

# Plan Designs

## Dental Benefits

Although long-insulated from employers' cost-cutting efforts because of their low price, the rising cost of health coverage is now affecting dental benefits, according to industry experts. Troubled by high rates of inflation in their medical plans, some employers are scaling back on dental benefits. This is not necessarily the best move for employers, as workers tend to see the value in solid dental care. Many people make a positive connection between overall good health and maintaining their oral health. In addition, those with dental benefits may have a brighter view of their health and well-being in general. Dental benefits may seem like just another expense, but the risks of not providing dental benefits could be more costly—including significant medical expenses that could have been avoided and difficulty hiring premium talent due to a lacking benefits package.

The American Dental Association is the national association assigned to regulate dentistry, in addition to individual state-wide organizations.

### **Trends**

#### **The Relationship between Oral and Medical Health**

The strong link between oral health and overall medical health is leading to more and more integration between the fields of medicine and dentistry. As a result, dental benefits are becoming a more significant component of total benefit plans and wellness programs.

Millions of work hours and even days are lost each year to workers with dental problems. Lack of coverage is the main reason individuals don't go to the dentist or limit their visits. Unfortunately, this can lead to more costly medical and dental expenditures down the line for patients and employers. For example, studies show:

- The death rate for oral cancer is higher than that of cervical, testicular, thyroid and laryngeal cancers.
- Diabetes is associated with an increased occurrence and progression of periodontitis.
- Periodontal disease is linked to coronary heart disease and stroke.
- Periodontal disease during pregnancy can lead to delivering pre-term and low-birth weight babies, increasing a child's risk of illness and death in the first year of life.
- Periodontal disease is linked to the development and worsening of diabetes.

- Periodontal disease may recur in individuals who have had it already if they do not receive proper dental care. Regular dental care will reduce the risk of tooth loss and assist in overall health preservation.

### **Employees Want Flexibility**

Dental coverage is an essential employee benefit that can make an employer stand out. But simply providing dental coverage is not enough—employees are demanding more. Offering a flexible, comprehensive dental benefits package is becoming a competitive advantage. Most of all, employees are asking for choice in selecting the best plan for them. This could include having the option to choose an inexpensive base coverage level or pay more for more substantial coverage.

### **Plan Designs**

#### **Basic Guidelines**

Most dental plans can be customized, just like medical plans. Traditionally, dental plans aim to emphasize access and prevention. Some basic guidelines to selecting an effective dental plan include:

- Avoiding road blocks that cause patients to delay care
- Keeping medical treatment separate from dental treatment
- Structuring plans so copayments are required for all care other than diagnostic and preventive
- Limiting exclusions
- Keeping the language simple

#### **Plan Models**

Though there are numerous types of dental plans, they generally can be divided into two categories: managed care and fee-for-service.

- **Managed Care Dental Plans**—These are cost-containment plans that control cost by restricting the type, level and frequency of covered treatment, limiting the access to care and controlling the level of reimbursement for services.
  - *Preferred Provider Organization (PPO)*: One type of Managed Care plan is a PPO program. Patients select a dentist from a list of providers (network) who have agreed to discount their fees. These plans can be fully insured or self-insured.
  - *Dental Health Maintenance Organization (DHMO)*: Another type of Managed Care plan is a DHMO plan, which pays contracted dentists a fixed amount per enrolled family or individual, regardless of utilization. Dentists agree in return to provide specific types of treatment at no charge (or occasionally with a copayment). These are typically the least expensive dental plans.
- **Fee-for-service Dental Plans**—These arrangements allow you to choose your dentist, and he or she is paid for each service according to fees established by the practice.
  - *Direct Reimbursement*: A popular type of fee-for-service plan is the Direct Reimbursement plan. It is self-funded and reimburses patients according to dollars spent on dental care, not type of treatment. Instead of monthly premiums, employees pay a percentage of the cost of each actual treatment received. This type of plan can be cost effective for both employers and employees.

