Keeping Dental Insurance Accessible

Considerations for America's Financial Well-Being and Health

Overview

Private dental insurance has long proven to be a way for Americans to access affordable and high-quality dental care, and the vast majority of people access coverage through their employer. Dental insurance allows families to keep up with consistent preventative care services and to afford treatments for unexpected dental issues.

Dental insurance is a critical resource for middle-income American families whose budgets may not allow for out-of-pocket dental expenses. 80% of the U.S. population (262.7 million people) has dental benefits, and of those individuals, 177.3 million Americans are covered through private plans.[1] In 2021, total spending on dental care reached $161.8 billion, 16.1% greater than in 2020, the largest year-to-year percentage increase in nearly 40 years. Private dental insurance paid for 40.1% of all dental care, compared to 39.2% paid out of pocket.[2]

Dental insurers and the network of health providers with which they partner play a vital role in helping Americans maintain overall better physical and financial health. Dental insurance doesn't just provide access to clean and healthy teeth. Good oral hygiene can prevent complications from other conditions like diabetes, heart disease, adverse pregnancy outcomes, dementia, respiratory conditions, and kidney disease. Likewise, a change in oral health can also be an early detector for changing health conditions.

Employers play a significant role in providing and facilitating dental coverage. 90% of private dental coverage is through an employer or other group coverage. Less than 1% of dental benefits are offered as a part of a medical plan. And in turn, employers rely on dental benefits to attract and retain a competitive workforce (69.4 million civilian workers had access to dental insurance through their employer[3]).

This system of dental insurers, dentists, networks, patients, and employers contributes to the financial well-being and health of many Americans. The dental insurance system achieves the lowest possible cost for a health treatment that might otherwise be set aside for other family budget pressures.

Unfortunately, recent policy proposals have sought to alter the structure of the dental insurance system. Some proposals would impose a minimum loss ratio on dental insurance, creating an uneven playing field that could cause people to lose access to critical coverage.

This paper exams the minimum loss ratio issue, the downstream effects of minimum loss ratio on patients and employers, and a better way forward to achieve transparency in the marketplace and allow people to keep access to affordable dental coverage.

The Loss Ratio Issue

A minimum loss ratio (MLR) is the required ratio of premium dollar to administrative expense. For example, an MLR of 80% indicates that the insurer is using 80 cents of each premium dollar to pay claims, and the remaining 20 cents of each premium dollar to pay administrative expenses. MLRs have traditionally been applied to major medical health insurance, where premiums can be very high.

When the Affordable Care Act was signed into law in 2010, the legislation included an MLR for health insurance. For ACA compliant major medical insurance products, the re-

1 *NADP 2020 State of the Dental Benefits Market, June 2021.*
2 CDC, National Health Expenditures, accessed on Feb. 7, 2023.
3 BLS National Compensation Survey, in March 2022.

quired MLR is set at the federal level and is 80% for the individual market and 85% for the small group market.

The ACA intentionally exempted dental plans from the loss ratio requirements because policy leaders realized that medical and dental plans are fundamentally different. Dental insurance is much less expensive than medical insurance, averaging 1/20th the cost. Dental insurance coverage emphasizes preventive services and basic dental services, whereas medical insurance is mandated to cover a large list of medical and mental health services, some of which are extremely expensive. Because purchasers of dental insurance are price sensitive, dental insurers keep premiums low by capping maximum payouts on average $1,500 to $2,500 per year.

What are the costs of dental benefits?

Dental premiums are stable and lower than other types of health-related benefits.

