



May 21, 2018

House Insurance Committee
Rep. Thomas E. Brinkman, Jr., Chairman
77 S. High St, 11th Floor
Columbus, OH 43215

Mr. Chairman:

The National Association of Dental Plans (NADP) submits the following testimony in opposition to House Bill 367 regarding fees for dental services, referenced in this letter as non-covered services (NCS). The bill has been referred to the Insurance Committee for hearings.

NCS legislation prohibits a dental plan from requiring a dentist to accept a negotiated fee set by the dental plan unless the dental plan compensates the dentist for the specific service. This type of agreement is common in many dental carriers' provider contracts, a standard aspect of their contractual relationship that defrays the cost of dental care for plan enrollees (your constituents) when they need services that the purchaser or employer may not cover in the interest of keeping their group dental premium more affordable. Dentists knowingly enter into contracts with these provisions in return for the increased patient volume that accompanies membership in a dental plan network.

NADP respectfully opposes HB 367, and encourages the Committee to fully investigate the ramifications this bill would have on your constituents and employers in Ohio:

- **Consumers' out-of-pocket expenses will increase due to the loss of the discounts on certain dental procedures.**
- Employers may experience complaints due to employee dissatisfaction at increased costs for non-covered services.

In addition to these impacts, the bill text improperly places the prohibition in the Unfair & Deceptive Acts section of the Insurance Code, making inclusion of non-covered services policies in dental contracts a quasi-criminal offense. This is duplicative, as the bill already applies to the Health Care Contract Law, unnecessary and a departure from approaches taken in other states and the National Conference of Insurance Legislators (NCOIL) model legislation.

In another departure from the NCOIL model, the bill's inclusion and definition of "contracting entity" would have significant implications for the leasing of dental networks and provision of discount dental plans. As currently drafted, the bill could prohibit dental networks from contracting with dentists in a single contract for both insured and discount services. Single contracts for insured and discount services are a

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common practice. This prohibition would require costly and burdensome efforts to contract separately for insured and discount services. This has not been implemented in other states, nor was it part of NCOIL discussion and will require closer examination by the Committee.

Additional background information on provider networks includes:

- Employers' demand for flexibility and affordability means not every dental plan design covers every single procedure on a dentist's contracted fee schedule. Often, the insurer pays 80% and the enrollee pays 20% of the contracted fee for a category of procedures that is selected and specified by the purchaser, in consultation with a benefits broker, consultant or the dental carrier. For other categories of specified services, the insurer pays 100% and the insured pays 0% of the contracted fee. Non-covered services are those for which the insurer pays 0% and the insured pays 100%. The value of having dental coverage when choosing these services lies in the lower rate the dentist has agreed to when collecting 100% of the contracted fee.
- While most policies cover the majority of frequently utilized procedures, a range of dental benefit plans, with appropriately varied premium ranges, is available in the marketplace to meet employer and employee budgets.
- Dentists choose to join a dental network and accept the contracted fees in return for increased access to patients who are customers of the dental carrier.

In short, prohibiting contracted discounts for non-covered services is confusing and financially harmful to consumers and drives up costs.

Attached is a detailed overview of non-covered services to explain the issue in more detail. NCS legislation is a stated priority of organized dentistry at state and national levels, with the stated primary purpose to increase dentist income, which ultimately raises out-of-pocket costs for consumers. In various states, opposition has been heard from the local chamber of commerce, AFL-CIO, state employees, and others.

NADP appreciates the opportunity to share our views, and we are available to answer any of the Committee's questions. In addition to the NCS summary, we have also attached our Ohio Dental State Fact Sheet for your review. Thank you again for your attention to this important issue.

Sincerely,



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NADP Description: NADP is the largest non-profit trade association focused exclusively on the dental benefits industry. NADP's members provide dental HMO, dental PPO, dental Indemnity and discount dental products to more than 195 million Americans with dental benefits. Our members include the entire spectrum of dental carriers: companies that provide both medical and dental coverage,

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companies that provide only dental coverage, major national carriers, regional, and single state companies, as well as companies organized as non-profit plan

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An Overview of Dental Non-Covered Services

Non-covered services (NCS) legislation would prohibit a dental insurance plan from requiring a contracted dentist to accept a payment fee set by the dental plan unless the dental plan compensates the dentist for such services. While prohibiting discounts on non-covered services does not impact the plan's revenue, it will have a direct and lasting negative impact on a consumer's out-of-pocket costs.

