Testimony of Mr. Chris Swanker

The Guardian Life Insurance Company

on behalf of the

National Association of Dental Plans

to the

Exchange Subgroup of the National Association of Insurance Commissioners

March 25, 2011

Commissioner Praeger, Director McRaith, and members of the Committee, thank you very much for inviting us to join you today, I'm Chris Swanker, Vice President of Group Dental and Vision at Guardian Life Insurance Company. I have held this position since 2008, and oversee product development, pricing, claims and provider relations for our dental business, which covers nearly 7 million lives, mostly in the small group market. I'm also an actuary. I'm here on behalf of the National Association of Dental Plans, whose members cover over 80% of the 166 million Americans with dental benefits, and I currently participate in NADP's Health Care Reform Task Force. Due to the limited time, I would like to highlight a few key issues, and attached to my written testimony is a summary from NADP regarding Exchanges which goes into further detail.

My purpose for being here today is to provide insight into how dental should operate in the Exchanges. Allow me to quickly review the market and business structure of dental plans to lay the framework for my comments. The data I'm referencing is also in a graph format at the bottom of my written testimony.

Currently, only 1% of the dental market is issued as individual policies. The vast majority of coverage is provided by employers in group policies, while the remaining 15% are enrolled in state and federally sponsored public programs. Just as important to know, only 2% of dental policies are integrated into medical policies, therefore 98% of dental covering outside the public sector are separate policies written by companies that specialize in the management of dental benefits. Dental benefits are extraordinarily prevalent in the large group market (>100 lives) and are consistently ranked as one of the most popular benefits among employees. This said, there is room to expand coverage to small groups and individuals. In this regard, the AHBE and the SHOP exchanges are uniquely positioned to ensure that there is the same accessibility and choice among individuals and small businesses that there is among large employers. In doing so, it's important for this group to carefully consider a few important operational aspects of offering Dental on the Exchanges.

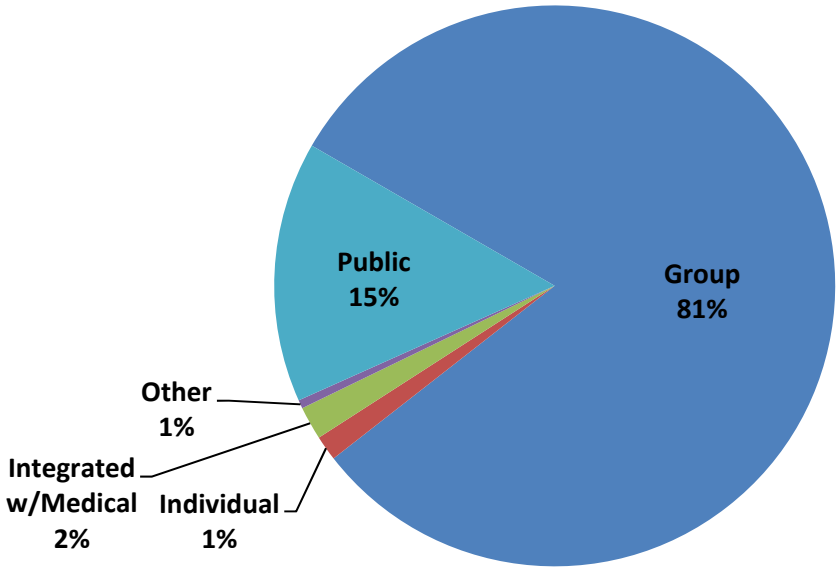
I'd like to highlight 3 considerations:

1. *Dental will be a key offering in the Exchanges*: While it's easy to forget, ACA specifically allows for the inclusion of separate dental policies to be offered within the Exchanges (AHBE and SHOP) to satisfy the pediatric dental requirement of the Essential Health Benefits Package. As such, Dental needs to be part of the Exchange conversation from the beginning. From the technology to the aggregators, all components will need to be able to communicate and display information with both medical and dental carriers alike.
2. *Simplicity*: NAIC has always taken great strides to have consumers represented, especially throughout the past year regarding ACA. This effort should be continued through the implementation of Exchanges to make the process simple and transparent for purchasers, similar to today's employer model. A key challenge will be creating a simple, understandable process for consumers to evaluate their coverage choices while also ensuring they have access to the range of national, regional and single-state dental plans currently available today.
3. *Efficiency*: The Exchanges need to be administratively efficient and streamlined between the Exchange and the carriers once the enrollee's eligibility has been verified and the enrollment is complete. Dental premiums are typically 5-10% of medical premiums depending on the geographical market and the coverage offered. With an even smaller premium to cover a child's dental policy, aggregation of enrollment and premiums is necessary to keep administrative costs in-line with premiums. Without focused effort on the cost effectiveness component, affordability for any dental coverage, pediatric and/or adult, is put in jeopardy. Parenthetically I would add that we believe offering a wraparound dental offering to the pediatric benefit for parents of children will be very important in improving and maintaining a family's oral wellness.

