

December 28, 2012

The Honorable Deval Patrick  
Governor, Commonwealth of Massachusetts  
Boston, MA 02133  
Sent via Fax to 617.727.9725

Dear Governor Patrick,

The National Association of Dental Plans (NADP) would like to comment on Massachusetts House Bill 4265 regarding fees for dental services, or referenced in this letter as non-covered services (NCS). The bill was passed quickly this week without thorough discussions, and NADP respectfully requests your veto on HB 4265.

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 the specific service. 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.

As background, the National Conference of Insurance Legislators debated a NCS model act, and the providers and plans came to a definition for NCS that protected both consumers and providers; and while NADP still opposes NCS, the definition was an agreed upon compromise. HB 4265 goes much further than the model act and further than all other states that have adopted NCS legislation. Without a specified definition of NCS, there is no limit on what providers can charge consumers on procedures outside the provider contract.

As an example, under a current provider contract if a consumer wants to have a third cleaning and their policy only covers two within a year, the consumer would pay out of pocket for that third cleaning, but the cost of the cleaning would be the same regardless if the carrier or the consumer pays for the procedure. Under HB 4265, a provider can charge what they like for that third cleaning to the consumer, and not stay to the rates agreed upon when the carrier pays for the procedure.

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**NADP respectfully opposes HB 4265**, and encourages you to consider 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.

Additional background information on provider networks includes:

- 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 your questions. In addition to the NCS summary, we have also attached our Massachusetts Dental State Fact Sheet for your review. Please feel free to contact me with any questions at 972.458.6998x111 or [khathaway@nadp.org](mailto:khathaway@nadp.org).

Sincerely,



Kris Hathaway  
Director of Government Relations

#### **NADP DESCRIPTION**

NADP is the largest non-profit trade association focused exclusively on the dental benefits industry, i.e. dental PPOs, dental HMOs, discount dental plans and dental indemnity products. NADP's members

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provide dental benefits to over 92 percent of the 176 million Americans with dental benefits. Our members include the entire spectrum of dental carriers: companies that provide both medical and dental coverage, companies that provide only dental coverage, major national carriers, regional and single state companies, as well as companies organized as non-profit plans.

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## An Overview of Dental Non-Covered Services

Non-covered services (NCS) legislation 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.**

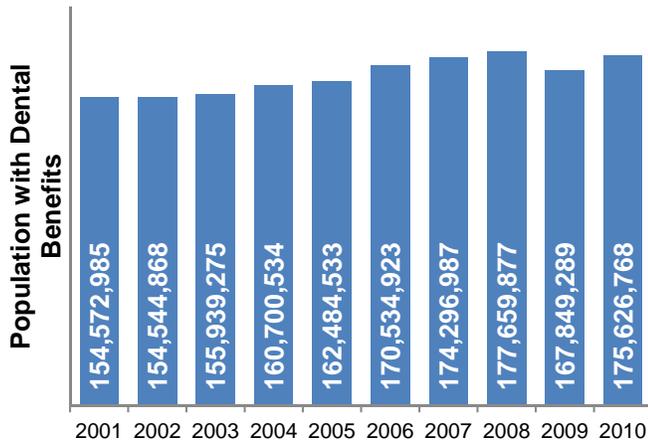
Minimizing American's out-of-pocket health costs is one of the primary goals for federal health care reform. Dental consumers, dental plans and dentists have a responsibility to work together to offer competitive costs for dental services. Dentists who contract with a dental plan may agree to accept 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.

# Massachusetts

## Dental Benefits Fact Sheet

### National Enrollment Trends



Source: 2011 NADP/DDPA Joint Dental Benefits Report on Enrollment

### State Enrollment

An estimated 3,487,567 people are enrolled in a private dental plan from Massachusetts

#### Private Plan Enrollment

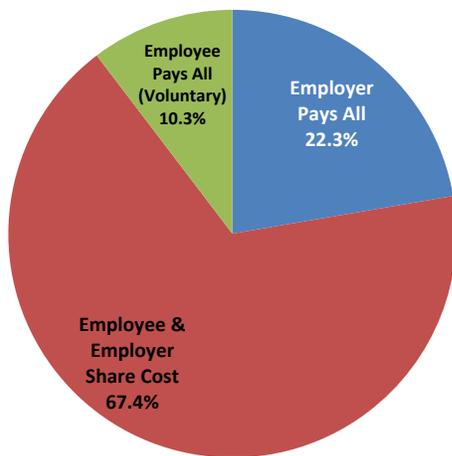
Plan Type	Enrollment
DHMO	62,368
DPPO	2,326,725
Indemnity	1,010,301
Other Private	88,173

