



November 9, 2010

The Honorable Kevin Petersen  
Chair, Assembly Committee on Insurance  
Wisconsin State Legislature  
State Capitol  
Room 109 West, P.O. Box 8953  
Madison, WI 53708

Dear Chairman Petersen,

The National Association of Dental Plans (NADP) would like to comment on Wisconsin Assembly Bill 251 regarding fees for dental services, or referenced in this letter as non-covered services (NCS). The bill is on the agenda to be discussed by the Assembly Insurance Committee on Thursday, November 10, 2011.

NADP is the largest non-profit trade association focused exclusively on the dental benefits industry, i.e. dental HMOs, dental PPOs, discount dental plans and dental indemnity products. NADP's members provide dental benefits to over 90% of the 166 million Americans with dental benefits, including almost 2.4 million consumers with private policies in the state of Wisconsin. Our members include major commercial carriers, regional and single state companies, as well as companies organized as non-profit plans.

NCS legislation prohibits a dental plan from requiring a dentist to accept a negotiated fee set by the dental plan unless the dental plan compensates the dentist for such services. This type of payment agreement is common in many dental carriers' provider contracts, a standard aspect of their contractual relationship that serves to defray the cost of dental care for plan enrollees (your constituents) when they need services that the purchaser or employer may have chosen not to cover in the interest of keeping their group dental premium affordable. Dentists knowingly enter into contracts with these provisions in return for the increased patient volume that comes with joining a dental plan network.

AB 251 actually goes much further than the few other states that have proposed NCS legislation by allowing a much broader definition; legislators have noted that including a strict definition is necessary in order to protect consumers - although their costs will still increase, it will be on more limited services. AB 251 also includes a 50% rate, which could significantly hamper all dental benefits, as a typical commercial dental policy is based on a benefit level of 100/80/50. No other state has included this percentage as the conclusion would surely increase consumer costs as well.

**National Association of Dental Plans**

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NADP respectfully opposes AB 251, and encourages the Insurance Committee to fully investigate the ramifications this bill may have on their constituents and employers in the state.

- **Consumers' out-of-pockets expenses will increase due to the loss of the discounts on certain dental procedures.**
- Employers may experience complaints due to employee dissatisfaction at increased costs for non-covered services.

Background:

- Dentists choose to join a dental network and accept the contracted fees in return for increased access to patients who are customers of the dental carrier.
- While most policies cover the majority of frequently utilized procedures, a range of dental benefit plans, with appropriately varied premium ranges, is available in the marketplace to meet employer and employee budgets.
- Employers' demand for flexibility and affordability means not every dental plan design covers every single procedure on a dentist's contracted fee schedule. Often, the insurer pays 80% and the enrollee pays 20% of the contracted fee for a category of procedures that is selected and specified by the purchaser, in consultation with a benefits broker, consultant or the dental carrier. For other categories of specified services, the insurer pays 100% and the insured pays 0% of the contracted fee. Non-covered services are those for which the insurer pays 0% and the insured pays 100%. The value of having dental coverage when choosing these services lies in the lower rate the dentist has agreed to when collecting 100% of the contracted fee.

In short, prohibiting contracted discounts for non-covered services is financially harmful to the consumer, leads to higher costs and ultimately is confusing for individuals and families.

Attached is a detailed overview of non-covered services to explain the issue in more detail. NCS legislation is a stated priority of organized dentistry at state and national levels, with the stated primary purpose to increase dentist income which ultimately raises out of pocket costs directly from consumers. In various states, opposition has been heard from the local chamber of commerce, AFL-CIO, the state employees, and more.

NADP greatly appreciates the opportunity to share our views, and we are available to answer any of the Committee's questions. In addition to the NCS summary, we have also attached our Wisconsin Dental State Fact Sheet for your review. Please feel free to contact me directly at 972.458.6998x111 or [khathaway@nadp.org](mailto:khathaway@nadp.org).

Sincerely,



Kris Hathaway  
Director of Government Relations

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## An Overview of Dental Non-Covered Services

NCOIL is considering an Act that would prohibit a dental insurance plan from requiring a contracted dentist to accept a payment fee set by the dental plan unless the dental plan compensates the dentist for such services. While prohibiting discounts on non-covered services does not impact the plan's revenue, it will have a direct and lasting negative impact on a consumer's out-of-pocket costs.

