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WHAT'S THE REAL VALUE OF DENTAL PLANS? TIPS FOR SELECTING THE RIGHT PLAN DESIGN

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What types of medical insurance and pharmaceutical benefits do employers really need to provide employees? Is dental insurance still a necessary benefit - don't most employees just need twice-yearly checkups? These are questions that many employers are asking as they weigh the value of benefit packages to the financial resources expended for employee insurance plans.

High value, low cost. While medical and pharmaceutical benefit costs have skyrocketed, dental insurance premiums have featured minimal price adjustments. Dental is still an excellent, value-added benefit for employers to include in employee health packages, especially since it is simple in design, easy to administer, low in premium costs, and contributes to employee productivity.

For assistance in determining the value of dental plans and evaluating plan proposals, consider the following six guidelines.

1. EVALUATE THE IMPACT ON EMPLOYEE HEALTH AND PRODUCTIVITY

It's easy to take dental insurance for granted or to overlook the significant contribution it makes to the overall health, productivity and satisfaction of employees. However, each year dental illnesses result in 100 million lost work hours, 6.1 million days of disability, and 12.7 million days of restricted activity. This amounts to 164,000 workers off the job for an entire year!

A quality dental plan can be a valuable benefit to help to keep employees at work.

2. DETERMINE THE IMPORTANCE OF DENTAL TO EMPLOYEE RECRUITMENT AND RETENTION

Recent research underscores the importance of benefits for effective recruitment and retention of employees.

Many employees are frustrated by the increased out-of-pocket costs they are paying for benefits. Their level of dissatisfaction has risen the past few years as employers have shifted a larger portion of premium increases to employees.

A survey conducted by Yahoo! HotJobs indicates that nearly half of the respondents are actively seeking other job opportunities, with 37 percent of this group planning to leave because they want a better benefits package. Conversely, more than half of the employees planning to stay with their employers identified a good benefits package as the reason.

Employers need a quality employee recruitment and retention program. The United States Bureau of Labor Statistics reports that by 2006, two workers will exit the workforce for every one entering, and workforce growth will decelerate each year from now until 2020. The research reinforces the need for employers to not only recruit quality employees, but to retain them, since the base of employees will be shrinking.

Consider benefit options to retain future retirees. As the Baby Boomer generation ages, employees in their 40s and 50s are starting to think about retirement benefits. As a group, these individuals have taken good care of themselves because of access to advanced health benefits over the years. They are especially proud of their pearly white teeth and don't want to give up their dental insurance benefits. As these employees age, they will look for employers of choice-companies that offer dental insurance options they can carry over into their retirement years.

An increasing number of companies are shying away from employer-funded dental insurance for retirees due to liability and exposure issues. However, a voluntary dental plan is an excellent alternative. Employers can provide retirees access to affordable dental insurance without financial responsibility for the premiums, but the plan may need to be more limited in design since some retirees may choose not to participate in the benefit.

3. MATCH PLAN DESIGNS TO WORKFORCE DEMOGRAPHICS

Evaluate the dental health of employees. Review dental claims processed over the past few years to determine whether employees have taken good care of their teeth and regularly visited their dentists for cleanings and restorations.

Typically younger employees (ages mid-30s and under) have been brought up with an emphasis on practicing good oral health care. However, for older workers, dental care may have been more sporadic due to limited finances or availability of insurance.

Consider employee demographics. Depending on the nature of the work, some companies tend to attract single workers, while others may draw older adults or employees with families. These demographics should influence the design of the dental plan. For example, an employer with a large number of employees who have families may want to include coverage for orthodontia care or oral surgery procedures, such as implants, for active kids who crack or break a tooth. Those with a younger workforce could consider incentive and reward options, such as carrying over a portion of unused dental benefit maximum dollars.

