

February 23, 2010

The Honorable Michael J. Reasoner  
Floor Manager, HF 2229  
Iowa General Assembly  
State Capitol Building  
Des Moines, Iowa 50319

Dear Representative Reasoner;

The National Association of Dental Plans (NADP) would like to comment on Iowa House File 2229 regarding oral health and dental non-covered services.

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 82% of the 176 million Americans with dental benefits, including over 1.1 million consumers with private policies in the state of Iowa. Our members include major commercial carriers, regional and single state companies, as well as companies organized as non-profit plans.

HF 2229 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 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.

NADP respectfully opposes HF 2229, and encourages the House of Representatives to fully investigate the ramifications this bill may have on their constituents and employers in the state.

- Consumers' out-of-pockets expenses may 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.

**National Association of Dental Plans**

12700 Park Central Drive • Suite 400 • Dallas, Texas 75251

972.458.6998 • 972.458.2258 [fax]

**OFFICERS & DIRECTORS**

**Chairman**

BRUCE R. HENTSCHEL,  
CLU, FLMI, HIA, ALHC  
Principal Financial Group  
Des Moines, IA

**Vice Chair**

KAREN M. GUSTIN, LLIF  
Ameritas Life  
Insurance Corp.  
Lincoln, NE

**Secretary**

DOYLE C. WILLIAMS, DDS  
DentaQuest  
Boston, MA

**Treasurer**

BRENT WILLIAMS  
Dental Select  
Salt Lake City, UT

JEFF ALBUM  
Delta Dental of  
CA, NY, PA & Affiliates  
San Francisco, CA

JULIA BAKER  
Ameriplan Corp.  
Plano, TX

FORREST FLINT  
HealthPartners  
Minneapolis, MN

JEANNE HENSEL  
Humana Specialty Benefits  
Insurance Co.  
Green Bay, WI

JIM KNOX  
Citizens Security  
Life Insurance Co.  
Louisville, KY

**Executive Director**  
EVELYN F. IRELAND, CAE  
National Association  
of Dental Plans  
Dallas, TX



## 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 insured 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 which was developed for the National Conference of Insurance Legislators as they deliberated a non-covered services draft model last November. The draft model was tabled until this March due to voiced concern from several legislators on the interference of business contracts by the draft model. This legislation is a stated priority of organized dentistry at state and national levels, with the primary purpose to increase dentist income which ultimately raises out of pocket costs directly from consumers. In Virginia, opposition has been heard from state groups such as 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 Iowa State Fact Sheet for your review. Please feel free to contact me directly at 972.458.6998x111 or khathaway@nadp.org.

Sincerely,



Kris Hathaway  
Director of Government Relations

cc: Representative Kevin M. McCarthy, Majority Leader

National Association of Dental Plans

12700 Park Central Drive • Suite 400 • Dallas, Texas 75251

972.458.6998 • 972.458.2258 [fax]





## 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.

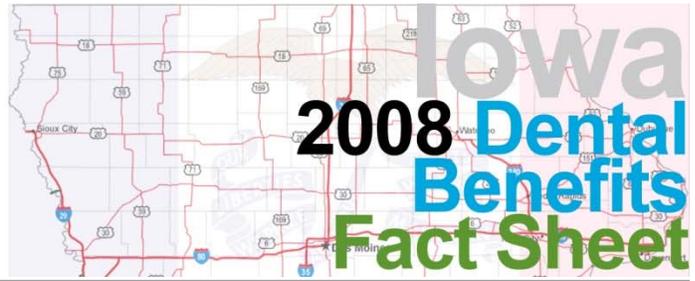
- **Prohibiting contracted discounts for non-covered services is financially harmful to the consumer and leads to higher costs and confusion for individuals and families.**

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:

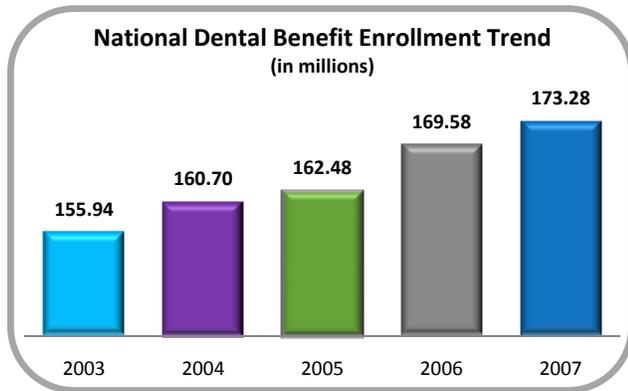
- **Contracted Fees - Benefits to the Consumer:**
  - Consumers receive the contracted fee even if the service is not covered by their insurance plan. Without the contracted fees, consumer costs for non-covered services are generally higher.
  - Cost of dental care is predictable for the consumer when 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.



