America’s Oral Health

The State of Dental Benefits
Compiled and published by Delta Dental Plans Association, this report cites data from industry and government sources to offer a current portrait of the dental benefits market. Overall, growing enrollment, upward revenue trends and employers’ strong reliance on consultants demonstrate significant opportunities.

We recognize, however, that the outcomes of health care reform hold the potential to radically alter the landscape. The statistics presented, as such, represent an accurate view of the state of the dental benefits market at the time of publication – and you can rely on Delta Dental to continue to monitor the impact of health care reform and provide updated information as it becomes relevant.

Regardless, we’re confident that the overall value placed on dental benefits will remain strong as consumers continue to recognize the important role such benefits serve in maintaining good oral health.
Enrollment Trends

Either through an employer-sponsored group plan, other group plan or individual plan, nearly 176 million Americans – approximately 57 percent of the population of the United States – are covered by some form of dental benefit. Overall, this represents a 1.3 percent increase in national enrollment levels from the previous year.¹

- **DPPO** plans continue to add lives – topping 100 million enrollees for the first time in 2008 with enrollment increasing by 6.2 percent.¹
- **DHMO and Indemnity** products continue to experience declining commercial enrollment – losing 3.6 and 15 percent, respectively, in 2008.¹
- **Discount Dental** plans remain a relatively low priority for most group dental benefits carriers – and commercial enrollment declined by 2.1 percent from last year’s estimates.¹
- **Direct Reimbursement** plans exhibited no enrollment growth last year – following a dramatic increase in enrollment of 9.4 percent the year prior.¹
Market Share
Overall, DDPO plans continue to lead with a 66 percent share of the total benefits market – an approximate increase of 3 percentage points from last year, attributable to declining market shares for both DHMO and Dental Indemnity plans.

Policy Structure
Group plans remain the norm. Among the dental insured population inclusive of DHMO, DPPO and Dental Indemnity plans, less than 3 percent of total enrollees have their benefits through individual policies.

Group Sizes
While new sales were to be found in all sizes of groups, the three segments together comprising 10 – 499 lives accounted for more than 50 percent of all new sales. While the largest groups (25,000+ lives) continued to represent approximately the same portion of total in-force revenue (10.5 percent) as they did two years ago (10.6 percent), groups this size accounted for only 2.9 percent of total new sales revenue in 2008 – a decline from 7.3 percent in 2006.
**Policy Funding**

For the majority of group dental benefit plans across all types (DHMO, DPPO, Dental Indemnity and Discount), the employer and employee share the costs of premiums and fees. However, fully employer-funded policies showed an increase from two years for both DHMO and DPPO plans – up from 14 to 22 percent (DHMO) and from 20 to 25 percent (DPPO).², ³

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**Prevalence of Stand-Alone Dental Coverage**

- 97% Separate Dental Coverage
- 3% Dental Coverage Bundled with Medical

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**Policy Providers**

More than 97 percent of all private group dental benefit policies are purchased separately from medical coverage – demonstrating that bundling continues to be an exception to the norm within the U.S. dental benefits market.

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**Group Policy Funding**

- DHMO: Employer Paid 20%, Shared 38%, Employee Paid 42%
- DPPO: Employer Paid 14%, Shared 6%, Employee Paid 83%
- Dental Indemnity: Employer Paid 35%, Shared 58%, Employee Paid 6%
- Discount: Employer Paid 37%, Shared 63%, Employee Paid 0%
The charts below show New Lives, In-Force Lives, New Sales and In-Force Premiums as distributed among plan types – illustrating that DPPO plans continued to dominate the market in 2008 both in terms of total enrollees and sales revenue.

**2008 Market Growth Highlights**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2008 Data</th>
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</thead>
<tbody>
<tr>
<td>New Sales Lives</td>
<td>15.7 million</td>
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<tr>
<td>Change vs. 2006</td>
<td>Increased 1.7%</td>
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<tr>
<td>Total In-Force Lives</td>
<td>171.6 million</td>
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<tr>
<td>Change vs. 2006</td>
<td>Increased 2.8%</td>
</tr>
<tr>
<td>New Revenue</td>
<td>$3.0 billion</td>
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<tr>
<td>Change vs. 2006</td>
<td>Increased 2.0%</td>
</tr>
<tr>
<td>Total In-Force Revenue</td>
<td>$22.4 billion</td>
</tr>
<tr>
<td>Change vs. 2006</td>
<td>Increased 5.8%</td>
</tr>
</tbody>
</table>

*Includes Direct Premiums and ASO Fees, but excludes premium equivalents.
Growth Trends and Group Dental Market Size

While new lives grew in 2008 after a dip in 2007, total in-force lives continue to display steady growth. New sales revenue and in-force premiums maintain their consistent upward trends.