4. CLARIFY EXPECTATIONS OF BENEFITS

To assist producers and insurance carriers in developing the right design for dental plans, employers must first define expectations for their employee benefits. Answers to the following questions will help employers determine their benefit needs and expectations:

- What does the employer expect to accomplish with its dental benefits?
- Is there competition from other employers for the same quality employees?
- Does the company believe that dental insurance benefits are important for recruitment and retention?
- Are there concerns with employee health and productivity?
- How much can the company afford to spend on benefits?

Typically, employee acceptance of dental options is based on the medical plan employers offer. If the employer has a high-end medical plan, employees will expect the same level of coverage for dental. Conversely, if the company offers a PPO or an HMO medical plan, then a dental plan with similar coverage options should be considered.

Plan design is critical to the successful participation of employees in dental benefits. In the past, employers often selected plan components according to management's interests and preferences. However, employees today are savvy about dental benefits, and they're looking for insurance plans that match their needs and expectations.

The best way to understand the needs and expectations of employees is to ask them. Develop a survey asking employees for their opinions and preferences on dental product options, dependent care needs, problems with their teeth or eyes, interest in voluntary insurance plans, and attitudes toward current benefit plans. (The right insurance carrier should be able to assist in developing and administering the survey.) The results can identify important benefit features and help the insurance carrier in designing plans that match employee expectations.

Employee feedback is especially important if a voluntary dental plan is being considered. Employees will not participate in voluntary benefits if the plans don't fit their needs. If the plan isn't designed correctly, employees may decide to participate one year and not the next, depending on their health needs and financial situations, which makes it difficult for carriers to maintain consistent premiums.

5. UNDERSTAND INSURANCE CARRIERS AND PLAN DIFFERENCES

On the surface, dental plans may look the same but, upon close inspection, employers will find variations in the designs.

Carriers' Goals for Dental. Insurance companies offer dental for a variety of reasons, which influence the products they sell and the design of their plans.

- Offset medical losses: Insurance companies that have traditionally focused on medical and pharmaceutical plans have added dental insurance to offset escalating medical costs and strengthen their bottom line. They may also view dental as a way to enhance their sales position with employers.
- Dominate the market: Some carriers are writing dental plan proposals with super-discounted premiums. Ultimately their goal is to dominate the dental insurance market. Employers should evaluate these discounted plans carefully to ensure their needs and expectations will be met.
- Serves as the primary business focus: There are also carriers that have developed an expertise in dental insurance and provide customized plans, customer service, and administrative systems to support employers' needs.
- Outdated Usual and Customary Procedures. When reviewing dental carriers, find out if they regularly update the list of Usual and Customary procedures and reimburse at current costs. If not, employees may experience a higher percentage of denied claims and more out-of-pocket costs.

Ask employers who have worked with the carriers under consideration if they received updates to the Usual and Customary procedures or if claim allowances were locked at specific levels without prior notification.

Out-of-Network Policies. Check the carriers' reimbursement policies for dental services provided by out-of-network dentists. When carriers take over a block of business, they may not have a deep network of dentists who have agreed to participate with their plans. In this situation, employees may be given the option to switch to a dentist under agreement with the carriers, or go out of network. Employers should ask carriers the percentage used to pay claims for procedures provided by out-of-network dentists. Typically, they should pay at the 90th percentile, but some carriers may take it down to the 50th percentile to save money. Carriers should use average dental costs from a ZIP code in proximity to the group. This will result in a reimbursement level that is more in line with dentists employees are apt to be using.

Examine carriers' record for premium increases. When the premium quoted for a dental insurance plan sounds too good to be true, it just may be the case. Some carriers are significantly reducing their premiums or offering a set discount off of competitors' rates. These carriers may expect to make up any losses incurred with their discount plans through unused benefits, claims reimbursement savings, or increased premiums at renewal time.

A dental plan proposal and the premium charge may be attractive, but make sure it includes the quality of benefits and customer service expected. Sometimes the design differences are quite subtle. Employers should lay the proposals side-by-side and compare plan features and procedure coverage levels to determine the one that best matches needs and expectations.

