

Selling Dental Benefits in a Changing Market

Dental in Depth

An Article Series for Producers

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The sales environment faced by brokers and consultants who advise employers on dental benefits is remarkable for its dynamic nature – as well as its changing nuances. An awareness of the reasons for the popularity of dental benefits and these nuances can help brokers connect with clients and meet their organization's needs.

A Popular Benefit

Prospective and current employers and employees value dental benefits. This would appear to be true no matter how long the employee has been a member of the nation's workforce. Respondents to the National Association of Colleges and Employers 2006 Graduating Student & Alumni Survey rated dental coverage among the most important benefits. The graduates rated dental coverage behind only medical insurance, yearly salary increases and a 401(k) retirement plan; and ahead of life insurance.¹

Similarly, established employees responding to the 2005 Group Purchaser Behavior Study commissioned by the National Association of Dental Plans (NADP) rated dental coverage as the third most important employee benefit, behind health and retirement benefits.² When researchers from Taylor Nelson/Sofres Intersearch surveyed people in 2002 about their attitudes toward dental benefits, nearly 80 percent of respondents felt it was "very important" or "somewhat important" to have dental benefits provided by a prospective employer. Interestingly, a majority of respondents did not view the rising cost of healthcare as a credible reason for cutting dental benefits.³

The lesson to brokers, consultants and their clients is that offering dental benefits continues to be a good business practice, no matter who they are trying to recruit and retain.

The Importance of Good Oral Health

For employees, the primary motivation supporting the demand for dental benefits is the importance they place on their oral health. Oral health affects essential body functions including speaking, chewing and swallowing. Social and business interactions are also affected as bad oral health and unattractive teeth affect

the willingness of people to interact with each other.

Studies have indicated there are relationships between periodontal diseases and systemic illnesses, such as cardiovascular disease, respiratory illness, diabetes, and pregnancy complications. Research also substantiates that regular visits to the dentist can help in the early detection and management of serious physical illnesses, such as diabetes and oral cancer.

A national poll, conducted by the nonprofit group *Research!America*, assessed public attitudes on oral health and found that an overwhelming 85 percent of Americans indicated their oral health was very important to their overall health. The same poll found that lack of insurance is the primary reason people hadn't visited the dentist in the past 12 months. So, the primary motivation for employees and employers is that dental benefits enhance the quality of employee lives.

Employers On Board

Considering the popularity of dental benefits, the number of people who do not have them represents an opportunity for brokers. According to the 2006 NADP/Delta Dental Plans Association Joint Dental Benefits Report on enrollment, nearly 163 million Americans are covered by some form of dental benefit through employer-sponsored group plans or other group or individual plans.⁴ This represents about 55 percent of the population of the United States. This leaves approximately 137 million people among our 300 million with no dental benefits, or 45 percent of the population.

Many employers recognize and endorse the importance of offering dental benefits. The 2005 Group Purchaser Behavior Study conducted for the NADP found that 71 percent of employers offer some form of dental benefits.⁵ However, because the increasing cost of healthcare and health insurance is putting the squeeze on all other benefits, the study revealed many employers plan to ask employees to pay larger shares (or all of) their dental premiums: 32 percent of employers with dental benefits said they were likely to shift more of the premium costs to employees in the next 12 months.

Five Trends to Monitor

Indeed, the design of dental benefit plans today often is influenced by market trends reflecting a focus on cost control. Some of the most influential trends include lower employer contributions, more self-insured groups, PPO plan designs, higher deductibles, employee involvement and the emergence of ancillary benefits.

Lower Employer Contributions. There are many companies that offer 100 percent employer-paid dental benefits, but the trend among employers is to shift a portion of that cost to employees. Many companies offering dental benefits for the first time are providing “voluntary” plans where the employees pay the full cost of their premiums while enjoying the advantages and discounts offered through group purchasing.

PPO Plan Designs. Employers who seek to offer the same level of dental benefits without a big cost increase to employees are taking advantage of the discounts offered through Preferred Provider Organization (PPO) networks. These provide employers and employees with the flexibility to choose dentists similar to traditional dental indemnity plans, but at reduced premiums and with lower out of pocket costs. Employees who have established relationships with dentists that are not part of the network often still receive some coverage benefits. Enrollment trends show a migration of subscribers, primarily from traditional fee-for-service plans, to PPO arrangements.