### **Consumer-driven Dental Plans**

Following a growing trend in medical benefits offerings, many carriers are beginning to offer another type of dental plan: a consumer-driven dental plan. One example is a dental flexible spending account. Benefits of a consumer-driven plan include:

- The tendency to be more customizable for employers and flexible for employees
- Employees have incentives to seek preventive care, which lowers both employee and employer costs in the long run

- Employees have more awareness of what they spend on dental care, giving them more reason to be financially responsible

### **Controlling Cost**

- Plan design choices are one way to control the cost of dental benefits. Other ways to control costs include: Requiring employees to pay part of the cost through one or more of these options:
  - *Deductibles*—Amounts that must be paid by the participant before benefits are paid by the plan for dental services. Many plans have very low deductibles or none at all for preventive and diagnostic services in order to encourage preventive care.
  - *Coinsurance*—Stated percentages that plans and participants each pay for covered expenses. Percentages may vary based on type of service, to motivate participants to consider costs of alternative treatments.
  - *Maximums*—Amount of benefit dollars that participants are entitled to for covered services over specific time periods, or for specific types of services. Lifetime maximums are established for certain categories of service, such as orthodontic, periodontal, etc.
- Having exclusions and limitations, which can limit liability and lower cost, while not excluding so much that the plan loses value for employees.
- Including alternate benefit clauses that address common industry practices (alternate methods of treatment, cost differences for treatments, lower prices for customary services, higher prices for higher-cost or cosmetic treatments, etc.).
- Offering a dental maintenance organization (DMO) or a dental provider organization (DPO), both of which are designed to provide savings for sponsors and employees.
- Leasing a dental network from an insurance company. This may be a good option if you want to self-administer your dental plan.
- Using a self-insurance plan to attain cost and administrative savings. When claims are low, administrative fees also decrease.
- Many employers are either increasing employee contribution requirements or transitioning to entirely voluntary plans. Shifting costs in this way helps employers save money but still makes this important benefit available to employees.

### **Maintaining Quality and Value**

Plans are valuable to employers if they offer:

- Hassle-free administration
- Strong networks
- Good savings and value
- Inexpensive, yet appropriate benefits
- Opportunities to integrate with medical plans under one vendor

Plans remain valuable to employees if they offer:

- Ease of use
- Excellent customer service
- High-quality care
- Quick claims processing
- Flexibility and choice in coverage

### **Health Care Reform Implications**

The health care reform legislation generally applies to group health plans, but many plan sponsors wonder how it affects dental coverage. Dental benefits are not subject to the Affordable Care Act as long as:

- They are provided under a separate policy.
- Or, if dental benefits are included in the health plan, participants must have the right to waive the dental coverage and the dental coverage must cost the participant an additional premium (cannot be included in the cost of the health coverage).

However, self-insured dental benefits that are not elected separately from health coverage must comply with health care reform. Notable provisions that would impact these dental plans include:

- *Lifetime and annual limits*—The Affordable Care Act restricts lifetime and annual dollar limits on “essential health benefits.” Included in those essential benefits are “pediatric services, including oral and vision care.” Plans must consider what age falls under “pediatric” dental benefits, whether orthodontia is included in those benefits and what treatment limitations may be allowable (such as two teeth cleanings per year, but without a dollar amount specified).
- *Dependent care to age 26*—This provision requires plans that cover dependent children to continue coverage for qualified dependents until they reach age 26.

Plan sponsors should determine whether or not their current dental plan is exempt from the Affordable Care Act. It may make sense to adopt a different dental plan in order to avoid having to change the current plan design. For any changes made related to health care reform requirements, be sure to update plan documents and communicate changes clearly to plan participants.

Though rising benefit costs may be squeezing your dollars, your employees (and potential future hires) likely see the benefit in dental coverage. Moreover, a quality dental care package can actually help reduce medical coverage costs by preventing illness and disease.

Please contact your The CIMA Companies, Inc representative for assistance in determining if and what type of dental benefit plan designs are right for you. The CIMA Companies, Inc welcomes the opportunity to help your organization examine its plan design(s) and make recommendations for improvement.

For more information on dental care, visit The National Association of Dental Plans (NADP) at [www.nadp.org](http://www.nadp.org) or the American Dental Association at [www.ada.org](http://www.ada.org).

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