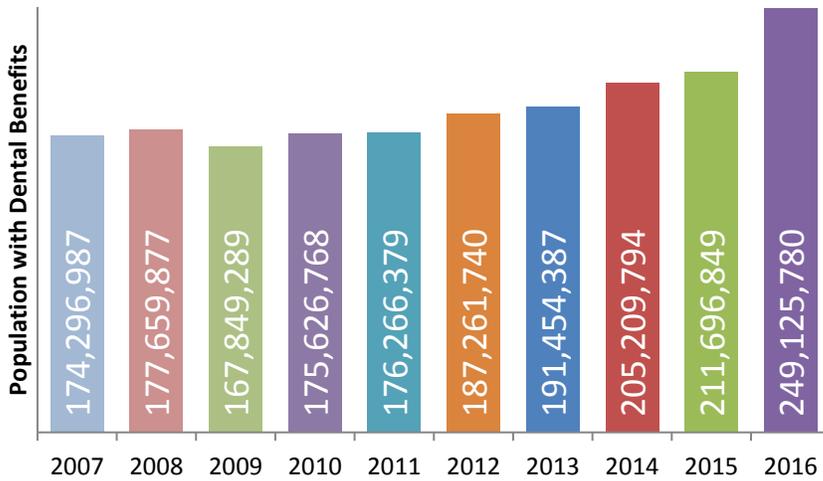
Dental plans cover a wide array of dental services; however, most have an annual maximum benefit per plan year. After the annual maximum amount is met, consumers can continue to benefit from insurance coverage when discounts are afforded to them through contracted fees between their dental plan, and that plan's contracted dentists.

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

Minimizing American's out-of-pocket health costs is one of the primary goals for federal health care reform. Dental consumers, dental plans and dentists have a responsibility to work together to offer competitive costs for dental services. Dentists who contract with a dental plan may agree to accept the fees for dental services specified in the contract, regardless of the payment source. The dental plan pays for covered services in part or in whole, and the consumer pays for non-covered services. Regardless of the payment source, the total the dentist receives is the agreed upon contracted fee, thus providing benefits to the consumer and the employer as described below:

- **Contracted Fees—Benefits to the Consumer:**
 - Consumers receive the contracted fee even if the service is not covered by their insurance plan. Without the contracted fees, consumer costs for non-covered services are generally higher.
 - Cost of dental care is predictable for the consumer when the same contracted fees are applied to needed services even after the annual maximum is met. Dental plans and consumers can better calculate expected costs up front when a single fee schedule is adopted for all services, covered or not, and this helps avoid surprised "sticker-shock" that might otherwise result from non-contracted fees for dental services.
 - Cost savings realized when consumers receive non-covered services at a contracted fee encourages them to seek treatment in a timely manner and not delay care due to cost restraints. Paying a higher, non-contracted fee can put significant financial strain on individuals and families.
- **Contracted Fees—Benefits to the Employer:**
 - Due to rising medical premiums, employers are facing hard choices with their health care benefit options. A dental plan's ability to offer a single contracted fee schedule for all services under a group employer dental plan increases the scope of benefits without increasing premiums, thereby increasing the overall value of the program for employees.
 - Employers review their employees' utilization and customize their dental plan selection accordingly. The design of the dental policy selected by the employer dictates what services are covered under a plan. This allows the employer to offer a plan at an affordable cost to both the employer and the consumer. Dental plans contract fees with dentists, and offer multiple policies based on the contracted fee. The Act being considered by NCOIL would limit employer flexibility, and reduce their product choices.
- **Contracted Fees—Dentist Topics:**
 - Dentists may be initially in favor of prohibiting discounts on non-covered services; however, there is little evidence to support increased revenue by supporting this measure. A recent study by Delta Dental Plans Association of all Delta plans showed only a .44 percent difference in total approved claims costs are even affected. Dentists can do their part in health care reform by holding their costs to the contracted fees already agreed to for patients covered by dental insurance.
 - Dentists have the choice to join a dental plan's network and accept the contracted fees for both covered and non-covered services.

