

A LOOK AT THE U.S. GROUP DENTAL MARKET: TRENDS AND OPPORTUNITIES



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EXECUTIVE SUMMARY

In 2003 LIMRA International and America's Health Insurance Plans (AHIP) sent out a questionnaire to explore the perspective of U.S. carriers that market dental benefits. A variety of topics relating to group dental products were covered, such as benefit provisions, managed dental plans, dual choice or employee benefit choice dental plans, underwriting, technology, and distribution methods. Questionnaires were sent to 39 companies, and 36 companies completed the questionnaire. Results were compiled, aggregated, and reported in summary form to maintain individual company confidentiality. The complete survey results are available from LIMRA International or AHIP. This analysis offers a detailed snapshot of the dental benefits industry and provides a basis for examining future trends.

Dental benefits continue to be one of the most popular employer-sponsored benefits in the United States. According to LIMRA International research, dental is the insurance benefit employers offer most often after medical and prescription drug coverage. Fifty-one percent of employers themselves report that dental is the most important insurance benefit after medical. Of the 20 percent of employers that are considering adding a new employee benefit in the next two years, dental is one of the benefits most often cited.¹

Key findings from the study include:

- The thirty-six companies participating in this survey accounted for 43 million subscribers and approximately 100 million members, roughly two thirds of total dental enrollment at the end of 2002. Participating companies fell into two distinct categories. At one end were smaller regional players with less than 250,000 in-force subscribers. At the other end were large national carriers with over 1 million subscribers. The smallest portion of survey respondents had 250,000 to 999,999 subscribers in force. A carrier's size likely plays a role in its marketing strategy: Smaller carriers may be better able to cater to a smaller regional market, while larger carriers benefit from economies of scale, national brand recognition, and the ability to accommodate multistate employers with national networks.
- Consistent with general trends in the employee benefits marketplace, responding carriers reported that 80 percent of their employer-sponsored business at the end of 2002 was issued on a contributory (48 percent) or noncontributory (32 percent) basis. As the funds available for employee benefits become more limited, the proportion of noncontributory benefit plans will decrease and employees in contributory plans will be asked to pay more in the form of copayments, deductibles, coinsurance, and premiums.

¹ *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

- The economy, three years of double-digit medical increases, and the increased importance of employee choice and flexibility contribute to increasing growth in voluntary dental sales. According to this survey, over 90 percent of respondents (33 companies) sell at least one voluntary dental plan.
- Currently, five participating companies offer what they consider a consumer-driven or consumer choice dental plan and 10 participants plan to offer one in the next 24 months.
- When asked about a wide variety of Internet features, respondents indicated that two features for plan sponsors were relatively widespread: the ability to download forms (30 companies) and electronically submit claims (20 companies). Less prevalent are the ability for employers to electronically revise census data (16 companies), review bills online (15 companies), access claim status (15 companies), electronically submit forms (13 companies), and electronically receive forms (13 companies).
- The most common Internet features offered to subscribers are provider look-up (28 companies), downloading forms (26 companies), benefit summaries (19 companies), and eligibility status (17 companies). As consumerism and consumer-driven or consumer choice dental plans become more mainstream, access to cost and quality data will become more crucial as dental consumers seek to make informed decisions when selecting providers. Not surprisingly, cost estimating tools and information on the costs of procedures are among the features that carriers are planning to add (12 companies and 10 companies, respectively).

A LOOK AT THE U.S. GROUP DENTAL MARKET: TRENDS AND OPPORTUNITIES

BACKGROUND

In recent years the U.S. employee benefits marketplace has undergone profound changes that have affected the way that employers and employees approach benefits. While employers feel obligated to provide employees with comprehensive benefits packages, they are struggling with how to do so in 2004. A host of issues — such as health insurance costs, pension liabilities, regulatory compliance, recruiting and retaining employees, and technology — threaten to undermine their intentions.

Meanwhile, employees are facing a more precarious situation. Just a few short years ago amid a strong labor market, many employees dictated their wage and benefit packages and watched their 401(k) balances surge higher as the stock market rose. Fast-forward to today when a weak labor market stymies wage increases and keeps many employees tied to their current jobs. Instead of enjoying new and innovative perks as they did at the height of the dot-com bubble, employees have had to manage benefits cost shifting.

Throughout this time, dental benefits have remained popular with both employees and employers as both groups rate dental benefits highly (Figure 1). According to qualitative research on employees, dental is one of the top three employer-sponsored benefits. Many employees, especially parents, value their dental coverage because dental care, particularly orthodontia, is perceived to be expensive.² Additionally, research on worksite marketing indicates that dental has the highest participation rates of all voluntary products.³

From the employers' perspective, 51 percent of employers report that dental is the most important employee benefit after medical (Table 1). Dental benefits continue to be one of the most offered employee benefits: 58 percent of all employers offer dental coverage, and that figure climbs as employer size increases. Additionally, many employers that do not offer dental coverage plan to add it: Of the 20 percent of employers that are considering adding a new employee benefit in the next two years, dental is one of the most often cited.⁴

² *Marketing Group Insurance and Health Care Benefits: Trends and Insights*, LIMRA International, 2002.

³ *Worksite Marketing of Voluntary Benefits: The Employer's Perspective*, LIMRA International, 2003.

⁴ *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

Table 1
Most Important Employee Benefits After Medical

Dental insurance	51%
Life insurance	45
Long-term disability	41
Short-term disability	37
Vision care	27
AD&D	7
Long-term care insurance	5
Employee assistance programs (EAP)	2

Source: *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

Despite the fact that dental benefits are rated highly, dental plan sales have been relatively flat over the past few years and industry executives anticipate flat to moderate growth going forward (Figure 2).⁵ The over-100-employees market is already highly penetrated; over 90 percent of employers with more than 100 employees offer a dental benefit. Due to slow growth in total employment, the population of eligible employees has been stagnant or declining. In this environment, one company's growth comes at the expense of its competitor, as evidenced by dental industry growth: Total in-force subscribers increased just 1 percent in 2003.

Outsiders have paid little attention to the dental industry. While new entrants are rare in the dental industry, mergers and acquisitions as well as new marketing alliances are shaking up the business. Competition is becoming more fierce as carriers try to figure out how to grow profitably in the face of persistently thin margins.⁶

Unlike the medical insurance industry, increases in cost trends in the dental industry are relatively stable. Dental insurance is characterized by a high volume of low-cost claims such as routine dental exams. Catastrophic claims are rare and low benefit maximums keep high claims under control. Utilization is the primary driver of dental cost trends.

In the current recovering economy, the one-two punch of adverse selection and increased utilization puts further pressure on dental premium trend factors as the number of dental, as well as disability and medical, claims filed increases. Those fearing the loss of a job, and hence coverage, seek to make the most of their benefits while they have them. Studies also show that utilization increases when subscribers assume more of the cost of coverage, either through voluntary plans or benefit cost shifting, since only those who expect to need dental services will pay for coverage.

⁵ *U.S. Group Insurance Sales Outlook*, LIMRA International, 2003.

⁶ Formica, Christopher, "Dental Insurance Margins Remain Thin," *A.M. Best Special Report*, December 8, 2003.

Since employers have had to cut back on raises and shift medical costs, thus far they have been willing to cover dental premium increases even as plan design has changed little. It is unclear how much longer employers will be able to absorb increases, but changes in plan design or benefit levels that impact utilization could ensure that employers can continue to afford to offer coverage.

