007 and reports information for 340 group health plans.¹

Prevalence of Dental Coverage

As illustrated in Figure 1, 82% of the group health plans in the survey offer dental coverage. This finding is consistent with other surveys of dental coverage.

Plan Design

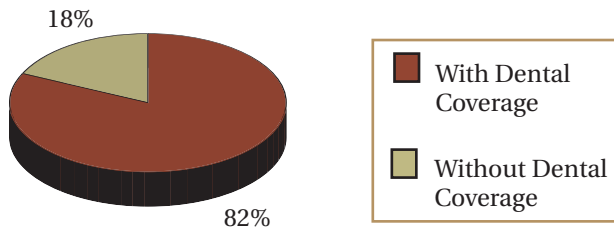
The data in Figure 2 shows that more than half (54%) of the group health plans in the survey that offer dental coverage provide access to dental networks. Providers in dental networks agree to provide dental services at reduced (or discounted) fees. Dental networks can be either dental maintenance organizations (DMOs) or dental provider organizations (DPOs).²

Use of Schedules

Only 17% of the group health plans in the survey that offer dental coverage offer a scheduled design. Schedules provide fixed maximum dollar coverage for dental expenses. The remaining 83% of the group health plans in the survey

Figure 1

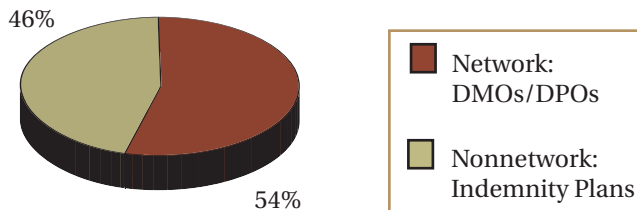
Percentage of Group Health Plans With and Without Dental Coverage



Source: The Segal Company.

Figure 2

Percentage of Network and Nonnetwork Dental Plans



Source: The Segal Company.

offer a reasonable and customary (R&C) design. (See Figure 3.) Plans with an R&C design provide maximum percentage (i.e., coinsurance) for dental expenses. Indemnity plans and DMO/DPO plans can use either schedules or an R&C design.

Utilization of Dental Networks

For dental plans in the survey that provide access to dental networks, the average network utilization, as measured by the percentage of dollars paid, was 59% (Figure 4). However, that statistic includes utilization for plans that offer large dental networks that only provide minimum discounts. For “standard” DPO networks that are smaller and offer deep discounts, the rate of network utilization is lower: 25% to 40%.

Conclusion and Commentary

Health plan sponsors’ intense interest in managing their medical and prescrip-

tion drug coverage is both understandable and prudent . . . and, in many cases, is yielding impressive results. Now, they may want to turn their attention to managing the cost of their dental coverage. Segal’s *Survey of Dental Coverage* reveals that there are opportunities to reevaluate dental plan designs in order to lower costs and/or add value to their dental coverage.

The following are among the changes that sponsors may want to consider:

- **Review covered procedures, exclusions and limitations.** A review of the plan’s covered procedures and its list of exclusions and limitations can ensure up-to-date procedures are covered based on acceptable dental procedures and practices, so that both appropriate care is provided and costs are controlled. For example, many plans include a “least alternative expensive treatment” benefit provision so that the plan will only pay for the least expensive treatment alternative when there is more

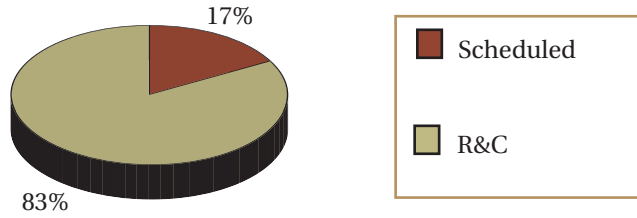
than one treatment option available for a specific condition. This provision is often used to determine reimbursement for fillings, crowns, inlays and fixed partial dentures.

