

Considering Long-Term Consequences of Short-Term Decisions

When companies and agents are researching dental programs, on the surface, dental insurance can seem like a very cut-and-dried benefit. A 100/80/50 program looks the same whether company A is the carrier or Company B. However, things are not always as simple as they appear.

First, brokers and consultants should look closely at the benefit plan design, particularly from the perspective of what the group is looking to achieve with its dental program. Then, **the client should be encouraged to consider the long-term consequences of the option they are considering.**

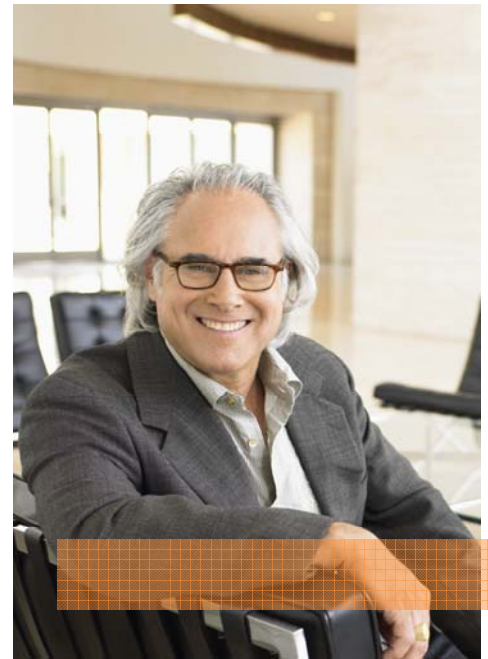
For example, consider what happens when a group takes a major service such as endodontic procedures which were covered at 50 percent and increases the coverage to 80 percent. While the motive may have been to enrich a benefit, this move typically will increase the rates. But, an additional danger is the potential that by moving a high cost benefit to a higher level of coverage, the group is exposing its dental program to higher claims as well.

An endodontic procedure that costs (for purposes of this example only) \$750 and is covered at 50 percent results in the carrier or administrator paying out \$375. If the procedure were covered at 80 percent, the carrier or administrator would pay out \$600 - a \$225 difference.

Assuming you have a 100-employee group with dental and 25 employees have major procedures, the increased claims cost would be more than \$5,000.

If this group is self-funded, the extra claim dollars would be paid by the group. If the group is fully insured, the increased claims would be reflected in the loss ratio, potentially increasing the premium at renewal. So, when comparing plans, be sure to examine the benefit design, paying special attention to where the benefits are. Otherwise, you may not be comparing apples to apples.

Second, **when comparing proposals and plans, don't underestimate the importance of network size and negotiated reimbursement levels.** The fact is the larger the network the better it is for the employer and the employee. If an employee goes to a network provider, the cost of that employee's claim is reduced and the employee is not balance billed. That means the employer group's claims dollars are reduced as well as the employee's out of pocket expenses.



While groups or brokers may be able to find a carrier that reimburses dentists at the 99th percentile and offers a two-year rate guarantee, they need to understand that the carrier's offer may simply be an attempt to make up for an inadequate network. Additionally, they need to consider the third-year consequence of moving to the new carrier.

Since fully insured group rates are typically based on claims experience, naturally, a history of higher claims will eventually lead to higher rates. **The claims experience that will have to be "shopped" at the end of the rate-guaranteed two years could be higher than if the group had stayed with a carrier possessing a large network with discounts from the dentists.**

When the group's experience is shopped to other carriers for the 3rd year renewal, be prepared for sticker shock. While an employer may have saved a few dollars on premiums, the employees' out of pocket costs have likely increased as they've been subjected to balanced billing.

Furthermore, with a smaller dentist network, it has been much more likely that employees were visiting out of network dentists offering no discounts and who were being reimbursed at a higher percentile. All of this greatly increases the likelihood that the group is in for a large increase in year three.

At the end of the day there may be a carrier offering lower rates, but at what price? Dental insurance is much more than a 100/80/50 plan with cheap rates.

While rates are a factor, service, commitment, network, expertise and long-term consequences should all be part of the evaluation process.