Figure 1
Dental Market Trends

Strengths	Weaknesses
Consistently popular benefit with employees	High market penetration in over-100-employees market
Employers continue to offer	Premium trend is increasing faster than CPI
Appeal of PPO plans	Static plan designs and benefit levels
Stable industry	Technology
Opportunities	Threats
Premium trend remains below medical	Increasing regulatory requirements
New products and markets	New plans or plan designs
Consumerism	Adverse selection and increased utilization
Evidence-based dentistry	Increasing competition

Employers are now struggling to offer a full range of benefits on a limited benefits budget. Newer products, such as discount dental plans, can provide a way to do so. These plans are a noninsured arrangement in which a panel of dentists provides care at a discount or a discounted price. According to the *NADP/DDPA Joint 2003 Dental Benefits Report: Enrollment Report*, almost 8 percent of the total dental enrollment in 2002 was in discount dental plans. That figure will likely grow as carriers use the plans to capitalize on a convergence of factors, including economic conditions and the plans' portability.⁷ Carriers, working independently or collaboratively, can use product development to solve employers' problems, provide a benefit to employees, and add to their own bottom line. As one example, an increasing number of carriers are packaging vision with dental plans. This combination is another way to bring more value to the employer and employee.

New markets also offer opportunities for dental carriers. While the over-100-employees market is highly penetrated, there is opportunity in the less-than-100-employees arena. According to LIMRA research, roughly 60 percent of employers with 10 to 19 employees and 30 percent of employers with 20 to 99 employees do not offer dental coverage — which presents a tremendous opportunity for voluntary dental plans. The changing demographics of the country and the labor pool also hold great promise for dental carriers. Compared with previous generations, more Americans are keeping their

⁷ Dawson, Annette, "Dental Referral Networks Offer Employers a Low-Cost Option for Providing Ranges of Benefits," Charles D. Spencer & Associates, 2002.

teeth as they age. The need to take care of those teeth will keep demand for dental services high among both young and older Americans and could open up opportunities in retiree dental markets.

Consumerism has emerged as a powerful concept in group insurance, especially medical, as health plans and employers try to educate employees to become engaged and informed consumers of health care. Many in the dental industry considered dental to be a “consumer-driven” product even before the emergence of the consumer-driven or consumer choice health care movement. Carriers could capitalize on the latest trend by infusing more consumer-oriented information into their existing processes. Dental carriers, like most group insurers, have concentrated on the employer as their client. Now they must connect with the subscriber to impact consumer behavior. Building consumer-centric features into benefit materials empowers consumers to curb the use of discretionary services and to choose high-quality, low-cost dentists, thereby improving margins. For example, companies like Go2Dental are moving toward consumerism by offering Web sites geared toward the subscriber (e.g., www.go2dental.com), which provide the cost of procedures by zip code as well as information on dentists’ credentials.

However, it is yet to be seen whether the advent of consumer-driven or consumer choice plans will be beneficial for the dental industry. One of the more common consumer-driven or consumer choice medical plans on the market consists of a high-deductible PPO combined with a health reimbursement account (HRA) or the new health savings accounts (HSA). Theoretically, it is possible that dental coverage could be folded into an HRA- or HSA-style medical plan that covers a combination of benefits, including dental.⁸ While not a concern in the near term, it is unclear what the impact would be on the dental industry if dental coverage were folded into an all-purpose plan that covers a combination of benefits.

Dental carriers are facing an increasingly complex regulatory environment. On the federal level, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was intended to improve the efficiency and effectiveness of the health care system. Employers, carriers, and providers have spent a lot of time and money trying to comply with the law’s mandates. In addition, regional and national carriers grapple with legislative issues on a state level. For example, the California privacy rule (California Civil Code 1798.85) declared that individuals and commercial entities could no longer use Social Security Numbers as identifiers. According to a LIMRA MarketScan, carriers operating in California scrambled to devise alternatives and wondered whether other states would follow suit. While these laws have worthy goals, the end result is that insurance carriers, including dental companies, are forced to deal with an increasingly complex web of regulations and associated compliance expenses.

⁸ Domaszewicz, Alexander, “Consumerism and the Brave New World,” *Employee Benefit News*, November 2003.

Evidence-based dentistry promises to revolutionize the way dental care is delivered if it becomes widespread practice. According to the American Dental Association (ADA), evidence-based dentistry is an approach to oral health care that incorporates “systematic assessments of clinically relevant scientific evidence, relating to the patient’s oral and medical condition and history, with the dentist’s clinical expertise and the patient’s treatment needs and preferences.” As more dentists embrace the practice, individualized, efficient treatment options will become available to consumers based on clinical research.⁹ Physicians too are developing an interest in dentistry, as research suggests a link between periodontal disease and such ailments as ulcers, heart disease, and preterm births.¹⁰

PROFILE OF PARTICIPANTS

At the end of 2002 the 36 companies participating in this survey accounted for 43 million subscribers and approximately 100 million members, or roughly two thirds of total dental enrollment.¹¹ Participating companies fell into two fairly distinct categories (Table 2). At one end were smaller regional players with less than 250,000 in-force subscribers. At the other end were large national carriers with over 1 million subscribers. The smallest portion of carriers reported they had 250,000 to 999,999 subscribers in force, despite the broad range of subscribers covered in this category. A carrier’s size likely plays a role in its marketing strategy: Smaller carriers may be better able to cater to a smaller regional market, while larger carriers benefit from economies of scale, national brand recognition, and the ability to accommodate multistate employers with national networks.

Table 2
In-Force Subscribers as of December 31, 2002

	Less than 100,000 subscribers	100,000– 249,999 subscribers	250,000– 999,999 subscribers	1,000,000 or more subscribers	All companies
Number of companies	8	11	7	10	36
Total subscribers	405,995	1,617,596	4,389,617	36,866,015	43,279,223

⁹ For more information on evidence-based dentistry, see “Redefining Dental Disease Management,” *LIMRA’s MarketFacts Quarterly*, Spring 2003.

¹⁰ Blassingame, Kelly M., “Dental Coverage Offers Premium Protection for Your Pearly Whites,” *Employee Benefit News*, January 2004.

¹¹ “Dental Benefits Enrollment Data Updated by Joint Study” (press release), NADP/DDPA, September 8, 2003.

Reflective of the overall employment landscape, most participants indicated that they have an average case size of less than 500 employees, with the highest concentration of carriers doing business in the 1-to-49-employees case size category (Table 3). In general, case size did not vary much by plan type.

A comparison with data collected in the *LIMRA and the National Association of Dental Plans (NADP) U.S. Group Dental Plans* report is favorable, despite the fact that the surveys have a different mix of participants. At the end of 2002 the average number of in-force subscribers per employer group for all dental plans was 78. There was little variation by plan type: Indemnity subscribers per employer group averaged 75, PPO subscribers per employer group averaged 68, and DHMO subscribers per employer group averaged 71.