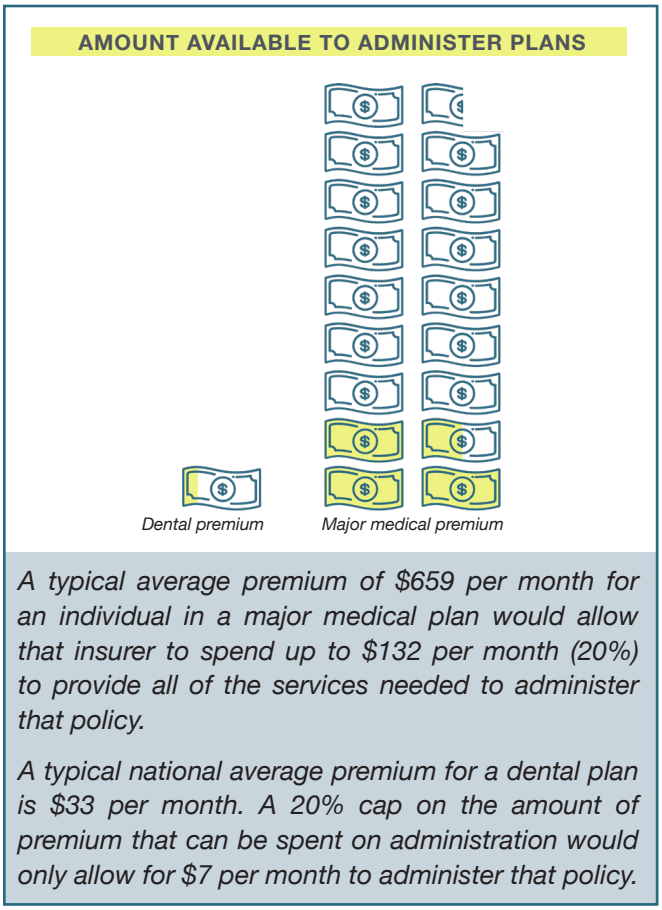
- Dental premiums average $25 - $40 per month.
- Dental plans generally cover preventive services at 100%.
- Basic procedures such as extractions, fillings, and root canals are typically covered at 80%.
- Major procedures such as crowns, bridges, and dentures are typically covered at 50%.
- Dental plans typically have an annual limit averaging $1,500 - $2,500. 95% of Americans with dental coverage never hit that annual limit.

Put simply, dental insurance provides basic coverage on more predictable services. As a result, the premium costs are much lower than medical insurance. The average person pays only $33 per month in dental premiums. However, the average major medical premium is $659 per month for an individual and $1,872 for a family.[4]

This cost difference is critical in understanding why dental minimum loss ratios have such negative impacts on the cost and quality of dental insurance. While premium costs are low, the costs of administering dental insurance are often similar to medical insurance. Both types of insurance require claims administration, customer and provider services, language and culturally appropriate communications, network management, compliance and regulatory services, and other services that assure that claims are paid effectively and efficiently.

While an 80% loss ratio on medical insurance would give the insurer $132 dollars per person per month to administer the product, an 80% loss ratio on a low premium dental product would only give them $7 per member per month to undertake similar administrative functions. Since the smaller the employer group the more expensive it is to administer benefits, many insurers, especially those that serve smaller employers, would be unable to effectively administer the products.

In order to have enough administrative dollars to effectively administer products, insurers would be forced to increase premiums, either by paying providers more per service, or by adding benefits that would increase premiums.



A typical average premium of $659 per month for an individual in a major medical plan would allow that insurer to spend up to $132 per month (20%) to provide all of the services needed to administer that policy.

A typical national average premium for a dental plan is $33 per month. A 20% cap on the amount of premium that can be spent on administration would only allow for $7 per month to administer that policy.

Imposing a minimum loss ratio on dental plans would impose a new administrative burden, while at the same time severely decreasing administrative funds available to perform administration of dental claims and contracts, thus making it more difficult for dental carriers to meet loss ratio

4 https://www.kff.org/report-section/ehbs-2022-section-1-cost-of-health-insurance/#:~:text=The%20average%20annual%20premiums%20in,2017%20and%2043%25%20since%202012

requirements.

The result would be a significant cost to consumers and employers.

The Cost of Limited Access

There are several downstream effects of imposing a loss ratio on dental plans, including the loss of consumer protections, reduced options for coverage, reduced dental office visits, and diminished oral health.

Impact on Consumers

Mandated minimum loss ratios will negatively impact consumers, either forcing reductions in dental plan offerings or making the overall cost of dental insurance untenable for consumers.

A Guardian Life study shows that the perceived cost of dental care is the primary reason that people skip dental visits. According to ADA's "Oral Health and Wellbeing in the United States," 59% of adults say that the "top reason" for not visiting a dentist more frequently is cost. For low-income adults, it is 65%.

75% of persons with dental benefits have seen a dentist in 2019 compared to only 47% of those without (National Association of Dental Plans).

Without dental insurance to provide budget relief, consumers may opt out of regular preventative care. Data from the National Association of Dental Plans show that more than 50% of consumers say that an increase in their dental premium of 25% would cause them to drop dental coverage altogether, resulting in consumers foregoing procedures or paying expensive procedures out of pocket.

