

Is Dental Managed Care at a Dead End?

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(intro)

Enrollment numbers for dental managed care plans are decreasing, state and federal lawmakers continue to pass new laws regulating dental managed care, and the public is skeptical about the quality of dental care they receive with managed care plans. Are dental managed care plans near extinction? What does the future hold for the dental industry?

Karen Gustin draws on her 18 years of experience in the dental industry to share perspectives on dental managed care trends, analyze the growth of PPOs, offer recommendations for brokers designing dental proposals for clients, and give insights on the future of the dental insurance industry.

(beginning of questions)

The medical insurance industry has been in turmoil the past few years, and dental insurance has certainly had its share of reconfigurations. What issues are on the horizon for the dental industry during the next few years? How will insurance carriers respond?

Gustin: By the middle of this decade, I believe only a few carriers will still offer dental insurance. If state and federal lawmakers continue to heavily regulate the dental industry, I expect that the carriers specializing in dental and the major medical insurance companies offering dental coverage will be the only players left in the dental marketplace. The survivors will need a large premium base in order to provide affordable plans and cover the administrative costs, PPO and dental managed care panels to satisfy consumer demands, and an organizational structure designed to provide a high degree of attention to quality customer service.

Most people don't realize that it takes an incredible amount of time and money to operate within the state and federal guidelines and mandates. When you consider the small premium for dental insurance, it's going to become increasingly difficult for carriers to continue to operate within these margins. It just won't pay for many carriers to stay in the dental business.

One of the health issues that has garnered a lot of attention from Congress and the news media the past year has been managed health care. Dental managed care has been included in some of these discussions. While the concept of managed medical care was introduced in the early 1900s, what's the history of dental managed care?

Gustin: Dental managed care plans were initially developed more than 30 years ago in California. The concept was started by entrepreneurs—many of whom were dentists—who saw an opportunity to provide dental care for unions, associations and small employers. The plans were attractive because employers were able to offer basic dental care coverage as a relatively inexpensive value-added benefit for employees.

As these dental plans grew in popularity across the country, state health officials, who were concerned about quality of care provided by HMOs, began passing laws to ensure that patients were receiving quality dental care. While California initially developed the most stringent regulatory laws, several other states have adopted similar policies.

Over the past decade, many of the early entrepreneurs have sold their businesses to insurance companies because they couldn't keep up with the regulations or afford the new technology needed to conduct audits and provide the required reports. It's ironic now that many insurance carriers are getting out of the business for these same reasons.

The National Association of Dental Plans recently released a report on dental plan enrollment statistics for 2000 and the first quarter of 2001. It shows an eight-percent decrease in enrollment in dental managed care plans. Can you explain this?

Gustin: There are a number of reasons why the dental managed care enrollment numbers are down. While many of the issues are complex, I'll briefly summarize the concerns from the perspectives of the four major players involved:

1. General public. Many patients with dental managed care plans are concerned about the quality of care they receive and access to dental appointments. They also frequently complain about the limited number of choices of dentists, and there is some misunderstanding about their responsibility for dental expenses—they believe their \$10 or \$15 monthly premium should cover 100 percent of the procedure costs.
2. Employers. Companies across the country have been upgrading dental benefits to assist with recruitment and retention programs. Because of increased concerns, many of the employers that continued their dental managed care plans have switched to other insurance options, such as sharing enrollment that used to be 100 percent in the dental managed care plan with a PPO buy-up option.
3. Dentists. Many dentists have become disenchanted with dental managed care because some insurance carriers have expected them to absorb a high percentage of the risk, creating narrow profit margins. For these reasons, dentists are reluctant to participate with similar plans offered by other carriers.
4. Insurance carriers. As part of the increased regulations, some states are requiring carriers to conduct extensive audits of their managed care plans or obtain second opinions on treatments from dentists outside the market. These policies often relegate carriers to being a watchdog over the treatment decisions made by dentists.

Given all of the image problems and increased regulations, do you think dental managed care plans should be eliminated? Are they still serving a need?