Table 3
In-Force Case Size for Contributory/Noncontributory Plans

Number of Companies

	Average case size					
	1-49	50-99	100-499	500-999	1,000-4,999	5,000 or more
Indemnity	14	6	7	1	1	0
Active PPO	9	7	5	3	1	0
Passive PPO	8	5	7	1	0	1
DHMO	8	2	3	0	0	0
Discount Dental	1	1	0	0	0	1

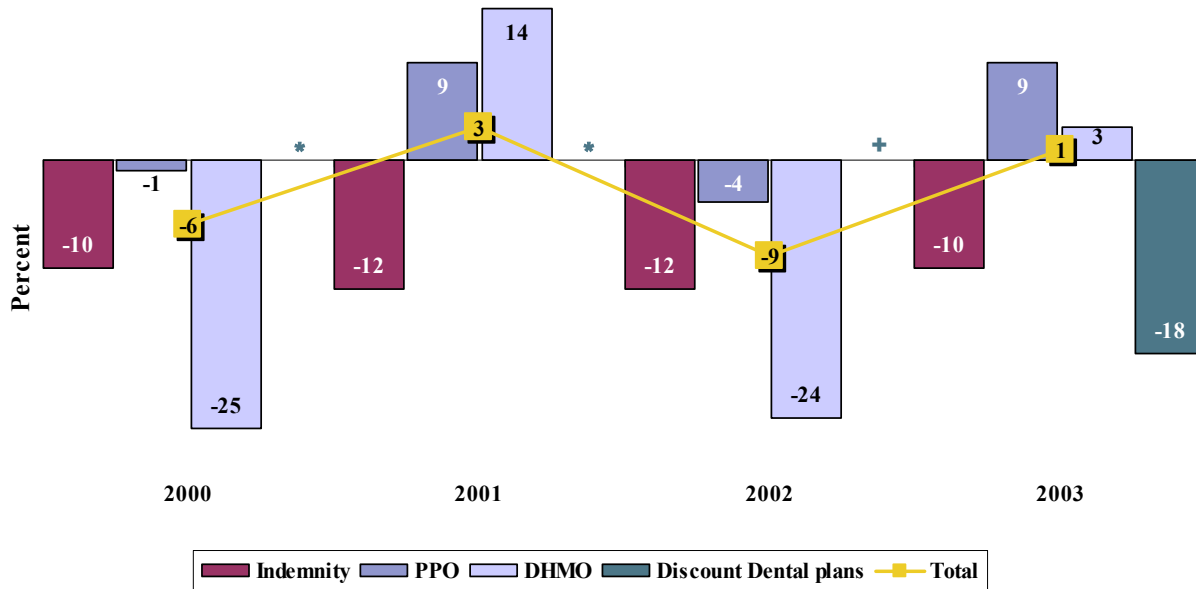
PRODUCT OVERVIEW

Among participating companies, indemnity remains the most commonly offered plan; all but two companies offer an indemnity product. However, the popularity of dental indemnity plans is waning, as more cost-effective dental PPO plans become prevalent. Both in-force subscribers and collected premiums were down at the end of 2003 compared with 2002. Indemnity sales also have been declining: Subscribers and new premium declined in both 2002 and 2003 compared with the prior year (Figure 2).¹²

¹² *LIMRA and NADP U.S. Group Dental Plans 2002 Annual Sales and In Force Survey*, LIMRA International and NADP, 2003.

Figure 2
Group Dental Insurance Subscriber Growth

Percent Change Over the Prior Year



Source: LIMRA and NADP U.S. Group Dental Plans 2002 Annual Sales and In Force Survey

* Data are unknown.

+ Less than ½ of 1 percent

The appeal of dental Preferred Provider Organization (PPO) plans has emerged as an asset for the dental industry. The plans came of age at a time when employees were placing increased importance on provider choice and plan flexibility. Employers embraced the plans because they offered the benefit levels and provider access of indemnity at a lower cost. In 1996 just 16 percent of all subscribers were in a dental PPO plan; that figure increased to over 40 percent in 2002.¹³ As a result, there is no shortage of carriers offering dental PPO plans: Thirty participating carriers offer an active PPO plan and 28 companies offer a passive PPO plan.¹⁴ PPO plans have been a source of industry growth for the past few years. For example, while PPO sales were down 4 percent for subscribers and 5 percent for annualized premiums in 2002, in-force subscribers increased a healthy 18 percent and collected premiums increased 26 percent.¹⁵ Dental PPO plans are also the product most likely to be added in the next 24 months: Seven companies plan to add an active plan and four plan to add a passive plan (Table 4).

¹³ “Dental Benefits Enrollment Data Updated by Joint Study” (press release), NADP/DDPA, September 8, 2003.

¹⁴ The passive PPO product uses the same provider discounts as a PPO; however, enrollees’ benefit levels are the same regardless of whether they choose a network provider.

¹⁵ LIMRA and NADP U.S. Group Dental Plans 2002 Annual Sales and In Force Survey, LIMRA International and NADP, 2003.

Table 4
Dental Products Sold

Number of Companies

	Indemnity	Active PPO	Passive PPO	DHMO	Discount Dental plans
Currently offer	34	30	28	15	7
Plan to add	4	7	4	1	4

Less than half of participating companies sell DHMO plans. This is due in part to the mix of companies that participated in the survey. It also reflects that DHMO plans can be a “hard sell” to employers. Employers and employees tend to shy away from such plans unless they are offered as a choice among several plans. Modeled after medical HMO plans, dental HMOs have suffered from a perceived lack of choice and quality of available dentists. Such a perception has affected the plans’ market performance over recent years. In 2002 DHMO sales and in force, based on subscribers, decreased 24 percent and 9 percent, respectively.¹⁶

Referral plans, or discount dental plans, may be underrepresented in this report; just seven participating companies offer the plans. These plans are noninsured programs in which a panel of dentists agrees to perform services for enrollees at a specified discounted price, or at a discount off their usual charge. No payment is made by the plan to the dentists; dentists are paid the negotiated fee directly by enrollees. Discount Dental, or referral, plans appear poised for growth, likely due to a convergence of factors including economic conditions and the plans’ portability.¹⁷ According to the *NADP/DDPA Joint 2003 Dental Benefits Report: Enrollment* report, almost 8 percent of the total dental enrollment in 2002 was in Discount Dental plans. Carriers are increasing their plan offerings as a way to help employers to continue offering dental benefits while limiting their own expense.

HOW PRODUCTS ARE SOLD

Most carriers offer more than one type of dental plan in their portfolios. In fact, as shown in Table 5, three and four plan offerings are most common (13 companies and eight companies, respectively). Six companies sell all of the five types of plans tracked in this study. The remaining companies only offer one type of plan (five companies) or two plans (four companies). Carrier size correlates with the number of dental plans offered. In general, larger carriers offer more types of plans.

¹⁶ Ibid.

¹⁷ Dawson, Annette, “Dental Referral Networks Offer Employers a Low-Cost Option for Providing Ranges of Benefits,” Charles D. Spencer & Associates, 2002.

Table 5
Common Product Offerings

	Number of plans offered									
	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Indemnity	•		•	•	•		•	•	•	•
Active PPO		•			•	•	•	•	•	•
Passive PPO		•		•	•	•		•	•	•
DHMO						•	•	•		•
Discount Dental plans									•	•
<i>Number of companies</i>	4	1	3	1	11	1	1	7	1	6

Thirty-three of the participating companies offer stand-alone dental, but cross-selling opportunities abound (Table 6). When selecting a dental benefits provider, 83 percent of employers place importance on whether that provider handles any of the company’s other benefits, according to unpublished LIMRA data.¹⁸ Roughly 40 percent of employers use the same carrier for their dental and medical benefits.¹⁹ This option is widely available to employers; the majority of respondents (22 companies) sell dental in conjunction with a medical plan.

