October 27, 2014

The Honorable Nick Gerhart
Iowa Insurance Division
601 Locust St., 4th Floor
Des Moines IA 50309-3738

Re: Dental External Appeals

Dear Commissioner Gerhart;

The National Association of Dental Plans (NADP) is providing comments to the Iowa Insurance Division (IID) in relation to the external review meeting being held on October 28, 2014.

This spring, the Iowa Legislature passed and the Governor signed IA HF 2463 / Chapter 1140, which focuses on health appropriations. The bill also includes a small section on dental external review. Division XXI, Sec 112 of the bill requires the insurance commissioner to engage stakeholders and review the differences in the bases used for external review of adverse determinations under chapter 514J as applied to health care services relative to dental care services. While on the surface this would seem an appropriate requirement to place on dental plans, the costs associated with additional adverse determinations beyond medical necessity will increase premiums without correlated consumer benefits.

The National Association of Insurance Commissioners did not apply their Health Carrier External Review Model Act to dental insurance; specifically, Section 4(C) of the Model Act exempts most supplemental insurance products, including dental insurance, from the mandated external review process. This exclusion recognizes that dental coverage is a supplemental policy with a limited scope of benefits and services and an average claim cost of $150 - a small fraction of medical claims that typically trigger external reviews. The differences between medical and supplemental products like dental resulted in the ACA's exemption of supplemental products from its market reforms, including external review.

In short, supporting arguments for the exclusion of dental plans from external review include:

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- Dental plans already have appeal procedures in place based on ERISA or state specific regulations. These procedures utilize different dental professionals and are approved by the IID as part of a dental plan's coverage materials. The IID has the authority to review, audit and modify the existing appeals procedures and processes submitted for their approval.

- The costs for external review can reach $1000 to $2000. About 50% of the dental benefit plans that are in place today have annual maximums in the $1000 to $1500 range; over 95% are less than $2,500. Dental benefit companies offer higher maximums to purchasers, but because 93% of Americans with dental benefits never exceed their annual limit, it is not cost effective for employers to select plans with higher maximums. The costs for external review would exceed the typical annual maximum of most dental benefit plans, and even the total annual premium charged for many dental programs. Such costs are out of proportion with the value of the actual benefit being contested and the average premiums collected, which range from $13.73 to $29.07 monthly.
  - The median claim value submitted by a dentist to a carrier is $147.80. When compared to the charge of an external review, the cost analysis is unjustified for dental policies.

- Diagnostic codes are used to assist in medical external review, but currently are not utilized within the dental profession. While there a few specific dental diagnostic codes within ICD-9 and ICD-10 related to medical conditions, the dental diagnostic codes, also known as SNODENT, are not widely utilized by dentists or carriers at this time.
  - Dental decisions on payment are related to contractual provisions. In some limited instances there may be a determination based on dental necessity but medical necessity was only recently introduced for orthodontia for children, and in those instances, plans have included definitions of what constitutes medical necessity under their policies.

When such extreme costs are imposed upon dental plans, ultimately consumers will pay though increased premiums. As dental benefits are an ancillary benefit and a discretionary purchase by the employer and by the consumer, access to benefits and care may be thus reduced.

- **Recommendation**: Dental is different from medical in both design and operations, and as such external review is a costly, inefficient and unnecessary approach for resolving adverse dental claim decisions. Our recommendation to the Iowa Insurance Division is not to include any further external review processes for the adverse determination of dental claims beyond medical necessity, as already approved by the Iowa legislature.

Thank you for your review and consideration of NADP's comments. If you have questions on these comments or would like additional background information, please contact me at khathaway@nadp.org or (972)458-6998x111. Again, thank you for your consideration.

Sincerely,

Kris Hathaway

Kris Hathaway, Director of Government Relations

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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 approximately 90 percent of the 187 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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