Gustin: No, dental managed care plans should not be eliminated. They provide an important benefit option for businesses and employees because they satisfy the needs of a portion of the population. However, I would like to caution brokers and employers to carefully understand and analyze the pros and cons of managed care. They should determine if it's the best benefit plan to satisfy the dental needs of the employee group, otherwise there might be frustrations if expectations aren't met. I recommend that brokers and employers think through the following questions when deciding if dental managed care or another plan is the best fit:

- How much of the cost does the employer want to fund?
- What are the employer's and employees' expectations of the dental benefit?
- What are the dental needs of the employees and their family members?
- Where are managed care dentist offices located in proximity to the business and employee residences?
- Does the carrier's philosophy toward dental managed care match the employer's?
- What is the carrier's history with this plan option?
- What is the carrier's relationship with its dentists? How long have the dentists participated in the carrier's plan?

The NADP report also indicates that enrollment in PPO plans grew 21 percent last year. Why are PPOs growing in popularity? What are the pros and cons of PPO plans?

Gustin: In recent years, PPO plans have become a popular option because they offer employees more choices in dentists and few surprises in the dental costs, if the carrier has negotiated a fee schedule for covered procedures with the panel members. With PPOs, the insurance carriers assume more of the risk so dentists are usually willing to participate with the plan.

While PPOs will continue as an attractive plan for employers, I believe the trend of the future is a redesign of the traditional PPO. As employers expect more flexibility with their dental benefits, carriers will design plan components to fit the specific needs and issues and lay a PPO on top to provide the choice of dentists and the negotiated fee schedules employers expect. For example, a carrier might provide a plan that pays more on preventive and less for major procedures, and also include a PPO panel. This is just one example of the type of flexible plans we've been developing at Ameritas Group Dental, with some excellent results. Employers like the number of options available and the ability to customize the dental benefits to their specific situations.

Before contracting with an insurance carrier, I urge brokers and employers to scrutinize the dental panel. Ask a few questions to determine if this PPO is the best one for the employer, such as:

- Is the panel large enough for the group size?
- If the employer has multiple work locations, are there panel dentists in those areas?
- Does the carrier verify the credentials of the dentists?
- What do the area dentists think of the insurance carrier?

Answers to these questions will help determine the right carrier and plan design for the employer.

Based on your experience in marketing dental insurance, do you have any advice for brokers on how they can experience greater success selling dental?

Gustin: Dental has traditionally been a product that didn't require a lot of extra time. Brokers could look at a spreadsheet of the proposals from insurance companies and pick the one that was the least expensive. But the dental industry has changed, and so have employers' expectations of their dental benefits. Here are a few suggestions for achieving greater success in selling dental:

1. Understand the needs. Brokers should ask themselves, "What kind of benefits does the group really need?" and "What does the employer expect dental insurance to accomplish?", instead of "What did the client have before, and what am I going to replace it with?"
2. Partner with a carrier. Recognizing that time is an issue, I encourage brokers to identify the carriers that have a good track record in dental. Ask questions to determine the carrier's persistency with its groups and turnover on its panels, and the type of customer service provided. Yes, this requires extra work. However, these are issues that frequently consume the broker's time after the case has been sold and in the years to come, so why not do the work up front?

Brokers should also realize that not every dental carrier has the flexibility to design plans to fit their clients' needs. To capitalize on time and effort, I'd recommend that brokers work with a few carriers that provide the wide range of dental plan options that will support their clients' needs.

Once the carriers have been identified, brokers should work closely with the sales representatives to identify the plan option that best matches their clients' expectations and needs. Provide the information gathered from the client and let the sales representative help develop the plan proposal.

3. Communication. Brokers need to thoroughly understand the components of the dental plans proposed and explain it to their clients and employees. The carrier representative should also support the broker in selling the dental proposal to a new or existing client

and in educating employees on their dental benefits. It's important that employees understand that it's their responsibility — not the dentist's — to know what their co-payment and/or co-insurance covers and the extra costs they may incur for procedures.

There have been many changes in the dental insurance industry in the past few years, and I expect this trend will continue throughout this decade. I'd like to affirm my earlier comments that the concept of dental managed care is not dead. While PPO plans are often more attractive to businesses because of the options and flexibility available, dental managed care continues to provide a traditional benefit that fits the needs of many businesses. I believe the market will determine the life expectancy of dental managed care. If this insurance option continues to deliver value, it will remain as a viable insurance benefit. Otherwise, carriers will discontinue the plans and get out of the dental managed care business.

I'd like to conclude with the reassurance that all forms of managed care are alive and well. Statistics are showing the effects of employers gaining more knowledge of their needs and how managed care plans serve those needs. As an industry, we need to complement this trend with the service we offer.

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