



February 9, 2015

The Honorable Jim Scheer
Chair, Banking, Commerce and Insurance Committee
Room #1401
P.O. Box 94604
Lincoln, NE 68509
Sent via email

Dear Senator Scheer,

The National Association of Dental Plans (NADP) is providing comments in opposition to Nebraska Legislative Bill 553 regarding fees for dental services (referenced in this letter as non-covered services, NCS) and clarifying the definition of "covered services." The bill is on the agenda to be discussed by the Banking, Commerce and Insurance Committee on Tuesday, February 10.

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 the purchaser or employer may have chosen not to cover in the interest of keeping their group dental premium more affordable. Dentists knowingly enter into contracts with these provisions in return for the increased patient volume that comes with joining a dental plan network.

NCS legislation has many impacts on individuals, families and employers, chief among them:

- Consumers' out-of-pocket expenses 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.

NADP understands LB 553 is necessary to clarify NCS provisions that were passed in Nebraska in 2010 and 2012. The legislation establishes a definition for "covered

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National Association of Dental Plans

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

972.458.6998 • 972.458.2258 [fax]



services,” which would clarify at what point and for which services a dentist may charge consumers fees greater than prescribed by a plan discount and agreed to in a contract. The bill also includes an alternate benefit provision allowing providers to charge up to their fee for the service provided.

As currently proposed, the definition for “covered services” would allow dentists to charge patients fees that are higher than the discounted rate for services provided after the patient reaches a frequency limitation or annual maximum. Under this definition if a patient reaches their annual maximum in the middle of the year, a dentist could charge a higher rate for preventive dental visits or cleanings, potentially increasing out-of-pocket costs significantly for consumers. **This approach denies insureds the benefit of the discounts negotiated for services and negates one of the primary values of insurance.**

NADP respectfully opposes the proposed definition and alternate benefit provision and encourages the Committee to amend the legislation to align with the National Conference of Insurance Legislators (NCOIL) “Model Act Banning Fee Schedules for Uncovered Dental Services” definition, which states:

“Covered services’ means dental care services for which a reimbursement is available under an enrollee’s plan contract, or for which a reimbursement would be available but for the application of contractual limitations such as deductibles, copayments, coinsurance, waiting periods, annual or lifetime maximums, frequency limitations, alternative benefit payments, or any other limitation.”

NADP strongly recommends LB 553 use this definition for “covered services” for the reasons outlined in this letter and:

- The NCOIL Model was developed over two years with discussions and consensus among dental providers, carriers, consumers, legislators and regulators, and is the basis for legislation in the vast majority of states that have adopted NCS provisions.
- The language allows your constituents to gain the benefits of contracted rates agreed to by dentists in their contracts and fees for services that are covered under the plan, but which may no longer be reimbursed after the application of frequency limits.
- Employing the Model language will help your constituents avoid “sticker shock” that might otherwise result from higher fees for dental services, which can put significant financial strain on individuals and families and potentially delay care.

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 Nebraska Dental State Fact Sheet for your review. Please feel free to contact me with any questions at 972.458.6998x111 or khathaway@nadp.org.

National Association of Dental Plans

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

972.458.6998 • 972.458.2258 [fax]



Sincerely,



Kris Hathaway
Director of Government Relations

CC: Members of the Banking, Commerce and Insurance Committee

Sen. Kathy Campbell
Sen. Joni Craighead
Sen. Mike Gloor
Sen. Sara Howard
Sen. Brett Lindstrom
Sen. Paul Schumacher
Sen. Matt Williams

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 provide dental benefits to more than 90 percent of the 191 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.



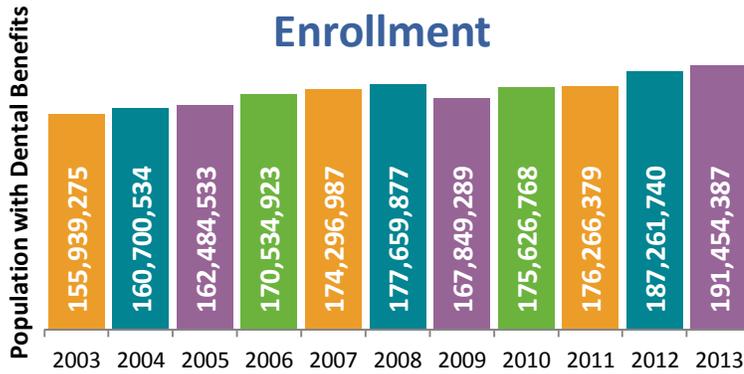
Nebraska

Dental Benefits Fact Sheet



National Enrollment Trends

An estimated 191,454,387 Americans, 61% of the population, have dental benefits.



Source: 2014 NADP/DDPA Joint Dental Benefits Report on Enrollment

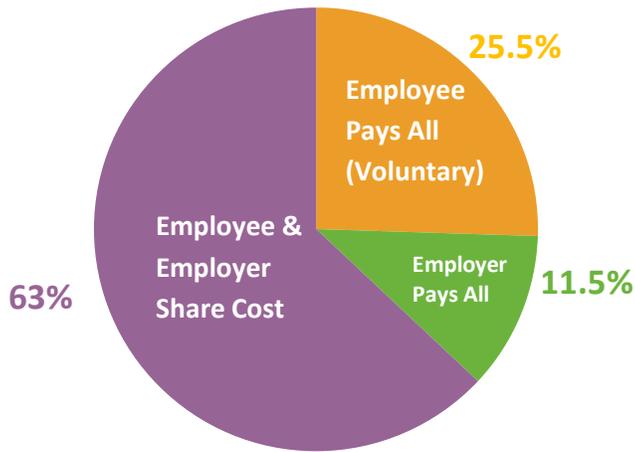
State Enrollment

An estimated 1,147,317 residents, 56% of the population, have dental benefits in Nebraska.