Before I conclude, I would like to emphasize that NADP is committed to ensuring dental products are offered successfully through Exchanges and that consumers have continuity of coverage in 2014 and beyond. As such, NADP and DDPA have jointly commissioned a panel of Exchange experts and actuaries to analyze and provide guidance regarding several operational complexities related to Dental's inclusion within the Exchanges.

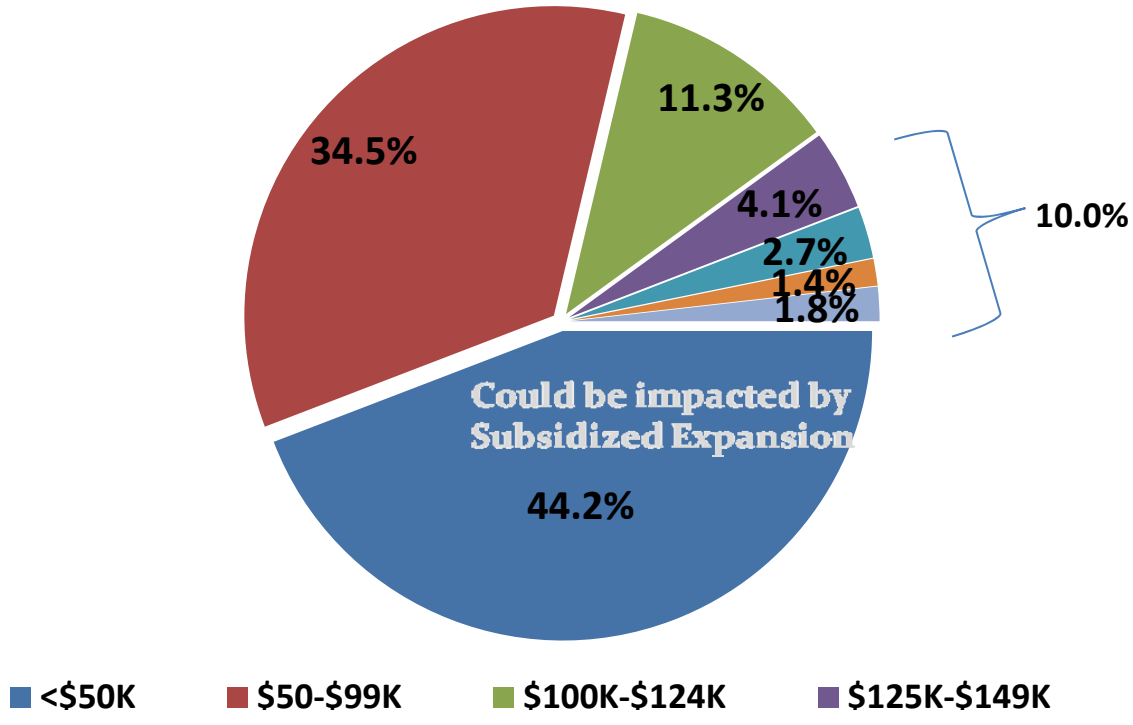
We look forward to working with you, and our partners in the states, in offering any assistance we can to meet our mutual goals of achieving affordable and quality dental care for children. Thank you very much for your time, and I look forward to your questions.