- **Offer a DPO/DMO.** New DPO/DMO networks have emerged in recent years. These networks provide an opportunity for both plan sponsor and participant savings. DPO plans can be designed to maintain the current level of out-of-network benefits.
- **Lease an insurance company’s dental network.** Some insurance companies are now willing to do this for plan sponsors that want to continue to self-administer their dental coverage. Network access fees have become highly competitive in recent years.
- **Convert to a self-insured plan.** Many dental plans are structured as fully insured plans. As with other group health coverage, self-insurance is an attractive alternative that enables plan sponsors to capitalize on certain cost and administrative savings inherent in such plans. Potential advantages of self-insurance include improved cash flow when claim experience is low, reduced administration fees and avoidance of state mandates and insurance premium taxes.
- **For scheduled plans, update the schedule.** Dental schedules can quickly become outdated, leaving employees/members without coverage for current dental procedures performed by dentists, and with significant out-of-pocket costs. Plan sponsors should routinely review dental schedules to make sure they are current and that the coverage provided from procedure to procedure is aligned with the dentist fees for the procedures. Each year, dental procedures are both dropped and added to the American Dental Association procedure code list. Outdated dental schedules provide a low level of dental coverage or can enable dentists to charge inappropriate amounts for some procedures that are no longer relevant. In addition, the value of dental schedules

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Figure 3

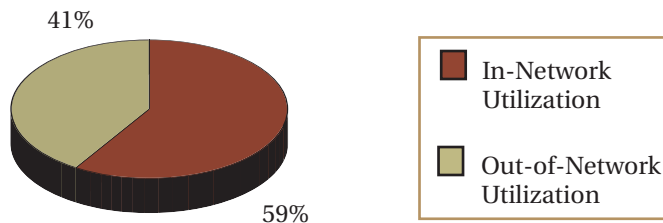
Percentage of Scheduled and Reasonable and Customary Dental Plans



Source: The Segal Company.

Figure 4

Average Network Utilization by Percent of Dollars Paid*

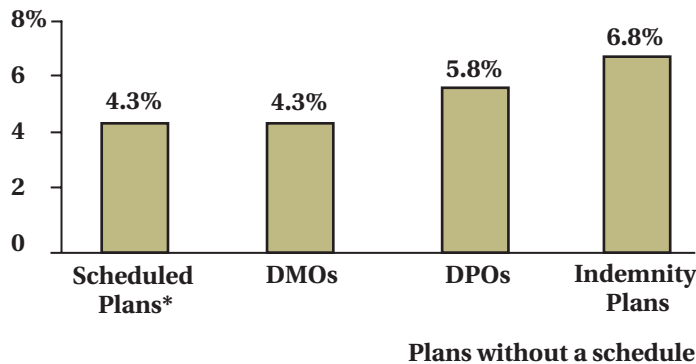


*This data is for dental plans that provide access to dental networks (e.g., DMOs or DPOs).

Source: The Segal Company.

Figure 5

2008 Projected Dental Trends



*Scheduled plans can be DMOs, DPOs or indemnity plans, and typically experience similar trends.

Source: 2008 Segal Health Plan Cost Trend Survey. (www.segalco.com/publications/surveysandstudies/2008trendsurvey.pdf)

does not keep pace with inflation. This is a particular concern for plans that provide a low level of coverage for diagnostic and preventive services. Excessive patient out-of-pocket cost for preventive procedures could lead to delay in maintenance care, causing high-cost, complex treatments down the road.

When considering changing dental plan types, plan sponsors should take into account differences in trend rates. In 2008, according to the latest Segal *Health Plan Cost Trend Survey*, dental trend rates will be lowest for scheduled plans and DMOs (Figure 5).

Analysis of a health fund's dental claims and utilization can provide insight into which plan design changes are most likely to yield savings and help participants. Any dental plan type can include disease prevention measures. In addition to helping participants prevent gum disease and manage oral care, disease prevention measures may identify potentially costly medical conditions early enough for individuals to take action. For example, pregnant women with periodontitis (i.e., gum disease) are at increased risk for delivery of preterm, low-birthweight babies. Studies have also found that patients with periodontitis may be at risk of having coronary artery disease and stroke.

State-of-the-art dental plan designs like those discussed in this report are likely to be welcomed by participants who appreciate having dental coverage—especially if they are having to share a greater portion of the cost of their medical coverage.

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Endnotes

1. All of the group health plans in the survey are clients of The Segal Company. The overwhelming majority of these plans (over 85%) are multiemployer health funds. The plans in the survey represent experience from across the country.

2. DMOs, like health maintenance organizations (HMOs) for medical coverage, typically only cover care received from dentists in the network. DPOs are structured like preferred provider organizations (PPOs) for medical coverage; participants' out-of-pocket costs are lower if they seek care within the network of preferred dentists.

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