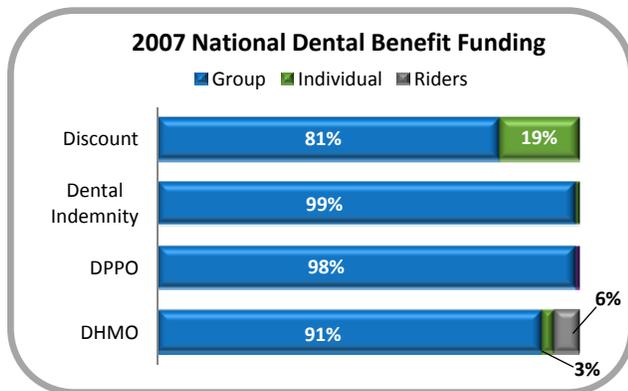
National Association of Dental Plans



## NATIONAL



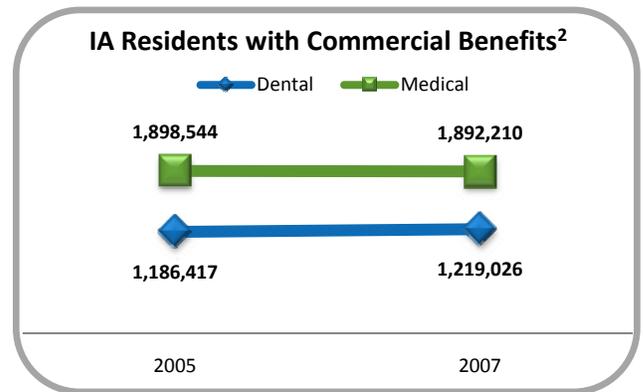
In 2007, at least 57% of all Americans had some form of dental benefits.



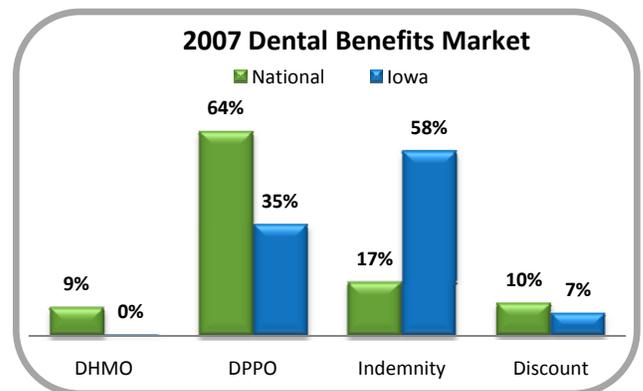
Nearly all enrollment in dental benefit plans is through group-sponsored plans while Discount Dental plans are offered more often directly to individuals.

## STATE

In 2007, the estimated population of Iowa was 2,988,046.<sup>1</sup> NADP represents 38 plans operating both directly and indirectly in Iowa.



The chart below compares the prevalence of dental plan types based on total enrollment nationally and in Iowa.



## 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. NADP represents companies covering 81% of the dental benefits enrollment.

**See [www.nadp.org](http://www.nadp.org) for more research & information about the dental benefits industry.**

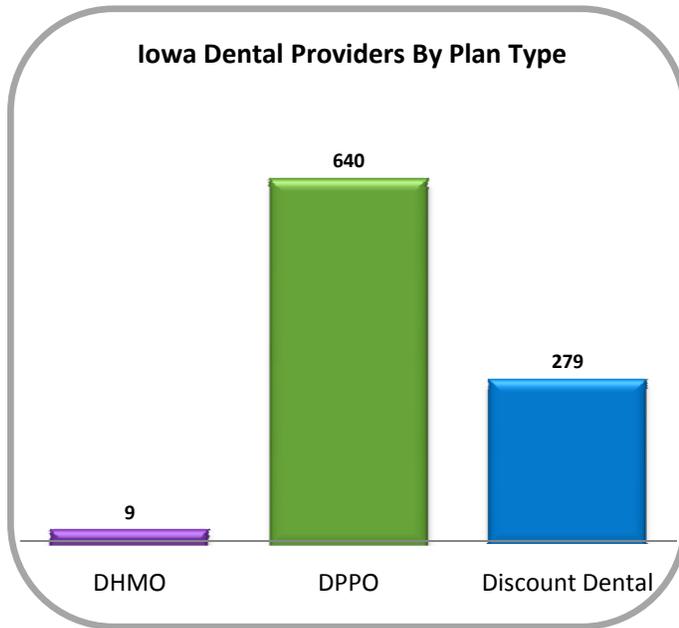
Unless noted, all statistics from NADP/DDPA Joint Dental Benefit Reports on Enrollment and Network Statistics

<sup>1</sup>United States Census Bureau

<sup>2</sup>The Kaiser Family Foundation, [statehealthfacts.org](http://statehealthfacts.org). Data Source: Health Insurance Coverage of Non Elderly 0-64, states, U.S. (2006 & 2007), accessed August 2007.