Chart 1: ***Policy Structure of Dental Plan Market***



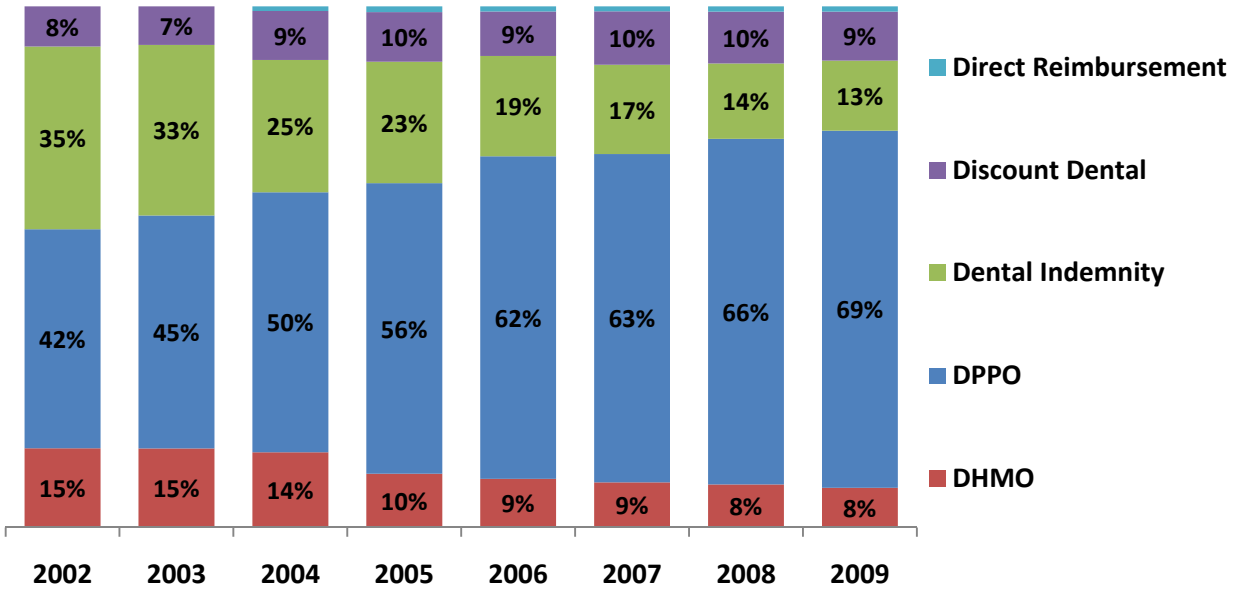
Source: NADP/DDPA 2010 Dental Benefits Joint Report: Enrollment, October 2010