Higher Deductibles. An increasing number of employers now require a commitment from employees to their oral health in the form of a deductible, and the level of that deductible has been slowly but steadily rising. The percentage of employers offering plans with a \$0 to \$25 deductible has declined from 63 percent to 55 percent and that trend is expected to continue. However, most plans continue to offer diagnostic and preventive services with little or no out-of-pocket costs.

More Employee Involvement. Employee involvement is another cost control strategy that has become part of dental plans. Dental plan designs include consumers in treatment decisions. Dental plans often require patients to pick up 50 percent of the cost of complex tooth restorations, for example, making it more likely that they’ll discuss treatment options with their dentists, and then make decisions based in part on price.

Overall, most dental benefit plans feature incentives that direct patients toward preventive and early-treatment procedures and away from expensive cures and restorations. That has been a major factor behind the stability of dental benefit pricing and the modest increase of the cost of dental coverage relative to medical.

To enable employees to help control costs, dental

benefit plans incorporate incentives for participants to help prevent more serious oral health problems as well as choose less expensive procedures.

Broader Array of Ancillary benefits. The emergence of ancillary benefits to the benefits mix simultaneously represents a challenge and an opportunity to promote dental benefits. Historically excluded from major medical plans and benefit plan designs, these ancillary benefits compete for attention with dental benefits. Long-term care insurance, vision, legal and supplemental health insurance to cover expensive treatments for illnesses such as cancer are among the benefit options employers are presenting to employees. The emerging popularity of some of these benefits is fueled by the pre-tax status granted to employee payments for the plans by federal and state governments. In many instances, dental plan employee contributions are also deducted from employee earnings on a pre-tax basis.

Another factor driving the popularity of increased ancillary offerings is their popularity with employers, who recognize they can offer these plans to employees as consumer-driven, flexible spending plans at little or no cost to organizational bottom lines.

Consumer-driven, flexible spending accounts represent an opportunity to support dental benefits when employees may use discretionary dollars to help pay for dental treatments or costs not covered by base dental plans.

Market Tips & Conclusions

The pressures on employers to cut benefit plan costs has somewhat abated. According to the National Survey of Employer-Sponsored Health Plans, the rate of growth in health benefit costs, which hit a 12-year high of 14.7 percent in 2002, slowed to 6.1 percent by 2005. Brokers and benefit consultants can still expect employers to look for ways to manage the increase as part of an overall organizational strategy to improve bottom lines.

How can brokers use information on employee and employer attitudes, trends and the benefits mix to sell Delta Dental more effectively?

Compare and contrast. Costs as well as corporate cultures, competitive pressures and employee participation will affect the choices organizations make as they consider changes to dental benefits. When advising employers, research what benefits similar employers in the regional market and industry are offering employees. This information is often found on company websites, in career opportunity sections, and in “best places to work” news articles.

Know the history of employer contributions. Many organizations have raised deductibles and lowered employer contributions. Dental benefit plan costs are utilization driven, and utilization rates for the most part are user-discretionary. Raising deductibles

discourages utilization. By contrast, lowering the employer contribution tends to reduce participation in dental plans but increases utilization, as employees seek the greatest value for their benefit dollars. This ultimately increases the cost per covered person.

Ask and listen. Finding out from employers what is important to their organizations, including their human resource recruitment and retention objectives, will make it much more likely that your recommendations will result in new sales and successful ongoing business relationships.

References:

1. 2006 National Association of Colleges and Employers Graduating Student & Alumni Survey, June 2006.
2. 2005 NADP Group Dental Purchaser Research, April 2005.
3. Taylor Nelson/Sofres Intersearch survey, May 2002.
4. 2006 NADP/DDPA Joint Dental Benefits Report, July 2006.
5. 2005 NADP Group Dental Purchaser Research, April 2005.
6. Mercer Health & Benefits LLC, National Survey of Employer-Sponsored Health Plans, November 2006.