Twelve companies offer vision combined with dental. This product combination is getting more press coverage and marketing attention, according to anecdotal evidence.²⁰ Several companies have reorganized their separate dental and vision units into one division. In addition, companies are adding the label “Dental and Vision” to their brand. The increased focus on the dental-vision combination may help explain the increasing penetration rate of vision benefits. According to the Bureau of Labor Statistics, 17 percent of all workers in private industry had a vision plan in 2000, and the figure increased to 19 percent in 2003.²¹

Table 6
How Are Plans Sold?

	Number of companies
Stand-alone dental plan	33
Dental plan in conjunction with a medical plan	22
Dental plan in conjunction with vision coverage only	12
Other combinations (include one or more of the following):	10
Life insurance* (8 companies)	
Disability insurance (6 companies)	
AD&D (1 company)	
Stop-loss coverage (1 company)	

* Two companies offer dental with a combination of life insurance and vision coverage.

¹⁸ FGI Employer Panel data (unpublished), LIMRA International, 2003.

¹⁹ Ibid.

²⁰ Thomas II, Renny, “P-C Agents Eye Dental-Vision Prospects,” *National Underwriter*, June 24, 2002.

²¹ *Employee Benefits in Private Industry*, Bureau of Labor Statistics, 2000 and 2003.

Funding: ASO Versus Fully Insured

Self-insurance continues to be a popular option — especially among midsize to large employers. Overall, 18 percent of employers self-insure their dental benefits; this increases to 46 percent for employers with 500 to 999 employees, 56 percent for employers with 1,000 to 4,999 employees, and surges to 69 percent for employers with more than 5,000 employees.²² According to this survey, carriers have developed products to serve this segment of the market: ASO (administrative services only) products are offered by 74 percent of carriers that sell dental indemnity plans, 80 percent of carriers that sell active PPO plans, and 79 percent of carriers that sell passive PPO plans (Table 7).

Table 7
Types of Funding Arrangements Currently Offered

	Number of companies			Percent of companies*	
	Yes, offers	Fully insured	Self-insured	Fully insured	Self-insured
Indemnity	34	34	25	100%	74%
Active PPO	30	30	24	100	80
Passive PPO	28	27	22	96	79
DHMO	15	15	3	100	20
Discount Dental plans	7	4	4	57	57

* Percent of companies that offer the product and offer the funding

Employer-Paid Dental

Consistent with general trends in the employee benefits marketplace, responding carriers reported that most of their in-force employer-sponsored business (80 percent of in-force subscribers) was contributory or noncontributory at the end of 2002. The majority of that business, roughly 60 percent of in-force subscribers and employer groups, was contributory business (Table 8). Noncontributory dental comprised the remaining 40 percent of in-force dental subscribers and in-force employer groups. As employee benefits compete for a fixed pool of employer dollars, the proportion of noncontributory benefit plans will no doubt continue to decrease. LIMRA data confirm that employees are paying more for dental coverage as the rate of noncontributory coverage declines. Additionally, employees in contributory plans are being asked to pay more, in the form of copayments, deductibles, coinsurance, and premiums.

²² *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

Table 8
In-Force Noncontributory and Contributory Dental Plans

	Mean	
	Employer groups	Subscribers
Noncontributory only	37%	36%
Contributory only	63	64
<i>Number of companies</i>	26	24

100 Percent Employee-Paid Plans

In addition to factors such as economic conditions and medical premium trends, the growing importance of employee choice and flexibility is contributing to increased growth and interest in 100 percent employee-paid dental plans.²³ Worksite research indicates that dental is a popular 100 percent employee-paid product in terms of employee participation, employer offering, and interest by both employers and employees. Roughly 39 percent of employees in the private sector participate in 100 percent employee-paid dental plans when they are offered, as reported by their employers.²⁴ Comparatively, when noncontributory or 100 percent employer-paid dental plans are offered, 93 percent of employees participate; 70 percent of employees participate in contributory or partially employer-paid dental plans (as reported by their employers).²⁵

According to this survey, 33 companies (92 percent of all respondents) sell 100 percent employee-paid dental (Table 9). Further analysis shows that none of the respondents sell only that product; the remaining companies sell a combination of contributory, noncontributory, and 100 percent employee-paid dental plans. Looking to the next 24 months, there will be at least one new entrant into the 100 percent employee-paid market among participants. Research shows that in general, 100 percent employee-paid plans are being *added to* existing contributory plans, not necessarily replacing them.²⁶ Most dental carriers will likely offer both types of dental plans.

Table 9
Employee- Versus Employer-Paid Dental Offerings

	Number of Companies				
	Less than 100,000 subscribers	100,000– 249,999 subscribers	250,000– 999,999 subscribers	1,000,000 or more subscribers	All companies
100% employee-paid dental plans	6	10	7	10	33
Noncontributory and contributory dental plans	8	11	7	10	36

²³ In the survey, these plans were referred to as “voluntary dental plans” instead of “100 percent employee-paid coverage.”

²⁴ *Worksite Marketing of Voluntary Benefits: The Employer’s Perspective*, LIMRA International, 2003.

²⁵ FGI Employer Panel data (unpublished), LIMRA International, 2003.

²⁶ *Worksite Marketing of Voluntary Benefits: The Employer’s Perspective*, LIMRA International, 2003.

For participating carriers, at the end of 2002, 19 percent of employer groups and 20 percent of in-force subscribers were enrolled in a 100 percent employee-paid dental plan (Table 10). It is clear that while 100 percent employee-paid plans are gaining momentum, they do have a way to go before they catch up to employer-paid plans. The vast majority of employer groups and subscribers are still enrolled in noncontributory and contributory dental plans.

Table 10
In-Force Employer Groups and Subscribers

	Employer groups	Subscribers
Total 100% employee-paid dental plans	19%	20%
Total noncontributory plus contributory dental plans	81	80
<i>Number of companies</i>	31	30

Similar to contributory plans, for participating dental carriers, the most commonly offered 100 percent employee-paid plan is dental indemnity, followed by active PPO and passive PPO plans. Less than half of all carriers offer 100 percent employee-paid DHMO plans; just five dental carriers do so for Discount Dental plans. A small number of carriers plan to add new 100 percent employee-paid products to their portfolio; active PPO was most often cited (Table 11).

Table 11
100 Percent Employee-Paid Dental Products Sold

	Number of Companies				
	Indemnity	Active PPO	Passive PPO	DHMO	Discount Dental plans
Currently offer	31	27	21	14	5
Plan to add	4	6	4	1	4

Average case sizes for 100 percent employee-paid dental plans were most often less than 500 lives for participating carriers (Table 12). Very few carriers have an average case size of 500 lives or more. This corresponds with recent research on worksite sales, which found that 100 percent employee-paid dental offerings were growing among midsize firms (100 to 999 employees) and declining a bit among larger employers (1,000 to 4,999 employees).²⁷ It is also consistent with the statistics for the average case size of all in-force dental business.

²⁷ *Worksite Marketing of Voluntary Benefits: The Employer's Perspective*, LIMRA International, 2003.