Chart 2: ***Household Incomes of Americans with Dental Benefits***



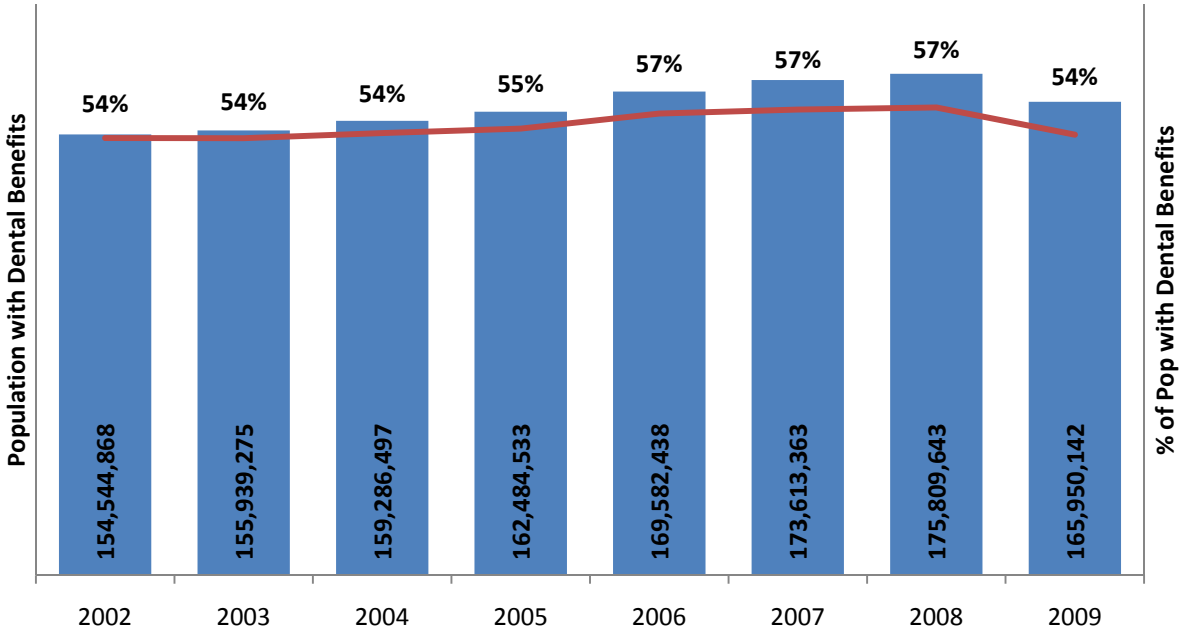
Source: NADP Consumer Survey, July 2009

Chart 3: *Commercial Dental Benefits by Plan Type*



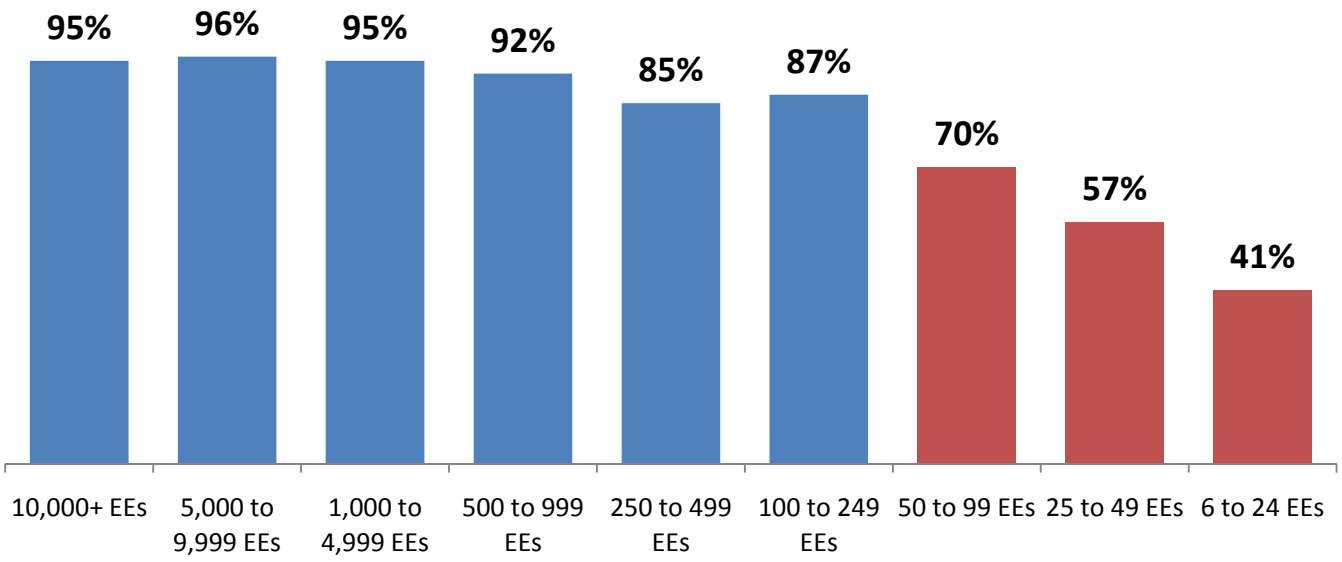
Source: NADP/DDPA 2010 Dental Benefits Joint Report: Enrollment, October 2010

Chart 4: *Total Americans with Dental Benefits*



Source: NADP/DDPA 2010 Dental Benefits Joint Report: Enrollment, October 2010

Chart 5: ***Size of Employers Offering Dental***



Large Group
EE = (number of) employees

Small Group/ Individual
TODAY: 1.65 million small employers
43.7 million employees
22.9 million children

Source: NADP/DDPA 2008 Purchaser Behavior Study

Date: March 25, 2011

RE: NADP OVERVIEW ON EXCHANGES FOR NAIC EXCHANGE SUBCOMMITTEE

- NADP's Overview on Exchanges supplements Mr. Chris Swanker's written and verbal testimony to the NAIC Exchange Subcommittee on March 25, 2011. Chris Swanker is a member of NADP's Health Care Reform Task Force, and is the Vice President of Group Dental & Vision at Guardian Life Insurance Company.

