

Small Group Dental Plans: Filling The Void

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The high cost of dental insurance and the limited nature of dental HMOs (DHMO) have left a huge void in the employee dental benefits market. Sixty percent of small businesses with six to 24 employees don't offer dental benefits to their employees, according to the National Association of Dental Plans (NADP). That percentage grows to 90% for employers with fewer than 10 employees. Dental benefits improve employee satisfaction, health, performance, and retention, but many small employers can't afford them.

Dental discount plans have been around for decades, but primarily as individual products. In recent years, discount plans have matured and are becoming more mainstream based on growing consumer demand. Discount plans offer agents an affordable and flexible way to fill the small group dental plan void for their uninsured clients in the wake of shrinking employer ancillary benefit dollars. A dental discount plan is also a great door opener for prospects.

Understanding the Void

Traditional insurance has been the plan of choice for employers since the 1960s. Indemnity plans (PPO and non-PPO) account for about 77% of the dental benefits market, according to the NADP. But premiums and requirements for employer contribution and employee participation are beyond the reach of most small employers.

For several decades, DHMOs have offered low cost dental coverage for small employers that were unable or unwilling to pay for dental insurance. But national membership levels have fallen steadily from 26 million in 1999 to 13 million in 2006. While DHMOs continue to offer excellent value on paper, their reputation has suffered among agents and employers due to shrinking provider choice, appointment scheduling delays, patient perceptions of poor treatment, and the nagging issue of up-selling.

Many small employers have simply opted out of dental, given the choice between expensive plans with difficult underwriting requirements and affordable plans that can create more problems than they solve. Their lack of action screams, "We want something different."

The Evolution of Discount Plans

Discount dental plans are neither insurance nor DHMOs. They offer a network of dentists that provide discounted services at negotiated fees. DHMOs started most early discount plans in the 1970s.

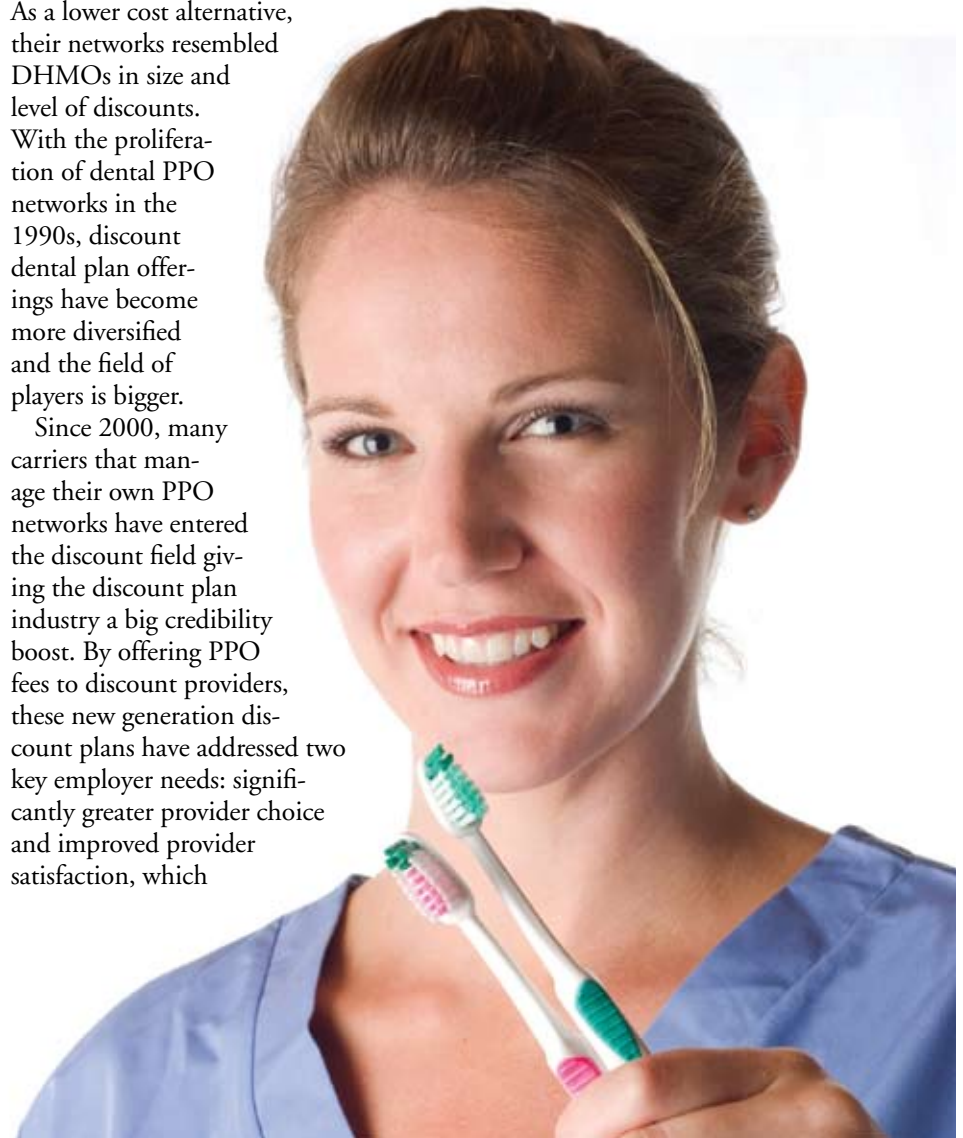
As a lower cost alternative, their networks resembled DHMOs in size and level of discounts. With the proliferation of dental PPO networks in the 1990s, discount dental plan offerings have become more diversified and the field of players is bigger.