#### Public Plan Enrollment

Medicaid/CHIP <sup>1</sup>	1,430,231
Other Public	279,741

Source: 2011 NADP/DDPA Joint Dental Benefits Report on Enrollment

### Group Policy Funding

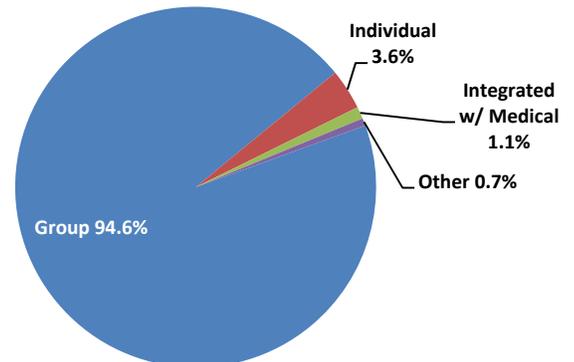


Source: 2011 NADP/DDPA Joint Dental Benefits Report on Enrollment

### Distribution of Commercial Benefits: State v. National

	DHMO	DPPO	Indemnity	Other
Massachusetts	1.8%	66.7%	29.0%	2.5%
National	8.3%	73.7%	10.8%	7.3%

### Sources of Private Dental Coverage



Source: 2011 NADP/DDPA Joint Dental Benefits Report on Enrollment

### Additional Facts

- According to the Surgeon General, dental insurance matters as uninsured children are 2.5 times less likely than insured children to receive dental care.<sup>2</sup>
- Premium increases for existing group coverage ranged from 3.0% for DPPO products to 3.8% for Dental Indemnity products.<sup>3</sup>

<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

<sup>3</sup> NADP 2011 Premium and Benefit Utilization Trends

# Massachusetts Dental Benefits Fact Sheet

## Workforce

The federal standard for an adequate supply of dentists is 3.33 practicing dentists per 10,000 population.<sup>4</sup>

According to the American Dental Association, 5,442 dentists are actively practicing in Massachusetts or 8.31 dentists per 10,000 population.<sup>5</sup>

Network Type	Total Dentists	General Dentists	Pediatric Dentists	Specialists
DHMO	462	262	14	186
DPPO	3,325	2,397	164	764
Discount	2,739	1,984	122	531

Source: 2011 NADP/DDPA Joint Dental Benefits Report on Network Statistics

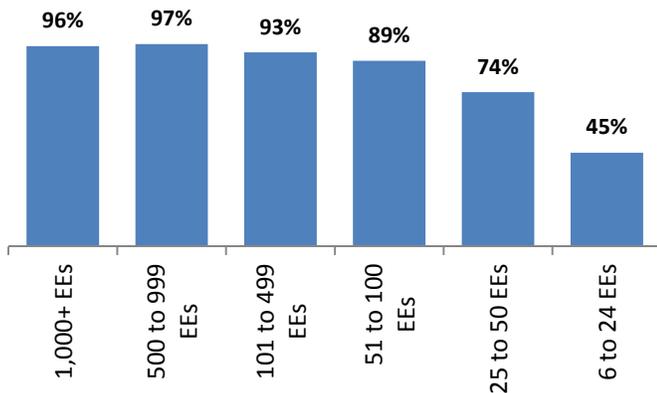
## NADP Members

Plan Type	NADP Members Offering Dental Plans
DHMO	5
DPPO	24
Indemnity	17
Discount	14

Source: 2011 NADP Membership Directory

## Where do Consumers Get Dental Benefits

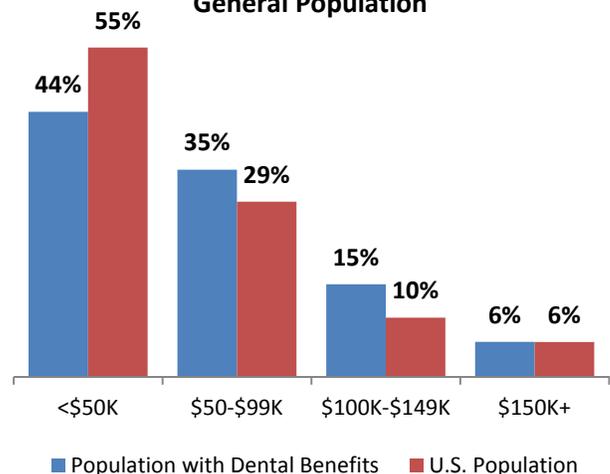
**Employers Offering Dental Benefits by Employer Size**



Source: 2011 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 141 million Americans, more than 80% of all the dental benefits in the U.S.

<sup>4</sup> U.S. Department of Health and Human Services

<sup>5</sup> American Dental Association