INTRODUCTION

The Patient Protection and Affordable Care Act (ACA) requires all Americans (with some exceptions) to have health coverage, generally termed as minimum essential coverage (MEC) or qualifying health coverage, and does not prescribe specific benefits. But for the small group and individual market, ACA goes further to require that all policies sold in these markets include, at minimum, the ten specific benefits defined by HHS as the "Essential Health Benefits Package (EHBP)[i]." One of the ten mandated benefits in the EHBP for the small group/individual market is "Pediatric services (including oral and vision care.)" which is the point that connects ACA to the dental benefits market.

ACA also establishes state Exchanges, which are basically portals where small businesses and individuals can comparison shop and purchase health coverage. Only qualified health plans whose offerings include the EHBP can provide coverage in the Exchange with one notable exception. The pediatric dental benefit can be provided through limited scope dental policies in the Exchanges[ii].

The specific inclusion of separate dental policies in ACA comes from the unanimous passage by the Senate Finance Committee of the Stabenow Lincoln (S-L) amendment. This amendment recognizes that 98% of dental benefits in the commercial market are provided under policies that are sold separately from medical, and specifically allows separate dental policies (purchased with a qualified health plan that covers all other EHBP benefits) to meet the pediatric dental requirement of the EHBP inside and outside of Exchanges. [iii]

As the 2000 Surgeon General's Oral Health Report stated, dental insurance matters as uninsured children are 2.5 times less likely than insured children to receive dental care. ACA will reduce the problem of dentally uninsured children with the inclusion of some level of pediatric oral health services in EHBP offered in the individual and small group market. Future regulations must also work to preserve the value of affordable benefits that provide for the dental needs of over half of the US population today. Ensuring affordable dental coverage is available to all children is the goal for every stakeholder.

CURRENT DENTAL MARKET & THE ACA

Understanding the current dental market and its economies of operation is vital to appropriate integration of dental plans into Exchange operations: (Note: relevant NADP charts are attached to Mr. Chris Swanker's written testimony)

- The dental benefits market is virtually all group coverage.
    - Currently only 1% of dental policies are purchased by individuals. Employer groups serve as aggregators in today's market of both enrollment information and premium, which keeps administrative costs low and dental premiums affordable.

    - The combination of increased administration complexity and turnover of members will directly or indirectly increase the cost of individual coverage, relative to what can be purchased in the group market today.
- Only 2% of medical plans embed dental services as an integrated product with their medical policies. Even when dental services are embedded, there are distinct limits, such as annual deductibles, frequency limits and maximums, requiring claims administration be provided by the specialized administrative organizations with the applicable information systems to adjudicate claims as efficiently and cost effectively as possible. The major differences between medical and dental, include:
    - Only two dental diseases exist (caries, the bacteria that causes cavities and periodontitis or gum disease). Thus the focus of dental insurance is on preventive services, with approximately half of the claims paid under a typical group plan going towards preventive services;
    - separate procedure codes (CDT for dental vs. and CPT for medical), claim forms, and benefit structures;
    - 85% of dentists are in general practice with only 15% as specialists; and
    - dental diagnostic codes (versus procedure codes) are in the developmental stage and as a result few quality measures exist in dentistry.
- While 40% of the 141 million Americans with private/commercial dental benefits are in the small group market, conversely,
    - most of the dentally uninsured are in employer groups under 100, or are individuals without access to group benefits; and
    - NADP estimates that 1.65 million small employers cover 43.7 million employees and 22.9 million children.
- Over 75% of Americans with dental benefits are in households with incomes under $100,000; over 44% are in households with annual incomes under $50,000 which could allow many of those families currently insured to become eligible for subsidies.
- Unlike many marketplaces where there are a few dominant medical carriers, there are often more than a dozen dental plans available to consumers in most states.

POTENTIAL SHIFT OF THE FAMILY UNIT IN THE SMALL GROUP & INDIVIDUAL MARKET: Currently, child-only dental policies are rare in the commercial market; dental coverage is offered as an individual or family policy. Furthermore, NADP survey data on cost sensitivity in the purchase of dental benefits suggests approximately 13% of adults may drop their current, comprehensive family dental plan when they are required to purchase child-only dental coverage as part of the EHBP. This potential for decreasing the number of adults covered by dental insurance is of particular concern for individuals with high risk conditions, as it can be shown that good oral health contributes to the individual's overall health and the successful management of many prevalent chronic diseases. Even if adults maintain separate dental coverage, the family connection to their dentists could become fractured with family members covered by different plans utilizing different networks of dental providers. Exchanges need to be designed to carefully consider the impact of those covered currently under full family coverage and work to minimize disruption.