Look for hidden costs. A popular marketing trend with some insurance carriers is to announce large discounts on dental plan premiums. Sometimes a carrier will offer an unbelievable price or an automatic discount on any competitor's premium cost. While the price looks great on paper, at renewal time these same carriers may raise premiums significantly to recover the money lost during the previous year.

Many times the discount premium specials are only available on specific voluntary dental plans, which are designed to minimize the carrier's administrative work. These plans typically include a few set features, and the carriers are often unwilling to accommodate any special requests for different components. Employers and employees frequently complain about limited design options and customer support with these plans.

Formula for moving your dental plan. Only switch insurance carriers if the overall cost savings is close to 10 percent. Otherwise the administrative costs associated with moving the plan will outweigh the premium savings.

Compare case experiences of carriers. In the rush to sell dental plans, carriers may gloss over their lack of experience with dental insurance and the types of groups they've covered.

Every carrier has different strengths and capabilities. It's important that the carriers considered have experience working with employers similar in size and market to the employer group. Otherwise, advice may be given and plans designed that are not the right fit.

When reviewing insurance carriers, ask several questions to determine their level of experience:

- What is their case makeup (e.g., size of employer groups)?
- What is the average lifetime of the cases on their books?
- How do other employers who contract with the carrier evaluate the quality of the dental services provided?
- What is the size and makeup of the provider network? What is the satisfaction level of the dental offices participating with the carrier?

6. RECOGNIZE TRENDS WITH DENTAL INSURANCE

Employers are continually seeking the best dental benefit options for employees. In recent years, cost has often been the key influencer in benefit decisions. However, even in the midst of financial pressures, it's important to maintain a long-term focus on the strategic goals for benefits vs. short-term gains. After all, cost savings one year may lead to significant increases in the near future as carriers seek to make up for unanticipated plan costs or to recover premium losses.

Experience shows that “trends” are rarely good predictors for decisions. Making benefit choices based on market conditions, or what other employers are doing, may be “knee-jerk” decisions that may not serve the company in the long run.

Two Areas to Enhance Benefits. Employers considering benefit plans for the future should explore these options:

1. Consumer-driven plans
2. Solutions for maximum coverage levels

1. Consumer-driven plans. Across the country, employers and employees are expressing interest in consumer-driven health plans. While the primary focus has been on medical insurance, companies have requested similar options for dental insurance. However, as employers review these plans, many find them complex and the administrative work overwhelming.

Despite the plan design, employers can have success with consumer-driven dental benefits if they work with an insurance carrier that has efficient administrative systems in place to handle the paperwork and provide the necessary reports. This information will assist employers and employees in tracking plan utilization and claims processing.

2. Solutions for maximum coverage levels. There are two viable solutions employers should consider: reducing the maximum coverage in the dental plan or contracting with a carrier that rewards employees and dependents who take care of their teeth. Many employers still offer \$1,500 maximum coverage with their dental insurance benefits. However, this level is beyond what is necessary for most groups since, on average, most employees incur less than \$800 in dental costs each year.

Some dental carriers offering a dental rewards plan recognize employees and their dependents for practicing good dental hygiene by brushing, flossing and regularly visiting their dentists. In this plan design, employees can roll over a portion of their unused maximum, on an individual basis, for future use toward major dental procedures.

FIND THE RIGHT FIT

There are many options available for dental benefits. Employers need to carefully evaluate the plan designs to find those that best fit their needs and expectations. Working with the right insurance carrier will also reduce frustrations and concerns with dental benefits. Remember that employee participation is critical to plan success. A thorough understanding of employee demographics and benefit needs is essential to offering dental benefits that match expectations and result in high employee satisfaction.

Ameritas Group Dental and Eye Care regularly assists producers in enhancing their knowledge and understanding of dental products and services. For assistance in understanding plans or comparing coverage options, contact the Ameritas Group Marketing Department at 800-776-9446.

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