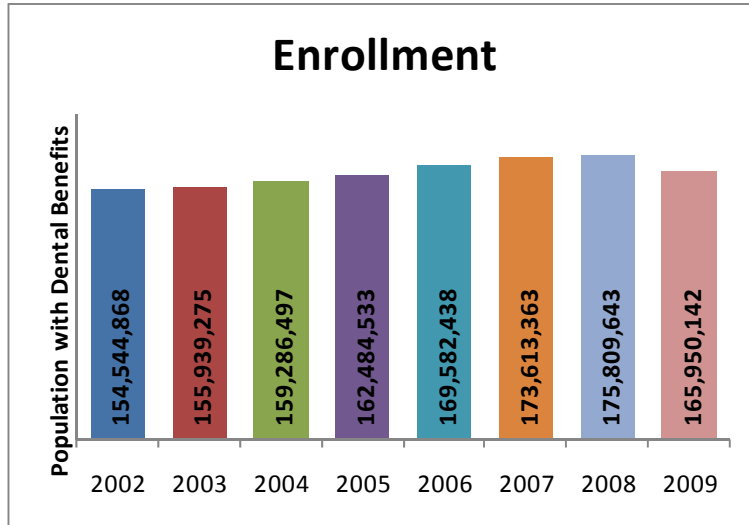
Dental plans cover a wide array of dental services; however, most have an annual maximum benefit per plan year. After the annual maximum amount is met, consumers can continue to benefit from insurance coverage when discounts are afforded to them through contracted fees between their dental plan, and that plan's contracted dentists.

- **Prohibiting contracted discounts for non-covered services is financially harmful to the consumer and leads to higher costs and confusion for individuals and families.**

Minimizing American's out-of-pocket health costs is one of the primary goals for federal health care reform. Dental consumers, dental plans and dentists have a responsibility to work together to offer competitive costs for dental services. Dentists who contract with a dental plan may agree to accept the fees for dental services specified in the contract, regardless of the payment source. The dental plan pays for covered services in part or in whole, and the consumer pays for non-covered services. Regardless of the payment source, the total the dentist receives is the agreed upon contracted fee, thus providing benefits to the consumer and the employer as described below:

- **Contracted Fees - Benefits to the Consumer:**
  - Consumers receive the contracted fee even if the service is not covered by their insurance plan. Without the contracted fees, consumer costs for non-covered services are generally higher.
  - Cost of dental care is predictable for the consumer when the same contracted fees are applied to needed services even after the annual maximum is met. Dental plans and consumers can better calculate expected costs up front when a single fee schedule is adopted for all services, covered or not, and this helps avoid surprised "sticker-shock" that might otherwise result from non-contracted fees for dental services.
  - Cost savings realized when consumers receive non-covered services at a contracted fee encourages them to seek treatment in a timely manner and not delay care due to cost restraints. Paying a higher, non-contracted fee can put significant financial strain on individuals and families.
- **Contracted Fees - Benefits to the Employer:**
  - Due to rising medical premiums, employers are facing hard choices with their health care benefit options. A dental plan's ability to offer a single contracted fee schedule for all services under a group employer dental plan increases the scope of benefits without increasing premiums, thereby increasing the overall value of the program for employees.
  - Employers review their employees' utilization and customize their dental plan selection accordingly. The design of the dental policy selected by the employer dictates what services are covered under a plan. This allows the employer to offer a plan at an affordable cost to both the employer and the consumer. Dental plans contract fees with dentists, and offer multiple policies based on the contracted fee. The Act being considered by NCOIL would limit employer flexibility, and reduce their product choices.
- **Contracted Fees - Dentist Topics:**
  - Dentists may be initially in favor of prohibiting discounts on non-covered services; however, there is little evidence to support increased revenue by supporting this measure. A recent study by Delta Dental Plans Association of all Delta plans showed only a .44 percent difference in total approved claims costs are even affected. Dentists can do their part in health care reform by holding their costs to the contracted fees already agreed to for patients covered by dental insurance.
  - Dentists have the choice to join a dental plan's network and accept the contracted fees for both covered and non-covered services.

### National Enrollment Trends and State Enrollment



An estimated 2,382,950 people are enrolled in a private dental plan from Wisconsin

#### Private Plan Enrollment

Plan Type	Enrollment
DHMO	199,391
DPPO	1,953,881
Indemnity	323,401
Other Private	84,487

#### Public Plan Enrollment

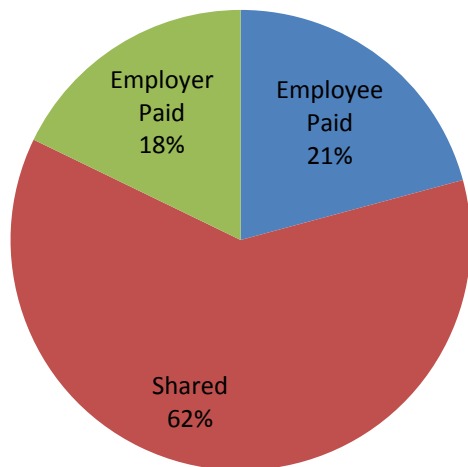
Medicaid/CHIP <sup>1</sup>	26,048
Other Public	0

Source: 2010 NADP/DDPA Joint Dental Benefits Report on Enrollment

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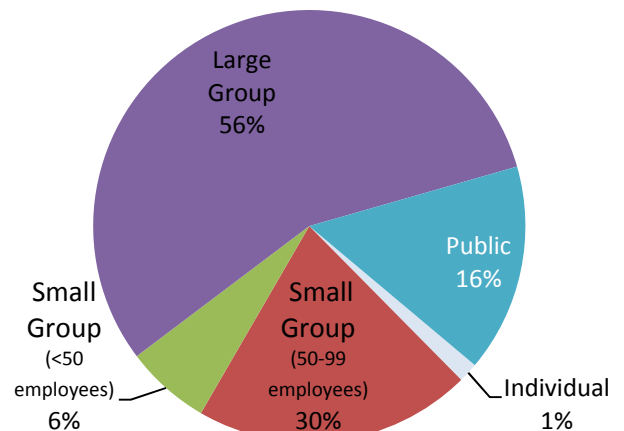
### National Policy Funding and Structure