DENTAL IN THE EXCHANGES

Reviewing facts about the dental market indicates Exchange operations must be efficient to continue the low cost, high value structure of dental benefits. The impact becomes even more important if states elect to open their Exchange(s) to the large group market in 2017, as allowed by ACA.

- NADP and DDPA recognize these issues have not been a primary focus by policymakers, so we have jointly commissioned an expert team of Exchange consultants and actuaries to provide information and choices to regulators as it relates to dental issues we are raising. This White Paper is in process now and should be released to the public by early May 2011.

CONSUMER INFORMATION TO COMPARE MEDICAL & DENTAL OPERATIONS: In the market today, brokers and consultants work with employers and even individuals to compare their coverage options. Most often this is separate medical and dental coverage. Typically in dental benefits, employers or their employees are comparing "dental *to* dental" not "dental *to* medical with dental embedded." In an Exchange which will be largely internet based, even with the help of navigators, it will be necessary for the dental portion of the EHBP to be transparent so consumers can easily understand their options, as they do today in employer/group coverage. The Exchange portal should provide for the direct comparison of dental options such as what is now provided to federal employees through the Federal Employees Dental and Vision Program (FEDVIP). This will need to be considered from the beginning design stages of Exchange portals.

OPERATIONAL EFFICIENCIES

ENROLLMENT PROCESS: While the pediatric dental benefit of the EHBP is not yet defined, it will likely cost much less than the average adult individual dental premium today. Yet the administrative process that has to be carried out for enrollment in this product is no different from that of medical coverage that costs well over 10 times as much. At an annual premium level roughly 7% of medical, the aggregation of enrollment information, premium collection, and streamlining of other administrative processes will be critical to maintaining a low cost dental benefit.

It will be equally important for Exchanges, both AHBE and SHOP to ensure they function in such a way that is the administrative equivalent of the large group market today. These steps toward administrative simplification will keep the cost of both medical and dental coverage low. The following steps should take place in Exchanges prior to the dental carrier's initial contact with an enrollee. (Note: additional insight will be included in upcoming White Paper):

a) Entry Into the Exchange -- through a web interface identifying whether the household is eligible for coverage and subsidies, as well as to determine if children will require a separate policy with pediatric oral health services.
b) Determination of Eligibility for Subsidies -- interface with various government organizations, including INS & Homeland Security (citizenship) State Medicaid, HHS, IRS (income and subsidy level).
c) Enrollment --
    i. comparisons of available plans,
    ii. online calculator,
    iii. selection of medical and dental benefits as appropriate.

POST ENROLLMENT ADMINISTRATIVE PROCESS: Similar to enrollment there are various processes after enrollment that requires aggregation. The most critical of these is the collection and distribution of premium payments. It is not economically viable for dental carriers to pursue premium payments from an individual enrollee on a monthly basis. In the subsidized population, there will also need to be a determination of when cost sharing and out of pocket limits are incurred and the subsequent subsidies apply. (Note: additional insight will be included in upcoming White Paper)

a) Determination of Premium Flow -- As plans will need to determine if premiums are paid, the state (or via a contractor such as a TPA) should aggregate payments from the variety of sources and distribute to carriers in a timely fashion, i.e. keeping with normal premium and claim cycles. Other methods of facilitating premium, particularly for small dollar amounts should be examined. In the private market, individual dental coverage is often prepaid for a quarterly or annual period or automatic bank or credit card drafts are required.
b) Subsidized Cost Sharing -- A determination will need to be made as to whether any of the cost-sharing subsidizes will be allocated to dental and if so, the trigger and flow of those subsidies.

NAIC

The NAIC recognized the dental requirements of ACA within Exchanges by including a specific subsection in their American Health Benefit Exchange Model Act and defining qualified dental plans in Section 7, part E of the Model. NADP supports the model, and encourages states to adopt similar language. NADP is committed to working with states and the NAIC in identifying and solving the administrative questions which may arise in the operational planning stages within Exchanges.

NADP

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 over 80% of the 166 million Americans with dental benefits. Our members include major commercial carriers, regional and single state companies, as well as companies organized as non-profit plans.

As the NAIC continues to produce White Papers related to Exchanges, NADP will respond with comments on issues related to dental plans, and will be happy to answer any questions NAIC or State Insurance Commissioners may have on dental.

