Benefit design and transfer considerations

Greg Cain

Sales Executive – Group Benefits

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Agenda

- Common terms
- Types of dental plans
- Design considerations
- Controlling cost
- Transfer considerations

Common terms

Terms	Services normally covered
Usual, Customary and Reasonable (UCR) Fee/Prevailing fee	Prevailing fee most providers within a geographical area charge for a treatment or service Setting UCR/prevailing fee amounts: • Use own claim data • Use a third-party vendor Carriers update prevailing fee amounts periodically
Maximum Allowable Charge (MAC)	Maximum charge based on the amount agreed to by network dentists, or another type of schedule

How prevailing fees are set

Dentist	Exam fee
Dr. Smith	$25
Dr. Jones	$30
Dr. Green Dr. Barker Dr. Peterson	$35
Dr. Porter Dr. Harrison	$40
Dr. White	$45
Dr. Carroll	$50
Dr. Gray	$55

Based on their usual fees:

Percent	Charge
50%	$35 or less
80%	$45 or less
90%	$50 or less

Their prevailing fees would look like this:

Percent	Prevailing Fee
50%	$35
80%	$45
90%	$50

Example: prevailing fee

Molar Root Canal	In-Network	Out-of-Network	
		80th Percentile	Above the 80th Percentile
Fee charged	$1,400	$1,358	$1,400
Negotiated rate/Out-of-network accepted at 80th Percentile	$910	$1,358	$1,358
Coinsurance at 80%	$728	$1,086.40	$1,086.40
Employee Insurance at 20%	$182	$271.60	$271.60
Balance Bill to Employee	NA	$0	$42
Employee Total Cost	$182	$271.60	$313.60

Common provisions

Provision	Services normally covered
Preventive	Routine oral exams, cleanings, fluoride treatments
Optional In Either Preventive Or Basic	X-rays, sealants, emergency exams, periodontal (gum) maintenance
Basic	Fillings, stainless steel crowns
Optional In Either Basic Or Major	Oral surgery, crowns, root canals, periodontics
Major	Bridges, dentures, dental implants*

*Implants are not always standardly covered by carriers. If implants are covered under the plan, they are under Major or a rider.

Common limitations and exclusions

Example	Description
Pre-existing conditions	• Dental conditions prior to coverage, e.g. missing teeth • Dental procedures started prior to start of coverage
Least expensive alternative treatment	Reduces benefits to the least expensive of other possible treatment options as determined by the benefit plan
Predetermination of benefits	Requires or recommends the provider submit a treatment plan before the services are completed

Common limitations and exclusions, continued

Example	Description
Benefit limits	• Limited benefits for specific services like dental implants, cosmetics, TMJ, composite fillings and orthodontics • Limited number of visits • Limited procedures like crowns, inlays, onlays, prosthetics
Coordination of benefits	• Enables two or more carriers to determine liability and pay covered expenses without allowing the employee to make a profit
Other	• Services covered by workers compensation • Accidents

Plans & plan design

Typical plans

- Indemnity
- Preferred Provider Organization (PPO)*
- Exclusive Provider Organization (EPO)
- Dental Maintenance Health Organizations (DHMO)/Pre-Paid Dental

*Contracted provider network in Texas.

Indemnity

- No network
- Visit any provider
- Free or low-cost preventive care
- Providers reimbursed at UCR level

Preferred Provider Organization (PPO)*

- Encourages employees to visit network providers
- Lower-out of pocket costs when in-network
- Controls claim costs

*Contracted provider network in Texas.

Common PPO offerings

Unscheduled PPO	Scheduled/maximum allowable charge (MAC) PPO
• In-network payments – amount agreed to by PPO providers • Out-of-network payments – based on UCR prevailing fee	• In-network payments – amount agreed to by PPO providers • Out-of-network payments – maximum charge is the amount agreed to by PPO providers, or another type of schedule

82% of plans are **Unscheduled*** **18%** of plans are **Scheduled***

* Principal Life internal data.