National Enrollment Trends



Source: 2017 NADP Dental Benefits Report on Enrollment

State Enrollment Trends

An estimated 8,895,602 or 77% of the Ohio population have dental benefits compared to 77% of the population nationally.

Plan Type	Enrollment
Private Plans	
DHMO	283,392
DPPO	5,038,229
Indemnity	105,889
Other Private	167,954
Public Plans	
Medicaid/CHIP	3,300,138

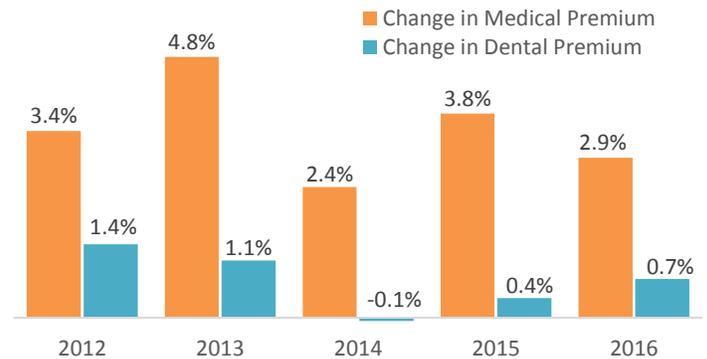
Source: 2017 NADP Dental Benefits Report on Enrollment

Distribution of Commercial Benefits: State v National

	DHMO	DPPO	Indemnity	Other
Ohio	5.1%	90.0%	1.9%	3.0%
National	6.9%	81.1%	6.4%	5.0%

Source: 2017 NADP Dental Benefits Report on Enrollment

National Change in Premium



Source: NADP 2013-2016 Dental Benefits Report: Premium and Benefit Utilization Trends and 2017 NADP Survey of Members

State Workforce

The federal standard for an adequate supply of dentists is 3.33 practicing dentists per 10,000 population. The table presents the number of dentists participating on provider networks in Ohio including the number of network dentists per 10,000 population.

Network Type	Total Dentist	General Dentists	Pediatric Dentists	Specialists	Per 10,000
DHMO	2,396	1,939	73	384	1.2
DPPO	9,528	7,042	544	1,942	8.2

Source: 2017 NADP Dental Benefits Report: Network Administration & Network Statistics