New Sales Lives

Total In-Force Lives

New Revenue

Total In-Force Revenue
Key Coverage & Features
The NADP reports that, beyond comprehensive benefits, more than 70 percent of all employers cited the following specific features they focus on when evaluating a dental benefits plan: dental implants, adult orthodontia, enhanced benefits for certain medical conditions, benefit rollovers and sealants. The latter comes as no surprise, given that 30 percent of children ages 6–11 and 38 percent of adolescents ages 12–19 have dental sealants.

Price Transparency
Increasingly accurate reporting will continue to remain high on the list of benefits decision makers’ demands. This gives stand-alone dental benefits carriers an advantage, as the manner in which premiums are spent can be difficult to track separately within bundled medical and dental programs.

Active Cost Management
Employers continue to explore efforts that encourage employees to engage in behaviors that help keep costs down. This includes covering 100 percent of preventive care with no deductible, thus motivating employees to treat minor problems before they lead to expensive treatments. And with claims costs accounting for 90 percent of the employer expense, self-funded groups can benefit from efforts that remind employees to choose an in-network dentist.

Contribution Strategies
Recognizing the value dental coverage adds to a competitive benefits package and faced with economic pressures, employee benefits decision makers may explore new options, including considering alternative plan designs and passing along more cost to employees. According to the NADP, about 28 percent of companies plan to increase the portion of the premium paid by their employees, while 15 percent plan to transition to voluntary plans as a means to ensure their employees continue to receive this essential benefit.

Employee Involvement
As employers continue to shift a higher portion of the benefit cost, employees are likely to gain more influence over the benefit decision-making process when it comes to selecting a dental benefits carrier.

Health Care Reform
Over the next several years, health care reform promises to impact the dental benefits market in a number of significant ways. A few of these possible outcomes include: modifying the way employers structure and fund their employee benefits packages; changing the way small employers approach their dental benefits offering; giving employees more choice over their providers; and introducing more individual consumers into the marketplace.
Technology Utilization
Key areas of technology support focus on employee and provider services regarding billing and payment, claims, enrollment and communication. Dental carriers continue efforts geared toward improving utilization of their online services across all constituencies to enhance customer service, provide greater flexibility and improve their operating efficiency and cost structure.

Broker Reliance
When selecting a dental benefits plan, 90 percent of benefits decision makers rely on brokers or consultants. Among groups that recently switched carriers, a majority of benefits decision makers (62 percent) report bidding annually.

Evidence-Based Dentistry
Active research continues to examine the effects of oral health on various systemic medical conditions – and research conducted by the U.S. Surgeon General indicates there are correlations between periodontal disease and health care costs for certain medical conditions.
**Individual Coverage**

While individual coverage currently only accounts for less than 3 percent of total dental benefits enrollment, dental carriers are recognizing that many Americans may find themselves in need of a viable dental benefit option as they retire. By anticipating the needs of their customer base and developing these types of plans now, carriers can better prepare themselves to service this soon-to-be-growing population – and others – with an affordable alternative to group dental benefits.

**Oral Health Knowledge**

Growing knowledge of the importance of oral health for its own sake – and its effects on overall health – will increase the perceived value of dental benefits because of their preventive model and the access to affordable dental care they provide. Closing the knowledge gap exhibited by some employee benefits decision makers – and helping them educate their employees about the importance of oral health – should create opportunities to further increase plan utilization and enhance their perceptions of the value of stand-alone dental benefits.

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**Oral Health Affects Overall Health**  
(Among Benefit Decision Makers)

- 64% Strongly Agree
- 30% Somewhat Agree
- 1% Somewhat Disagree
- 1% Indifferent

**Oral Health Affects Overall Health**  
(Among Consumers)

- 68% Strongly Agree
- 21% Somewhat Agree
- 4% Somewhat Disagree
- 1% Strongly Disagree
- 5% Indifferent
Since 1954, Delta Dental has been working hard to improve oral health in our country by developing relationships that emphasize prevention and positive oral health care results over the long term.

We pursue our mission by increasing access to benefits, offering the largest national network of dentists, adding innovative new plan features, aggressively working to keep costs down, and supporting philanthropic programs that encourage better overall oral health.

As the first company to specialize in dental benefits, we remain passionate about oral health and its importance to future generations – and we strive daily to make dental care more accessible to everybody.

www.deltadental.com

Sources


Note: Due to rounding, not all charts may add up to 100 percent.