Table 12
In-Force Case Size for 100 Percent Employee-Paid Plans

Number of Companies

	Average case size					
	1–49	50–99	100–499	500–999	1,000–4,999	5,000 or more
Indemnity	11	6	7	0	1	0
Active PPO	7	6	6	0	1	0
Passive PPO	5	5	5	0	1	0
DHMO	6	1	1	0	0	0
Discount Dental plans	1	0	0	0	0	0

BENEFIT PROVISIONS

An examination of common benefit provisions reveals that indemnity and PPO plan provisions are quite similar and have changed little over the years (Table 13). Survey results show that median values in the most commonly sold plans for routine and preventive services generally indicate a zero dollar deductible with basic and major services requiring a \$50 deductible. Coinsurance levels for the most commonly sold plans also showed no difference: 100 percent for routine and preventive care, 80 percent for basic services, and 50 percent for major services. There were no differences in deductibles, coinsurance, or most waiting periods by carrier size, based on the number of subscribers in force. The one exception was waiting periods for major services: In general, the smaller the carrier, the longer the waiting period for major services.

Table 13
Benefit Levels for Most Commonly Sold Plans

Median Values

	Indemnity	PPO	DHMO
Deductible			
Routine/preventive care	0	0	0
Basic services	\$50	\$50	0
Major services	50	50	0
Coinsurance (Reimbursement)			
Routine/preventive care	100%	100%	0
Basic services	80	80	0
Major services	50	50	0
Waiting period (Number of days)			
Routine/preventive care	0	0	0
Basic services	0	0	0
Major services	0	0	0

Benefit maximums tend to be the same for both indemnity and PPO plans (Table 14). No change is apparent by carrier size. Indemnity and active PPO plans are most likely to have a \$1,000 annual benefit maximum. Annual maximums have not changed appreciably since 1996; however, premiums are increasing ahead of inflation. It is unclear how much longer employers and employees will be willing to pay increasingly higher premiums for the same benefit levels. On the other hand, lifetime benefit maximums are almost nonexistent; less than 10 percent of indemnity or PPO plans have a lifetime maximum.

Table 14
Benefit Maximums

Mean Distribution of Subscribers

	Maximum annual benefit				
	Indemnity	Active PPO	DHMO	Referral	Other: passive PPO
\$ 1 – \$ 500	1%	1%	0	29%	1%
501 – 999	7	4	0	5	2
1,000 – 1,499	65	57	0	0	50
1,500 – 1,999	21	30	1%	0	39
2,000 – 2,999	5	8	0	0	6
\$3,000 or more	0	0	0	0	2
No maximum	0	0	99	67	0
	100%	100%	100%	100%	100%
<i>Number of companies</i>	29	24	12	3	3
	Maximum lifetime benefit				
\$ 1 – \$ 999	0	0	0	0	†
1,000 – 1,999	7%	8%	0	0	†
2,000 – 2,999	1	1	0	0	†
\$3,000 or more	0	0	0	0	†
No maximum	92	91	100%	100%	†
	100%	100%	100%	100%	†
<i>Number of companies</i>	24	21	10	3	1

† Too few companies to report

Comparison of the costs associated with these two plans is instructive. In terms of premiums, PPO plans are generally less expensive than indemnity plans. Dental indemnity plans were the most expensive plan in force at year-end 2002, costing \$557 per subscriber on average. Dental PPO plans averaged \$510 per subscriber during the same time period.²⁸ In addition, both plans allow employees

²⁸ LIMRA and NADP U.S. Group Dental Plans 2002 Annual Sales and In Force Survey, LIMRA International and NADP, 2003.

to receive care either in- or out-of-network. While there will probably always be a market for indemnity plans, cost pressures from other benefits have started to encroach on that market, particularly since a less expensive PPO plan offers almost identical benefits.

DHMO plans have not had remarkable growth in recent years, due in part to negative connotations. According to qualitative research from LIMRA, benefits intermediaries and employers had concerns regarding DHMOs, including “the limited size of the local networks, the questionable quality of the dentists in the plan, and the rapid turnover of dentists.”²⁹ After experiencing another year of relatively flat growth, just 15 percent of all subscribers were in a DHMO plan at the end of 2002, down from a peak of about 19 percent.³⁰ Despite perceptions to the contrary, benefit levels for DHMO plans illustrate that the product could be a beneficial choice for employees since the plans have no deductibles, coinsurance, waiting periods, or benefit maximums. The appeal, or possible drawback, of the plan would depend on the ability to find a dentist in an employer plan’s network who is accepting new patients.

Orthodontia

As the importance of a straight smile line increases, orthodontia has become a staple in dental plans. Roughly 70 percent of carriers offer orthodontia for children (Table 15). The mean age limit for childhood orthodontia coverage is currently 20 years, but there are carriers that offer the benefit until the individual or subscriber is age 26. Until recently orthodontia coverage was limited to children, but increasingly it is offered to adults. Of participating dental carriers, 12 provide coverage for adults.

Table 15
Orthodontia Coverage for the Most Commonly Sold Plans

Number of Companies

	Indemnity	PPO	DHMO
No orthodontia	10	10	1
Orthodontia for children*	25	22	14
Orthodontia for adults	11	12	11

* Orthodontia is available for children subject to age limits.

For indemnity plans, the mean age limit is 20, the minimum is 17, and the maximum is 26.

For PPO plans, the mean age limit is 19, the minimum is 17, and the maximum is 25.

For DHMO plans, the mean age limit is 20, the minimum is 17, and the maximum is 25.

²⁹ *Marketing Group Insurance and Health Care Benefits: Trends and Insights — Phase 3*, LIMRA International, 2002.

³⁰ “Dental Benefits Enrollment Data Updated by Joint Study” (press release), NADP/DDPA, September 8, 2003, and *LIMRA and NADP U.S. Group Dental Plans 2002 Annual Sales and In Force Survey*, LIMRA International and NADP, 2003.

MANAGED DENTAL NETWORKS

PPO Plans

One of the hallmarks of a managed dental plan is the network: Plans can be loosely categorized by whether using a network provider is a requirement or option. There are five potential varieties of PPO products, but two are most common: active PPO and passive PPO.³¹ Passive PPO products use the same provider discounts as active PPO products, but enrollees' benefit levels are the same regardless of whether they choose a network provider. At participating dental carriers, roughly 55 percent of in-force subscribers are enrolled in an active PPO plan; the remaining 45 percent are in a passive PPO plan.

While active PPO subscribers are able to receive care from both network and non-network dentists, the amount of money they pay toward that care varies depending on network status. According to participating companies, about 58 percent of claims are generated by out-of-network providers.

Building, growing, and maintaining a network is an expensive endeavor. For example, it has been estimated that administrative costs could approach 40 percent for "an acceptable and well managed DHMO plan using a large network of dentists" due to an added layer of oversight, including quality audits, utilization review, credentialing, and on-site office visits.³²

In addition, the size of the network is related to the type of dental plan (Table 16). For participating companies, the mean panel sizes for PPO plans, both active and passive, approaches 30,000 dentists and about 8,000 specialists. Mean DHMO figures are much lower: Roughly 4,000 dentists and more than 2,000 specialists participate in these panels. One factor affecting panel size is market focus; both regional and national carriers are represented here. Also of note is the decision by some carriers to use a smaller network for managed products.