Ohio NADP Members

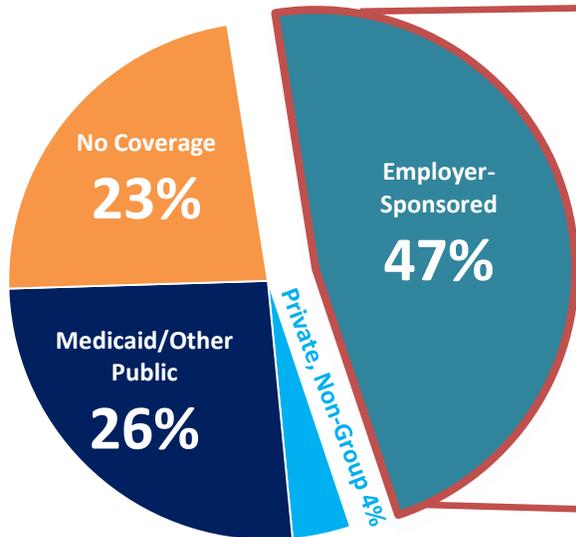
Plan Types Offered by NADP Members



Source: 2017 NADP Membership Directory

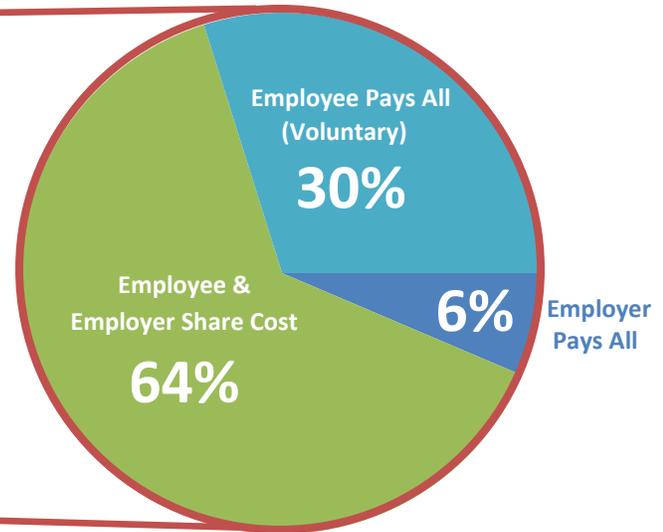
National Dental Benefits

Sources of Dental Coverage



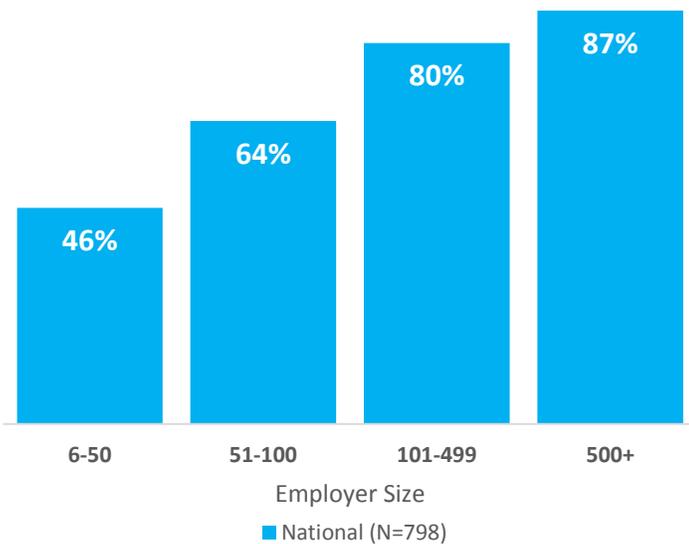
Source: 2017 NADP Dental Benefits Report on Enrollment

Group Policy Funding



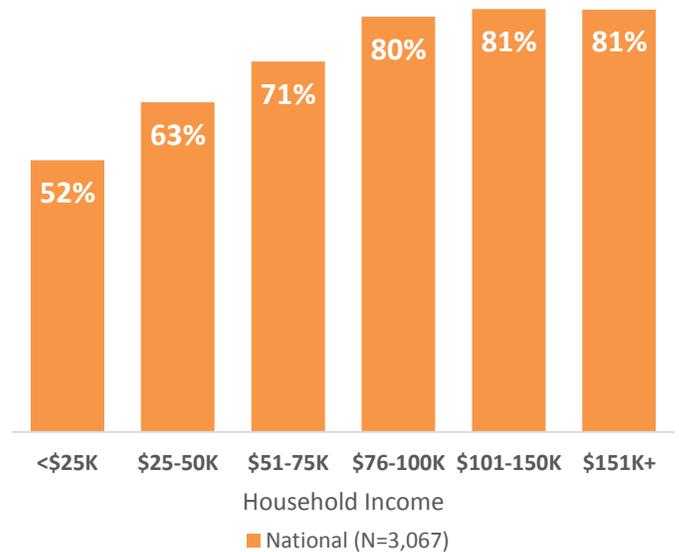
Source: 2017 NADP Survey of Employers

Employers Offering Dental by Employer Size



Source: 2017 NADP Survey of Employers

Consumers with Dental by Household Income



Source: 2017 NADP Survey of Consumers

About NADP



The National Association of Dental Plans (NADP), a nonprofit corporation with headquarters in Dallas, Texas, is the "representative and recognized resource of the dental benefits industry." NADP is the only national trade organization that includes the full spectrum of dental benefits companies operating in the United States. NADP's members provide dental benefits to more than 195 million Americans.