We also look forward to sharing our White Paper, which we anticipate to be a useful toolkit for future Exchange policy makers and regulators. We hope to see dental being part of future legislative and regulatory conversations.

For questions or additional information, please contact:
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ATTACHMENTS:
About NADP
NADP Member & Affiliate List 2011

[i] Sec 1302(b)(1)
[ii] Sec 1311(d)(2)
[iii] PPACA only partially implemented the Stabenow Lincoln amendment by allowing separate dental policies inside the Exchange to meet the EHBP, but not explicitly allowing the combination outside in the private small business/individual market.

ABOUT NADP

Who We Are

The **National Association of Dental Plans (NADP)** is the recognized voice of the dental benefits industry. Dental plans provide access to oral care services for over 173 million Americans through dental PPOs, dental HMOs, discount dental plans and dental indemnity products.

Our membership includes major national carriers, regional and single state companies, and plans set up as non-profits organizations. They provide over 80% of all dental benefits in the US with enrollees in every state. In most states 30 or more dental carriers offer coverage.

What We Do

The mission of the National Association of Dental Plans is to promote and advance the dental benefits industry to improve consumer access to affordable, quality dental care.

Industry Advocate

NADP serves as the representative and recognized resource of the dental benefits industry for the press, consumers, other organizations and policymakers.

Representation on National Committees

NADP serves as a voting member with the following organizations:

- ANSI X12
- Dental Quality Alliance & Executive Committee
- Health Level 7
- Workgroup for Electronic Data Interchange

Collaboration

NADP's collaboration with the ADA has resulted in important collaborations including:

- Development & Administration of CDT Licensing Agreement including the Foreign Language Translation Amendment and an FAQ (Frequently Asked Question) knowledge base on compliance
- Voting membership on the ADA's Code Review Committee, Standards on Dental Informatics Committee, and Dental Content Committee
- Participation on the Steering Committee of the US National Oral Health Access Alliance

Core Services

Leveraging our industry knowledge and expertise, **NADP** provides the following Member Services:

Research

NADP is the primary resource for industry knowledge and information through our original research series relating to the dental benefits industry.

- **Statistical Reports** provide the most comprehensive view of the dental benefits industry including enrollment, operational metrics, premium trends and provider networks.
- **Industry Snapshots** provide a broad overview of best practices on topics such as product design, coverage of retirees, payments to foreign providers and more.
- **Shared Research** gives members an opportunity to conduct research at a reduced cost by partnering with other members on subjects such as the behavior of purchasers, brokers & consumers

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Government Relations

- NADP's Health Care Reform Task Force is comprised of leaders from member plans to direct strategies and strengthen the industry's voice
- The NADP Government Relations Commission reviews, steers, and advocates industry positions in relation to state and federal legislation and regulations affecting the industry
- NADP has on-going federal representation in Washington D.C.
- Collaboration with oral health stakeholders to promote oral health

Education

- **NADP Conferences**, including the CONVERGE, the annual conference and the Leadership Conference, provide attendees insight into critical industry issues and offer outstanding networking opportunities.
- **Webinars** allow NADP to proactively disseminate information and education on critical issues in a timely and economical manner.

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Last Updated: March 21, 2011

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Altus Dental Ins Co
Delta Dental of RI
American Dental Professional Svcs
American Dental Partners
AmeriPlan Corporation
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Assurant Employee Benefits
Dental Health Alliance, LLC
DentCare, Inc. a Kentucky corporation
DentiCare of Alabama, Inc.
DentiCare of Oklahoma, Inc.
DentiCare, Inc. a Florida corporation
First Fortis Life Ins Co
Fortis Benefits DentalCare of New Jersey In
Fortis Benefits DentalCare of WI, Inc.
Fortis Benefits Ins Co
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Employee's Choice/BC of LA
Blue Cross Blue Shield of MA
Blue Shield of Hawaii
Florida Combined Life Ins Co
USAble Life
Blue Cross Blue Shield of MI
Blue Care Network
Blue Care Network of East MI
Blue Cross Blue Shield of NC
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Blue Cross Blue Shield of TN
Blue Shield of CA
CareFirst BlueCross BlueShield
The Dental Network, Inc.
CAREINGTON INTERNATIONAL
CIGNA Dental & Vision Care
Great West Healthcare
Citizens Security Life Ins Co
Companion Life Ins Co
Coastal Dental
Dedicated Dental / Interdent
Delta Dental of CA, NY, PA & Affiliates
Delta Dental of AK
Delta Dental of AL
Delta Dental of DC
Delta Dental of DE
Delta Dental of GA
Delta Dental of LA
Delta Dental of MD
Delta Dental of MS
Delta Dental of MT
Delta Dental of NV
Delta Dental of TX
Delta Dental of UT
Delta Dental of WV
Denti-Cal
Delta Dental of MI, OH, IN
Delta Care
Renaissance Dental Network
Renaissance Health Inc. Company of NY
Renaissance Life & Health Ins. Company
Delta Dental of MO
Essex Dental & Vision Benefits
DENCAP Dental Plans
Dental Care Plus Group Inc.
Dental Select
DentalPlans.com
DentaQuest