Private Plan Enrollment	
Plan Type	Enrollment
DHMO	5,697
DPPO	957,312
Indemnity	27,642
Other Private	52,937
Public Plan Enrollment	
Medicaid/CHIP ¹	97,888
Other Public ²	5

Source: 2014 NADP/DDPA Joint Dental Benefits Report on Enrollment

Group Policy Funding

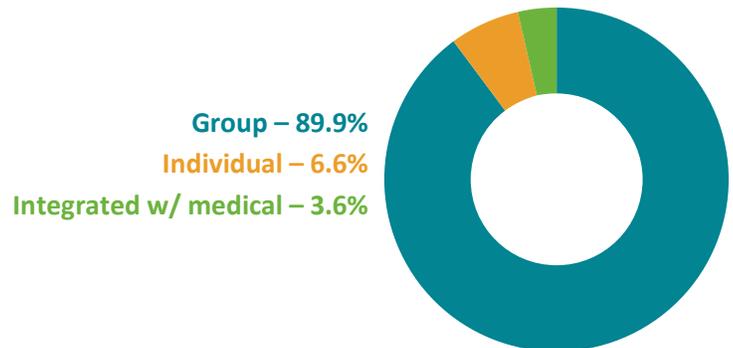


Source: 2014 NADP/DDPA Joint Dental Benefits Report on Enrollment

Distribution of Commercial Benefits: State vs National

	DHMO	DPPO	Indemnity	Other
Nebraska	0.5%	83.4%	2.4%	4.6%
National	7.9%	78.9%	6.8%	6.4%

Sources of National Private Dental Coverage



Source: 2014 NADP/DDPA Joint Dental Benefits Report on Enrollment

Premium Facts

Nebraska	DHMO	DPPO	Indemnity	National	DHMO	DPPO	Indemnity
Small Group	--	\$31.93	\$31.58	All Group Avg	\$18.59	\$32.12	\$24.00
Large Group	--	\$25.09	\$24.16				

Source: NADP 2014 Dental Benefits Report: Premium and Benefit Utilization Trends

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

² "Other Public": Includes enrollment in federal and state programs not part of Medicaid



Nebraska Dental Benefits Fact Sheet

Workforce

The federal standard for an adequate supply of dentists is 3.33 practicing dentists per 10,000 population.²

According to the American Dental Association 1,168 dentists are actively practicing in Nebraska or 1.19 dentists per 10,000 population.³

Network Type	Total Dentists	General Dentists	Pediatric Dentists	Specialists
DHMO	15	15	0	0
DPPO	989	821	48	120
Discount	500	430	16	229

Source: 2014 NADP/DDPA Joint Dental Benefits Report on Network Statistics

NADP Members

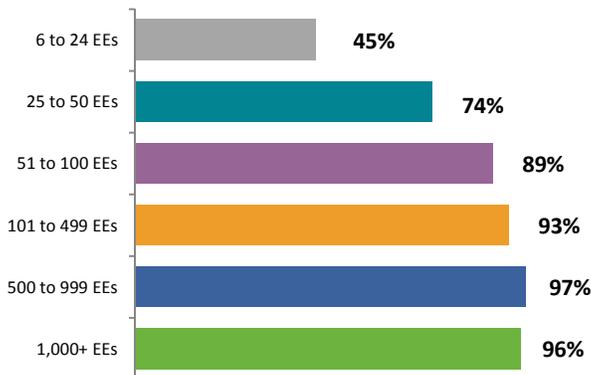
Plan Types Offered by NADP Members



Source: 2014 NADP Membership Directory

Where do Consumers Get Dental Benefits

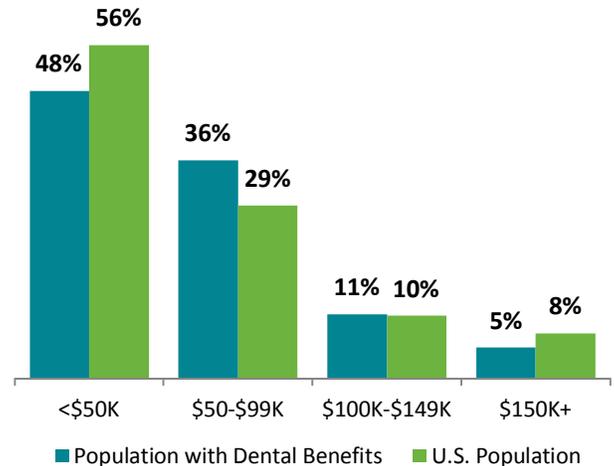
Employers Offering Dental Benefits by Employer Size



Source: 2011 NADP Purchaser Behavior Survey

Who Has Dental Benefits

Consumers with Dental Benefits by Household Income compared to General Population



Source: 2012 NADP Survey of Consumers

About



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 benefits to more than 90 percent of the 191 million Americans with dental benefits.

² U.S. Department of Health and Human Services

³ American Dental Association