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# ACA's Impact on the Dental Market

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# Agenda

1. **Affordable Care Act – Basics**
2. **Coverage Landscape 2014 and Beyond**
3. **What Employers are Doing in Response to ACA**
4. **Dental on Exchanges**
  - a. **Essential Benefit Definition**
  - b. **Exchange Consumer Characteristics**
5. **Implications of ACA on Dental Market**
6. **Discussion**

# ACA Basics – Key Provisions

- **Exchanges**
  - For individuals and small groups (for now....)
  - Key dates
  - Subsidies for individuals with incomes up to 400% FPL
- **Essential Health Benefit Package (EHBP)**
  - Required minimum coverage
- **Individual Coverage Mandate**
- **Continuing evolution of regulations...**

# ACA Basics - Dental

## What We Know....

- “Pediatric oral health services” are part of minimum essential health benefit package (EHBP)
- Standalone dental is an “excepted benefit”
- Standalone dental can be offered on Exchanges
- Subsidies for Exchange-purchased insurance do not apply to standalone dental beyond the required pediatric essential benefit

## What We Don't Know....

- What comprises the “pediatric oral health services” in the EHBP?
- How will dental insurance be offered on Exchanges, for children, adults, and families?
- How will individuals, small groups, and large groups purchase insurance post-2014?

# ACA – 2014 Coverage Landscape

## 1. Individual (AHB) Exchange

- Subsidized coverage for families with income < 400% FPL
- May buy on Exchange even if employer-based coverage is available

## 2. Employer-based coverage

- Small employers can purchase via SHOP Exchange

## 3. Medicaid (<133% FPL)

**People likely to “churn” among these coverage types over time**

**Remains to be seen how much employer-based coverage migrates to Exchanges**

# ACA Basics – What are employers doing?

- Studying impact of HCR -- “pay or play” financial modeling
  - Weigh cost of offering benefits against paying penalty and sending individuals to Exchanges
  - Offer benefits -> need to implement administrative and compliance processes
  - Is health coverage still a differentiating employee benefit? Can an employer offer it more effectively than the exchange?
  - Dental will likely be a follow-on to medical benefits strategy
  
- **Employer-based coverage is dental’s bread and butter**
- **Understanding how many/which employers will continue to offer benefits versus send to AHB Exchange is critical**

# Offering Dental on Exchanges – Essential Benefit Definition

- Pediatric oral health essential benefit is a required purchase; additional child/adult/family dental coverage is not
- Definition of essential benefit will be key driver of how dental is offered and purchased on Exchanges
- If child-only dental policies are necessary, with adult dental as a separate purchase, affordability of adult dental becomes paramount
- Essential benefits definition is a federal decision which may be supplemented by state laws; dental benefits industry needs to be ready to react – or to influence direction

# Essential Benefit Definition, cont.

EB Defn	Pros	Cons	Cost
Pediatrician-delivered services only	<ul style="list-style-type: none"> <li>•Wholly contained in medical plan; no dental carrier involvement</li> <li>•Family dental policies intact</li> </ul>	<ul style="list-style-type: none"> <li>•Benefits not comprehensive</li> </ul>	\$0 beyond medical premium
Preventive/ diagnostic / emergency benefit	<ul style="list-style-type: none"> <li>•Could be simply constructed to fully cover defined procedures</li> </ul>	<ul style="list-style-type: none"> <li>•Inconsistency with employer and public benefits</li> <li>•Requires offer of child-only dental policies</li> </ul>	\$
CHIP-style benefit	<ul style="list-style-type: none"> <li>•Comprehensive coverage</li> <li>•Consistency with public and employer-based programs</li> </ul>	<ul style="list-style-type: none"> <li>•Requires offer of child-only dental policies</li> <li>•No dollar limits allowed -&gt; costly</li> </ul>	\$\$\$

# Who will purchase insurance via Exchanges?

Kaiser Family Foundation study – March 2011

- 24 million people will be served by Exchange by 2019 (CBO)

## KFF Breakdown of Exchange Population (Millions)



- Over 80% will qualify for subsidy
- Relatively older, lower-income, less educated, more racially diverse, less healthy than commercial population

# ACA Implications for Dental Insurance

- AHB Exchange represents a new market for dental insurance
  - Largely first-time insureds -> pent-up demand, unmet dental needs
  - Affordability is key to retain/expand adult dental insureds
  - Design benefits to manage utilization and cost – it's time to innovate
- Definition of pediatric oral care component of EHBP will affect :
  - Price point of required child dental purchase, and thus decision to purchase additional dental coverage
  - Whether dental coverage may be purchased as a family unit or require a separate child policy to fulfill the EHBP

# ACA Implications for Dental Insurance, cont.

- Employers are going to decide whether to “pay or play”
  - Help employers determine whether group dental should continue to be part of their benefit value proposition
  - For groups likely to discontinue offer of group dental, create benefit solutions designed to promote enrollment in dental coverage via Exchange

## Food for Thought:

- What if Wal-Mart decides to discontinue health benefits and send employees to Exchange for coverage?
  - Could signal large-scale move toward individual rather than group health market
  - How do you structure a financially viable dental benefit offered via the Exchange to serve this population and entice enrollment?

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