## PROVIDERS & NETWORKS

To be adequately served there should be 3.33 practicing dentists per 10,000 population.<sup>1</sup> There are 1,561 dentists actively practicing in Iowa or 5.22 per 10,000 population.<sup>2</sup>

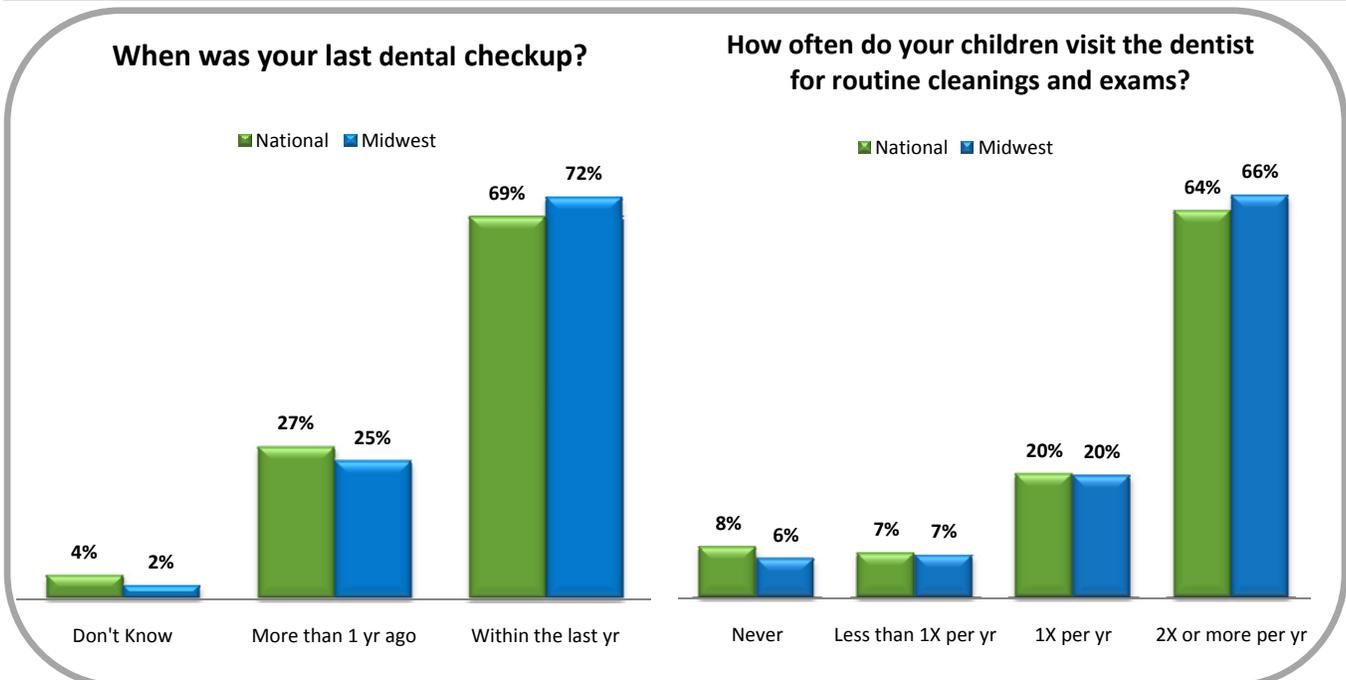


In total, Iowa consumers have access to an estimated 9 dental HMO providers, 640 dental PPO providers and 279 discount dental providers.

- 0.03 Iowa dentists provide services through a Dental HMO per 10,000 population statewide compared to 1.03 per 10,000 population nationally
- 2.14 Iowa dentists provide services through a Dental PPO per 10,000 population statewide compared to 3.42 per 10,000 population nationally
- 0.93 Iowa dentists provide services through a Discount Dental Plan per 10,000 population statewide compared to 2.34 per 10,000 population nationally

The ratio of dentists to population may vary by community.

## CONSUMER ORAL HEALTH BEHAVIOR<sup>3</sup>



<sup>1</sup> U.S. Department of Health and Human Services

<sup>2</sup> American Dental Association

<sup>3</sup> 2007 NADP Consumer Survey