Table 16
Size of Primary Networks

	Mean	
	Primary network	
	Number of dentists	Number of specialists
Active PPO	28,568	8,140
<i>Number of companies</i>	27	23
Passive PPO	29,394	8,698
<i>Number of companies</i>	22	19
DHMO	4,264	2,365
<i>Number of companies</i>	14	12

³¹ The five types of PPO include Selective Contracted PPO, Exclusive PPO, Active PPO, Passive PPO, and Reverse PPO. Mayes, Donald S., *Dental Benefits: A Guide to Dental PPOs, HMOs, and Other Managed Plans*, Revised Edition, 2002.

³² Mayes, Donald S., *Dental Benefits: A Guide to Dental PPOs, HMOs, and Other Managed Plans*, Revised Edition, 2002.

Despite the associated expense, many dental carriers do maintain and grow their own networks. The majority of carriers use their own networks for DHMO plans. Respondents are equally likely to lease or use their own networks for PPO products. For carriers that have a network for their indemnity plan, seven use their own networks and three lease a network (Table 17).

Table 17
Network Ownership

Number of Companies

	Lease network	Use own network
Indemnity	3	7
Active PPO	19	19
Passive PPO	15	18
DHMO	3	12

Network maintenance can be a difficult task, as dentists are usually free to move in and out of a network. As a result, retention is an issue. Carriers pride themselves on adequate screening of dentists, so involuntary termination tends to be rare. Involuntary attrition rates for PPO and DHMO tend to fall below 2 percent of dentists (Table 18).

Table 18
Rates of Network Attrition

Number of Companies

	Voluntary attrition		Involuntary attrition	
	PPO	DHMO	PPO	DHMO
Less than 2.0%	7	2	21	11
2.0% – 5.0%	9	6	2	3
5.0 – 7.5	6	2	0	0
7.5 – 10.0	1	2	0	0
10.0 – 15.0	0	2	0	0
More than 15.0%	0	0	0	0

Voluntary attrition rates are a bit higher. For PPO networks, 16 carriers (70 percent of respondents) had voluntary attrition rates below 5.0 percent. An additional six carriers (26 percent) had voluntary attrition rates between 5.0 percent and 7.5 percent. For DHMO networks, 57 percent of carriers have voluntary attrition rates below 5.0 percent; the remaining companies' rates were between 5.0 percent and 15.0 percent.

DUAL CHOICE DENTAL PLANS

The majority of employers (87 percent) offer only one dental plan to their employees.³³ One way to introduce choice to these employers is through dual choice plans. Dual choice dental plans provide employees with a choice among multiple dental plan options, such as an indemnity plan with a dental PPO or DHMO plan, or a choice between two PPO plans. All but eight participating dental carriers offer a dual choice option. Among carriers that offer dual choice, penetration is generally under 25 percent of their in-force subscribers. While the majority of carriers think this will continue to be the case in 2005, there is a large contingent that expect between 25 percent and 50 percent of their in-force subscribers to be in a dual choice plan in the next two years (Table 19).

Table 19
Dual Choice Dental Plans

Number of Companies

	Actual 2002	Predict for 2005
Less than 25% of subscribers in force	19	15
25% – 49% of subscribers in force	2	9
50% – 74% of subscribers in force	4	1
75% or more of subscribers in force	0	2

For participating companies, the average case size of dual choice plans was less than 500 subscribers. There was no real difference in case size when comparing plans by who pays for dual choice coverage (Table 20). The average case size of dual choice plans is somewhat reflective of the overall business landscape. For contributory/noncontributory dental plans, eight companies have an average case size of 500 to 999 subscribers, five companies have an average of one to 49 subscribers, and an additional five companies have an average case size of 50 to 99 subscribers. For 100 percent employee-paid dual choice plans, seven companies have an average case size of 1 to 49 subscribers, an additional seven companies have 100 to 499 subscribers, and five companies have an average of 50 to 99 subscribers.

³³ *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

Table 20
In-Force Dual Choice Average Case Size as of December 31, 2002

Number of Companies

	Contributory/ Noncontributory	100 percent employee-paid
1 – 49 subscribers	5	7
50 – 99 subscribers	5	5
100 – 499 subscribers	8	7
500 – 999 subscribers	1	0
1,000 – 4,999 subscribers	2	1
More than 5,000 subscribers	0	0

CONSUMER-DRIVEN OR CONSUMER CHOICE DENTAL PLANS

Consumerism has emerged as a powerful concept in group insurance, especially medical, as health insurance plans and employers try to educate employees to become engaged and informed consumers of health care. Consumer-driven or consumer choice medical plans have sprung up in just about every shape and size imaginable — from a combination high-deductible PPO and health reimbursement arrangement (HRA) to menu-driven models and tiered plans. Health savings accounts (HSAs), which are also paired with a high-deductible PPO, have been added to the mix.

Attention has turned to consumer-driven or consumer choice dental plans, with several carriers offering their own version. According to news reports, stand-alone consumer-driven or consumer choice dental plans generally incorporate an HRA and provide tools to help consumers make prudent use of HRA funds. HRAs are employer-funded arrangements that reimburse a wide array of medical expenses set forth in Internal Revenue Code section 213(d), and are typically offered in conjunction with a high-deductible insurance policy.

Thus far the participating companies that offer a consumer-driven or consumer choice dental plan also offer one for medical. Employers and employees might feel comfortable offering a consumer-driven or consumer choice dental plan as a way to experiment with the concept before doing so with higher-cost medical plans.

Five participating companies offer what they consider a consumer-driven or consumer choice dental plan, and 10 participants plan to offer one in the next 24 months (Table 21). In the medical marketplace, a high deductible PPO with an HRA is becoming the more predominant plan, and it appears that dental may follow suit. Only one participating dental carrier is currently offering an HRA plan, but an additional 12 carriers plan to offer one in the next 24 months.

Table 21
Availability of Consumer-Driven or Consumer Choice Dental Plans and HRAs

Number of Companies

	Currently offer	Plan to offer*
Consumer-driven or consumer choice dental plan	5	10
Health reimbursement arrangement (HRA)	1	12

*In the next 24 months

Debit cards were approved in 2003 by the Internal Revenue Service for use with health spending accounts. Carriers and vendors have made the cards available for medical savings accounts, Section 125 flexible spending accounts, the newly created HSAs, and HRAs. None of the participating dental carriers currently offer a debit card; however, six carriers plan to offer a one in the next 24 months. Twenty-nine additional carriers currently have no plans to offer a debit card (Table 22).

Table 22
Availability of a Debit Card

Number of Companies

	All companies
Currently offer	0
Plan to offer in the next 24 months	6
Do not plan to offer	29

The introduction phase of a new plan model is a time of great creativity; the options for consumer-driven or consumer choice plans are unlimited. Dental carriers would be wise to pay attention to trends in both the medical and dental arenas even if they are not going to launch a consumer-driven or consumer choice dental product themselves. If the plans do become more widely distributed, they will influence the product design of not just dental benefits but all employee benefits. A recent article advocated integrating dental with health insurance or with other ancillary services in an “HRA that covers prescription drug, dental, vision, chiropractic, and acupuncture services in lieu of traditional separate programs for these coverages.”³⁴ Theoretically, it is possible that dental insurance could be incorporated into a consumer-driven or consumer choice plan that covers a combination of benefits. While not a concern in the near term, it is unclear what the impact would be on traditional dental insurance or the dental industry if this situation occurred.