Dental Health Svcs of America
Custom Benefit Advisors
DBA-Preferred Administrators
Dental Health Svcs (an Oregon corp)
Dental Health Svcs, Inc.
Dental Health Svcs, Inc. (Arizona corp)
Dental Management Svcs
Dental Network Svcs
DHS Ins Svcs Inc
Dental Network of America, Inc.
Blue Cross Blue Shield of IL
Blue Cross Blue Shield of NM
Blue Cross Blue Shield of TX
Colorado Bankers Life
Dearborn National
DenteMax, Inc.
Ft. Dearborn Life Ins Co
Health Care Svcs Corp
Medical Life Ins Co
Dominion Dental Svcs, Inc.
EMI Health
EmblemHealth Svcs
Connecticare
GHI HMO Select
Group Health Inc
First Dental Health
Group Dental Svcs
Denex Benefits
FG Associates
Group Dental Svcs of MD
GEHA
PPO USA a Division of GEHA
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Berkshire Life Ins Co of America
First Commonwealth, Inc.
Managed Dental Care
Health Resources, Inc.
HealthPartners, Inc
Central Minnesota Group Health Inc
Group Health Plan Inc
HealthPartners Administrators, Inc.
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Horizon Healthcare Dental
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Rayant Dental Svcs Inc
Humana Specialty Benefits
CompBenefits Corporation
Oral Health Svcs
IHC Health Solutions
American National Life Ins. Company
Fidelity Security Life
GroupLink ReIns Co LTD
Guarantee Trust Life
Madison National Life Ins Co
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Kaiser Permanente Dental Care Program
Kansas City Life Ins Co
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SafeGuard Dental and Vision
SafeGuard Health Plans, Inc
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Nevada Dental Benefits
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Premera Blue Cross
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Lifewise Assurance
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Principal Financial Group
Diversified Dental Svcs
Employers Dental Svcs, Inc.
Prudential Ins Co of America
Security Life Ins Co of America
Union Security Life Ins. Company of NY
SelectHealth
Southland National Ins Corporation
Standard Ins Co
Starmount Life Ins Co
Always Care
Sun Life Financial
Total Dental Administrators
Trustmark Life Ins Co
CoreSource
United Concordia Companies Inc.
Blue Cross Blue Shield of WV (Mountain St)
Highmark Blue Cross Blue Shield
United Concordia Life & Health
United Healthcare Dental
Dental Benefit Providers, Inc.
Illinois Pacific Dental
MAMSI Life & Health Ins Co
National Pacific Dental
Nevada Pacific Dental
Oxford Health Plans

Pacific Union Dental
PacifiCare Dental & Vision
PacificDental Benefits, Inc.
Solstice Benefits
United Health Care Corporation

WellPoint Dental Svcs

Anthem Blue Cross Blue Shield
Anthem Health & Life Ins Co
Blue Cross Blue Shield of GA
Blue Cross Blue Shield of MO
Blue Cross Blue Shield of WI
Blue Cross of CA
Delta Dental of MN & ND (DeCare)
Golden West Dental & Vision Plan
Unicare Health Ins Co of the Midwest
Unicare Life and Health Ins Co

Western Dental Svcs

Willamette Dental Insurance, Inc

Willamette Dental Management Corporation
Willamette Dental of Idaho, Inc.
Willamette Dental of Washington, Inc.
Williamette Dental Group (Skoutes, Inc.)