Since 2000, many carriers that manage their own PPO networks have entered the discount field giving the discount plan industry a big credibility boost. By offering PPO fees to discount providers, these new generation discount plans have addressed two key employer needs: significantly greater provider choice and improved provider satisfaction, which

translates into better service for their employees.

Discount Benefits: A Growing Trend

The introduction of PPO network-based discount plans was in response to several noteworthy events that signaled a trend toward greater demand. At 2001 survey by Health Allies revealed that employees understood that rising medical costs made it difficult for employers to provide ancillary healthcare benefits. Eighty-six percent of the employees said they wanted discounts



for services that their employers couldn't afford. Employees also showed a willingness to pay for access to discounts.

Echoes of the Health Allies survey could be heard when Medicare introduced its discount pharmacy program in 2004 and again in 2005 when the Federal Employee Benefit Health Program included dental discount programs.

In 2005, Mercer and Watson Wyatt surveys stated that discount plans, coupled with high deductible health plans and a pre-tax savings vehicle (HRA, HSA), will be more cost effective than traditional dental insurance as costs continue to rise. Both consultants explained that dental insurance really isn't insurance; it's simply a financing mechanism since dental needs are predictable and generally non-catastrophic. The consultants even predicted the end of dental insurance within the next 10 years.

It's Not Insurance. It's Better.

There is no doubt that group dental insurance is an excellent employee benefit as long as employers pay the premiums. So, I doubt dental insurance will go the way of the dinosaur anytime soon. But it rarely makes good financial sense when an employee has to pay the full premium.

Dental insurance premiums can cost up to \$500 dollars a year for an employee and more than \$1,400 for family coverage. So, it rarely makes financial sense when employees pay 100% of the premiums, plus deductibles and co-insurance for benefits that are limited by waiting periods and annual benefit maximums. Waiting periods, deductibles, and annual maximums may be critical to an insurer's financial viability, but they do nothing for an employee who has immediate dental needs, except possibly exacerbate a dental condition, increase their costs, and threaten their health.

That's why employers are begging for an alternative that is affordable, accessible, and offers meaningful benefits to employees. Discount plans answer the call on all three fronts.

Group discount dental plans can cost as little as \$6 for an employee and under \$10 for a couple or family. The advent of PPO network based discount plans greatly expands accessibility by offering upwards of 20,000 California provider locations, which is many times more than the old discount plans. And when it comes to saving employees money group discount

plans are much more flexible and comprehensive than insurance.

Discount dental plans don't have waiting periods, deductibles, or annual maximums so employees get immediate, comprehensive, and unlimited discounts on all of the most common dental care. This includes saving on cleanings and exams, x-rays, sealants, fillings, crowns, and bridges. Discount plans can save employees on services that are typically excluded or limited by insured plans including popular services, such as teeth whitening, dental implants, and orthodontics. The unrestricted nature of discount dental plans gives employees the ultimate benefit: letting them decide which dental services they want, when they want them, and without a limitation on how much they can save.

Agents who are selling to small groups improve their chances of not only surviving, but flourishing if they add dental discount plans to their product portfolios.

Value for Agents

Insured and DHMO plans will continue to serve the needs of about half of Americans. Discount dental plans are an excellent prospecting tool and an important value-added service for existing uninsured clients during a recession that's compounded by rising medical costs.

There are many advantages of offering discount plans to small employers. The low membership costs will enable some employers to pay for the program. The programs can be offered voluntarily via payroll deduction for groups that can't afford the cost. There are no dreaded minimum employee participation requirements. Best of all, there is no sticker shock at renewal time. In fact, multi-year rate guarantees are common. And today's larger discount networks make plans better able to meet the access needs of most small employers.

Selecting A Dental Discount Program

The key to purchasing a good dental discount plan is verifying that the plan can back up its promises. In 2005, the California Department of Managed Health Care assumed responsibility for overseeing discount health products and began licensing plans in 2006. Make sure the plan you sell is approved by the State. In addition to state licensing, make sure the plan can demonstrate the following consumer safeguards:

- Credentialed dentists – preferably contracted directly with the discount plan to reduce confusion and frustration with participating providers.
- True, verifiable and enforceable discount fees – Plans should be able to demonstrate that the savings they promise are real and that their provider contracts are enforceable.
- A dispute-resolution system that helps members resolve disputes over provider access and discounted fees.
- Fair and accurate advertising so that employers and employees know exactly what they're getting

Network size is also important since plan discounts won't apply to non-participating offices. Make sure the plan has enough provider choice for your clients. And look for networks that include specialists, such as periodontists, oral surgeons, endodontists, and orthodontists. Specialty care discounts can save employees significant money.

Start Filling The Void

Charles Darwin said, "It is not the strongest of the species that survives, nor the most intelligent that survives, but the ones most responsive to change." Amid rising healthcare costs during tough economic times, agents have an untapped opportunity in many small businesses that don't offer dental coverage. Agents who are selling to small groups improve their chances of not only surviving, but flourishing if they add dental discount plans to their product portfolios. □

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