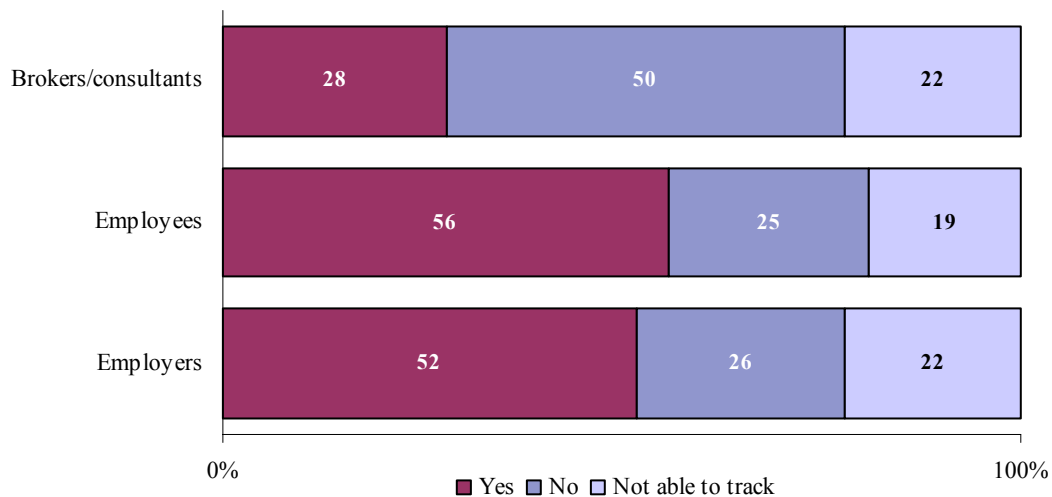
³⁴ Domaszewicz, Alexander, “Consumerism and the Brave New World,” *Employee Benefit News*, November 2003.

TECHNOLOGY

Many carriers view technology as a way to become more efficient and boost productivity, cutting both time and costs. Years after the technology boom, carriers still struggle with how and when to adopt new technologies and introduce them to employers, employees, and producers. Preliminary results from LIMRA’s Group Carrier Web Site Practices Study indicate that most group benefits carriers agree or strongly agree that the Internet is a way to reduce costs for employer services, employee services, producer services, and backroom operations.³⁵ Of those group benefit carriers that sell dental, 52 percent have realized savings by offering online services to employers and 56 percent realized savings by offering online employee services (Figure 3). Just 28 percent of carriers realized savings from broker/consultant online services.

However, the survey also found that many carriers are unable to track cost savings. For example, despite the fact that call reduction was cited often as a cost savings, a recent LIMRA MarketScan indicates that many dental carriers currently do not track changes in interactive voice response (IVR) and contact center use after carriers introduce an Internet site.³⁶ It may be difficult to justify future technology outlays when the ROI for past expenditures cannot be captured.

Figure 3
Use of the Internet as a Way to Reduce Costs



Source: Preliminary results from Group Carrier Web Site Practices Study (unpublished), LIMRA International.

Base: Companies that have a Web site

³⁵ Group benefit carriers include life, disability, accidental death and dismemberment (AD&D), long-term care insurance, and stop-loss carriers.

³⁶ *Group Dental Contact Center and Claims Processing Metrics*, LIMRA International, 2004.

In addition, participating carriers indicated that they send less printed materials as a result of their Web site. Forty-six percent of companies send less printed materials to employers, 60 percent send less to employees, and 57 percent send less to brokers and consultants. Due in part to the cost savings associated with electronic communications, 58 percent of carriers plan to increase total expenditures for online capabilities in 2004 — 35 percent will increase spending 5 percent to 10 percent over 2003 levels, and an additional 23 percent will increase spending more than 10 percent.

Interest in using the Internet for employee benefit plan administration is increasing among employers as more carriers make Internet features available. As shown in Table 23, the ability to download forms (30 companies) and to electronically submit claims (20 companies) are becoming widespread. Less prevalent are the ability for employers to electronically revise census data (16 companies), review bills online (15 companies), access claim status (15 companies), electronically submit forms (13 companies), and electronically receive forms (13 companies). Carriers also indicated that they were planning to offer a host of Internet functionalities: access claim status (15 companies), electronically receive forms (14 companies), review bills online (14 companies), pay bills electronically (14 companies), and receive claims reports (12 companies).

Table 23
Internet Features Available to Plan Sponsors

Number of Companies

	Currently offer	Plan to offer
Download forms	30	3
Electronically submit claims	20	9
Electronically revise census data	16	9
Access claim status	15	15
Review bills online	15	14
Electronically submit forms, such as applications	13	12
Electronically receive forms, such as policies, booklets, certificates, ID cards, and renewal letters	13	14
Pay bills electronically	12	14
Receive claims reports	10	12
Information on the average cost of procedures	2	9
Cost-estimating tools, such as calculators	3	8

In addition, other e-service technologies are becoming more widely used. However, this transition is progressing in varying degrees for various functionalities. Carriers are helping to transition away from paper by accepting an electronic census in lieu of paper enrollment cards (32 carriers). Meanwhile the option to purchase, enroll, or install a plan online is taking longer to catch on. Twenty-eight carriers do not allow online purchasing or installation, and 25 carriers do not have online enrollment.

Roughly half of employers consider Internet services important to a benefits program.³⁷ However, carriers must also recognize that employers have some anxiety in this area. In focus groups, benefits administrators cheer improved access but regret the increased workload — such as systems implementation and upgrades, systems training for human resources staff and employees, and increased data entry duties — that can accompany that increased access. Despite this, employer self-service will continue to grow.

According to LIMRA research, “Fifty-four percent of online consumers who have benefits through the workplace have accessed the Web site of a company with which they have an employee benefit for the purpose of obtaining service. Most are able to obtain at least some services online for their benefits, and at least half agree that they would like to obtain service online for group life and health and retirement benefits.”³⁸ As self-service continues to grow in other sectors such as banking and retail shopping, employee self-service for benefits will become more commonplace.

As shown in Table 24, participating dental carriers offer subscribers a variety of Internet features, including provider look-up (28 companies), downloading forms (26 companies), benefit summaries (19 companies), eligibility status (17 companies), and tools to submit and track claims (12 companies). Less prevalent are access to data on provider quality and provider cost, information on the cost of procedures, and cost-estimating tools.

As consumerism and consumer-driven or consumer choice dental plans become more mainstream, access to cost and quality data will become more crucial as dental consumers seek to make informed decisions when selecting providers. Not surprisingly, cost-estimating tools and information on the costs of procedures are the most often cited the features that carriers are planning to add (12 companies and 10 companies, respectively).

³⁷ *The Changing Group Insurance and Health Care Marketplace*, LIMRA International, 2003.

³⁸ *Consumer Internet Use for Insurance and Investments in the United States, Phase II: The Practices of Online Consumers in the Buying Process*, LIMRA International, 2003.

Table 24
Internet Features Available to Subscribers

Number of Companies

	Currently offer	Plan to offer
Provider look-up	28	2
Download forms	26	5
Benefit summary	19	10
Eligibility status	17	11
Tools to submit and track claims	12	13
Provider quality data	2	6
Provider cost data	2	6
Information on the average cost of procedures	2	10
Claims preauthorization	2	9
Cost-estimating tools, such as calculators	1	12
Other*	4	0

* Other: claim status and electronic claims submission from dentists

DISTRIBUTION

Independent brokers and consultants are the primary distribution channels for dental carriers (Table 25). Twenty carriers use a direct channel, 14 carriers use captive agents, and 11 companies use the Internet. Relatively few carriers plan to make changes to their distribution systems. Carriers planning to add a new distribution channel mention the Internet most often.