#### Who Pays for Employer-Based Benefits?



Source: 2010 NADP/DDPA Joint Dental Benefits Report on Enrollment

#### Funding Source for All Dental Benefits



Source: Derived from 2010 NADP/DDPA Joint Dental Benefits Report on Enrollment and Bureau of Labor Statistics

### Additional Facts

- According to the Surgeon General, insurance matters as uninsured children are 2.5 times less likely than insured children to receive dental care<sup>2</sup>
- Nearly all private dental benefits, over 98%, are sold as separate policies from medical insurance
- Premium increases have been comparable with overall inflation during the past 5 years.

<sup>1</sup> Data from the Center for Medicare and Medicaid Services. If 0, then CMS data is not available.

<sup>2</sup> Surgeon General's Report on Oral Health, May 2000

# Wisconsin Dental Benefits Fact Sheet

## Workforce

To be adequately served there should be 3.33 practicing dentists per 10,000 population.<sup>3</sup>

According to the American Dental Association, 3,208 dentists are actively practicing in Wisconsin or 5.67 dentists per 10,000 population.<sup>4</sup>

Network Type	Total Dentists	General Dentists	Pediatric Dentists <sup>5</sup>	Specialists
DHMO	254	222	14	62
DPPO	1,682	1,381	49	301
Discount	708	708	15	133

## NADP Members

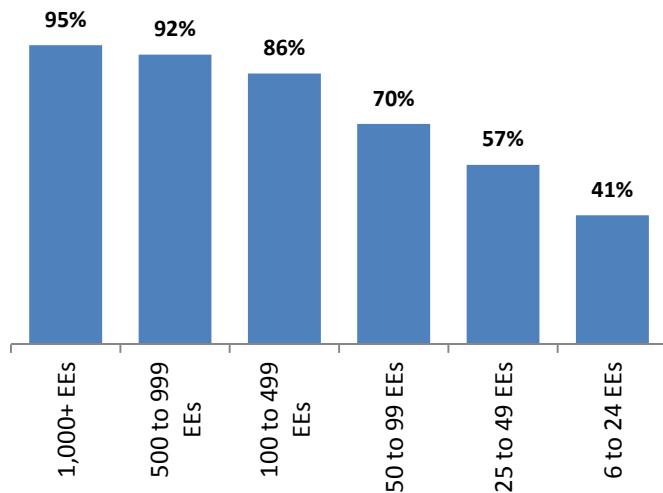
Plan Type	NADP Members Offering Plans
DHMO	8
DPPO	21
Indemnity	15
Discount	14

Source: 2010 NADP/DDPA Joint Dental Benefits Report on Network Statistics

Source: 2010 NADP/DDPA Joint Dental Benefits Report on Network Statistics

## Where do Consumers Get Dental Benefits

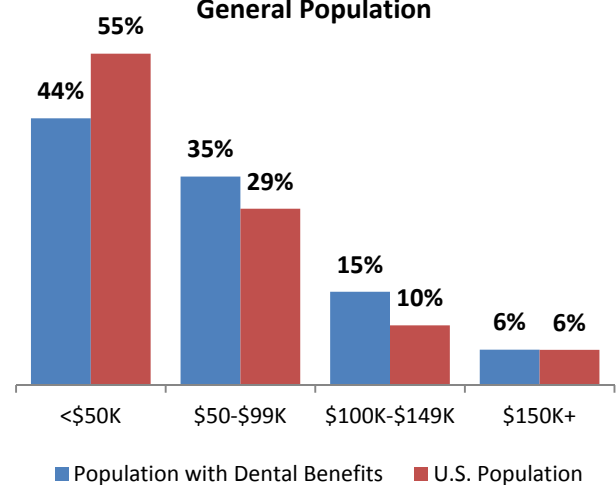
**Employers Offering Dental Benefits by Employer Size**



Source: 2008 NADP Purchaser Behavior Survey

## Who Has Dental Benefits?

**Consumers with Dental Benefits by Household Income compared to General Population**



Source: 2009 NADP Survey of Consumers

## About NADP

The National Association of Dental Plans (NADP), a nonprofit corporation with headquarters in Dallas, Texas, is the “representative and recognized resource of the dental benefits industry.” NADP is the only national trade organization that includes the full spectrum of dental benefits companies operating in the United States. NADP’s members provide Dental HMO, Dental PPO, Dental Indemnity and Discount Dental products to 135 million Americans.

<sup>3</sup> U.S. Department of Health and Human Services

<sup>4</sup> American Dental Association

<sup>5</sup> Pediatric Dentists are included in Specialists