For example, the average cost of braces is $5,842, excluding follow-up visits, while the median earned income of households with children between the ages of 8 and 18 is $60,000. Those with higher incomes may be able to pay out of pocket with little impact on household finances, whereas a $5,842 dental bill would severely impact most families.[5]

Without regular access to preventative oral care, consumers turn to emergency care. According to the Agency for Healthcare Research and Quality, individuals who lack a usual source for dental care may visit hospital emergency departments to seek relief for dental pain and related conditions. The cost of dental-related visits to emergency rooms is high, totaling more than $2 billion nationally in 2017.[6]

Dental care in emergency rooms and hospitals can be as much as ten times the cost of preventative care in a dentist's office.[7]

California: A Cautionary Tale

California's Medicaid experience showed that when dental coverage is removed for a population, the use of emergency rooms to access dental services skyrockets in those populations.

California eliminated adult dental services from Medi-Cal in 2009. The policy change amounted to more than 1,800 additional dental emergency room visits per year, and average yearly costs associated with dental emergency room visits increased by 68%.

Impact on Employers

As of March 2022, 69.4 million civilian workers (44% of all civilian workers) had access to dental benefits through their employer. For most people, getting dental insurance through an employer makes sense. Employers get lower group rates because they are buying benefits for many employees at once. Also, these plans often include more coverage, and the employer frequently pays a portion of the costs.

In addition to attracting job seekers, an employer's benefit package can encourage employees to stay put. A Unum survey found that 66% of workers are more interested in, or aware of the employee benefits their company provides. This is particularly true among Millennials (78%) and Gen Z (73%).

All told, more than half of employees (56%) say they are more likely to stay with their current employer because of its benefits package.

However, with dental plans under a mandated minimum loss ratio, as premiums rise, employers may no longer offer employee dental benefits premiums, or they may contribute less. Small employers would feel this financial impact the

5 *ADA, Health Policy Institute, Dental Fees: Results from the 2020 Survey of Dental Fees, 2020.; and, ACLI analysis of 2019 Federal Reserve Survey of Consumer Finances.*
6 https://www.hcup-us.ahrq.gov/reports/statbriefs/sb280-Dental-ED-Visits-2018.pdf
7 Pew Charitable Trusts, 2015.

most, because they have fewer employees on their plans. Many businesses would opt not to offer the benefit.

The result could be a situation where large and national employers might be able to offer group dental plans, but many smaller businesses might be left with no dental plan market.

Impact on Dentists

Dentists often have very successful practices because of the networks that dental insurance companies create. Dental insurers drive patients into dentist's offices in exchange for good deals on services.

However, under a minimum loss ratio, the network model could break down because the insurance company wouldn't have the administrative dollars to create and administer the network.

Without cost savings incentives, consumers may choose not to go to the dentist. In fact, only 23% of people with no dental coverage visited a dentist in the past year, compared to 51% of those with private dental insurance coverage. Among those with no coverage, 70% cited cost as the top reason for not visiting a dentist more frequently.[8]

The Way Forward: How to Protect Consumers' Access to Dental Health

The American Council of Life Insurers (ACLI) wants consumers and employers to know what they are buying and what is covered. ACLI also believes consumer protection shouldn't come at the expense of access, especially for those who need it most.

Especially at a time where families are facing increased budgetary pressures, regulators and policymakers should be focused on closing affordability gaps, not increasing them. At the same time, we can still achieve transparency in the marketplace.

The Maine Proposal: Reporting and Regulatory Action

Legislation recently passed in Maine provides a model for an approach to achieve transparency and still maintain access to quality and affordable dental care.

The Maine law requires dental carriers to annually report their loss ratios for dental products. It also requires the insurance regulator in their state to analyze the reported loss ratio data and identify if there are carriers whose loss ratios are inappropriately low. Those outliers must explain why their MLRs are outliers as sometimes there are legitimate reasons such as a newly introduced product with a need to build up reserves and assure ability to pay claims. However, if there isn't a reason the regulator finds acceptable, the regulator will do remediation with that carrier to bring their MLR to appropriate levels.

Under the Maine model, each state insurance department's expertise is leveraged to determine after reviewing three years worth of data whether an insurers MLR levels, not just rates, are appropriate for all plans, and gives them strong authority to take action if a dental insurer's MLRs are inappropriately low.

This innovative law could become a model throughout the country in striking the balance between price transparency and consumer protections, and the need to keep dental insurance affordable, competitive, and administered for the benefit of providers and patients. Since dental insurance is regulated at the state level, the dental industry will welcome discussions with state policymakers and organizations that develop legislative model laws about how the Maine model can help meet the universal goal of better access to affordable, high quality dental care.

8 ADA and the Health Policy Institute, Oral Health and Well-Being in the United States, 2015

Additional Reading:

Making a Difference with Dental Insurance – ACLI IMPACT

The Importance of Dental Insurance for America's Health

ACLI
Financial Security for Life