Table 25
Distribution Channels

Number of Companies

	Currently offer	Plan to offer
Independent brokers	35	1
Fee-based consultants	26	1
Direct	20	1
Captive agents	14	1
Internet	11	4
Other*	2	1

* Other: regional sales managers, general agents, and telesales agents

Distribution channels have played an important part in growth for dental carriers in the last year. A few carriers have turned to dental-only brokers as a way to increase sales. Other companies have expanded distribution by buying divisions of other companies, including their distribution channels. This allows these carriers access to new states and regions as well as new distribution outlets. Although there has not been much growth in the DHMO sales, the companies that are experiencing growth in DHMO are those that are focusing on their distribution channels.

One third of participating carriers use the Internet for both sales and plan service (Table 26). Eighteen carriers use their own Web site for sales, while 15 dental carriers do so for plan service such as renew-als or administration. Eleven carriers use an external portal for sales, while three dental carriers use an external portal for plan service.

Table 26
Availability of a Web Site for Sales or Plan Service

Number of Companies

	Sales	Plan service
Do not own or use a Web site	13	19
Use own Web site	18	15
Use external portal*	11	3

* External portals include: Benefit Mall (2 companies), Benefit Portal, Benefit Port (2 companies), BenefitPoint, eHealthInsurance, a proprietary portal, and various.

PARTICIPATING COMPANIES

Aetna	HumanaDental
AIG American General	ING Employee Benefits
Allstate Workplace Division	Jefferson Pilot Benefit Partners
American Medical Security	Kansas City Life
Ameritas	MetLife
Anthem Dental	Mutual of Omaha
Blue Cross and Blue Shield of Massachusetts	Pacific Life & Annuity
Blue Shield of California	PacifiCare Dental & Vision
Canada Life	Premera Blue Cross
CIGNA Dental	Principal Financial
Delta Dental of California	Security Life
Delta Dental of Massachusetts	Shenandoah Life
Dental Benefit Providers	The Standard
Dental Network of America	Teachers Protective Mutual Life
Florida Combined	Trustmark Insurance (group only)
Fortis Benefits	Trustmark Voluntary Division
GE Financial — Employer Services Group	United Concordia
Guardian Life	WellPoint Health Networks

APPENDIX: DEFINITIONS

For the purposes of this survey, the following definitions apply:

Active Preferred Provider Organization (PPO) — Dental PPO products have two key characteristics. Dental plans enter into contracts with providers for the express purpose of obtaining a discount from overall fees. Discounts may be negotiated on an individual provider basis or through use of a schedule of fees. Enrollees receive value from these discounts by increased benefits when using a network provider.

Administrative services only (ASO) — An arrangement in which the buyers self-fund their benefits but purchase administrative services from an insurance company or other third-party organization.

Dental — Dental coverage includes diagnostic, preventive, major dental services (e.g., restoration, oral surgery, endodontics, periodontics, prosthodontics), and orthodontics.

Dental Health Maintenance Organization (DHMO) — A dental product that provides comprehensive dental benefits to a defined population of enrollees in exchange for a fixed monthly premium. General dentistry services are paid for primarily under capitation arrangements with a contracted network of dentists. Dental Health Maintenance Organizations are also referred to as dental maintenance plans (DMPs), dental HMOs, or Managed Dental.

Dental indemnity — Refers to products where providers are reimbursed on a fee-for-service basis and there are no discounted provider contract arrangements. Some indemnity dental products may include provider contracts for limited purposes such as prohibitions on balance billing.

Dental referral plans or Discount Dental plans — A noninsured program in which a panel of dentists agrees to perform services for enrollees at a specified discounted price, or a discount off their usual charge. No payment is made by the plan to the dentists; dentists are paid the negotiated fee directly by enrollees.

Dual choice dental — Plans that provide employees with a choice among multiple dental plan options, such as indemnity/PPO or DHMO choice, or a choice between two PPO plans.

Employer group — Employer-sponsored group plans involving a master contract between insurers and employers, or trusts set up by employers, with participants receiving certificates as evidence of coverage. These plans include plans for which participants pay the entire premium and plans partly or wholly paid by the employer.

Fully insured — A plan where employers and/or employees pay a premium to an insurance company or other organization in exchange for coverage of anticipated dental costs and the provision of administrative services.

Passive Preferred Provider Organization (PPO) — The passive PPO product uses the same provider discounts as an active PPO. However, enrollees' benefit levels are the same regardless of whether they choose a network provider.

Referable locations — Every occurrence of a practitioner at a location. For example, if a dentist practices at three locations, then there are three referable locations. Or, if a dentist's office has 10 dentists, then there are 10 referable locations.

Subscriber — The employee who elects coverage under the dental plan.

Voluntary — 100 percent employee-paid dental plan.

RELATED LINKS

The following links are valid as of 5/20/04.

LIMRA

The Changing Group Insurance and Health Care Marketplace: Overview 2003 (2003)

This report is the first of four that explore how employers in the United States approach benefits decision making, what types of benefits they offer, and what their attitudes are with respect to a variety of issues in plan design and benefits administration. It documents the challenges employers face managing benefit plans, focusing specifically on the impact that rising medical insurance premium rates have had. Most of the data in this report come from a national survey of 1,337 benefits administrators conducted by LIMRA in early 2003.

<http://www.limra.com/abstracts/4390.asp>

Dental Provisional Flexibility (2003 MarketScan)

This MarketScan examines company practices regarding provisional flexibility on group dental plans. This definition excludes any modifications to coinsurance, deductibles, and maximums. Topics addressed include the products and markets in which provisional flexibility is offered, the types of procedures covered, and the motivations for offering this feature.

<http://www.limra.com/abstracts/4146.asp>

Employee Choice for Dental Plans (2002 MarketScan)

This MarketScan looks at employee benefit choice (i.e., dual choice dental plans). These types of plans are intended to provide employees a choice among multiple dental plans, allowing employees to select the most appropriate design from the available options. This study covers sales and retention, product design/requirements, and marketing.

<http://www.limra.com/abstracts/3952.asp>

Group Dental Contact Center and Claims Processing Metrics (2004 MarketScan)

This MarketScan examines company practices regarding contact center and claims processing metrics for group dental plans. Contact center topics addressed in the survey include average speed to answer a telephone call, call abandon rates, and call quality rates. Topics related to claims processing include targeted claims payment accuracy, claims procedural accuracy, and claims financial accuracy.

<http://www.limra.com/abstracts/4416.asp>

LIMRA and NADP U.S. Group Dental Plans Sales and In Force Survey (2003)

This report provides group dental plan sales results for a group of 41 U.S. companies, representing approximately 80 carriers that contributed to LIMRA and NADP's U.S. Group Dental Plans survey. Participating companies represent nearly 84 percent of the total dental benefits market in force. For companies that reported by product, the study covers 69 percent of the indemnity market, 81 percent of the DPPO market, 64 percent of the DHMO market, and 37 percent of the discount dental market.

<http://www.limra.com/abstracts/4144.asp>