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In-network claims example: filling

Scheduled in-network					
Dentist charge	**Negotiated fee**	**Patient $50 deductible**	**Patient 20% coinsurance**	**Difference of dentist charge and negotiated fee**	**Total out-of-pocket cost**
$200	$140	$50	($140-50) x20%=$18	$60; for an in-network claim, the patient is not responsible for this amount	$50+$18= $68

Unscheduled in-network					
Dentist charge	**Negotiated fee**	**Patient $50 deductible**	**Patient 20% coinsurance**	**Difference of dentist charge and negotiated fee**	**Total out-of-pocket cost**
$200	$140	$50	($140-50) x20%=$18	$60; for an in-network claim, the patient is not responsible for this amount	$50+$18= $68

Out-of-network claims example: filling

Scheduled Non-network claim					
Dentist charge	**Negotiated fee**	**Patient $50 deductible**	**Patient 20% coinsurance**	**Difference of dentist charge and negotiated fee**	**Total out-of-pocket cost**
$200	$140	$50	($140-50) x20%=$18	$200-140=$60	$50+18+60= $128

Unscheduled Non-network claim					
Dentist charge	**UCR prevailing fee**	**Patient $50 deductible**	**Patient 20% coinsurance**	**Difference of dentist charge and UCR prevailing fee**	**Total out-of-pocket cost**
$200	$185	$50	($185-50) x20%=$27	$200-185= $15	$50+27+15= $92

In-network claims example: crown

In-Network Provider Scheduled Billing	
Dentist charge	$982
Negotiated fee	$690
Patient $50 deductible	$50
Patient 50% coinsurance	$320
Difference of dentist charge and negotiated fee	$292; for an in-network claim, the patient is not responsible for this amount
Total out-of-pocket cost	$370

In-Network Provider Unscheduled Billing	
Dentist charge	$982
Negotiated fee	$690
Patient $50 deductible	$50
Patient 50% coinsurance	$320
Difference of dentist charge and negotiated fee	$292; for an in-network claim, the patient is not responsible for this amount
Total out-of-pocket cost	$370

Out-of-network provider unscheduled billing

Out-of-Network Provider Scheduled Billing	
Dentist charge	$982
UCR/prevailing fee	$690
Patient $50 deductible	$50
Patient 50% coinsurance	$320
Difference of dentist charge and negotiated fee	$292
Total out-of-pocket cost	$662

In-Network Provider Unscheduled Billing	
Dentist charge	$982
UCR/prevailing fee	$970
Patient $50 deductible	$50
Patient 50% coinsurance	$460
Difference of dentist charge and UCR prevailing fee	$12
Total out-of-pocket cost	$522

Types of PPO designs

- Active
- Passive

Active PPO

- Deductible and/or coinsurance amounts are different for in-network and out-of-network services
- Richer in-network benefits
- Best design to encourage network provider usage
- Good for areas with strong networks
- Good when employer offers two plans

Sample active PPO design

	Deductible		Coinsurance		Maximum	
	In-Network	Out-of Network	In-Network	Out-of Network	In-Network	Out-of Network
Preventive	$0	$50	100%	90%	$1,500	$750
Basic	$25	$50	80%	70%		
Major	$25	$50	50%	40%		

Passive PPO

- No incentive to visit in-network providers from a deductible, coinsurance and maximum standpoint
- Same benefits in-network and out-of-network
- Good when want to keep current providers
- Higher out-of-pocket costs with out-of-network providers because employees don’t get to take advantage of the provider discount

Sample passive PPO design

	Deductible		Coinsurance		Maximum	
	In-Network	Out-of Network	In-Network	Out-of Network	In-Network	Out-of Network
Preventive	$0	$0	100%	100%	$1,000	$1,000
Basic	$50	$50	80%	80%		
Major	$50	$50	50%	50%		

Exclusive Provider Organization (EPO)

- Exclusive network of providers
- Smaller network than PPO
- Deep-discounted fees for services
- No out-of-network benefits
- Less expensive than PPO
- Limited geographically

Dental Health Maintenance Organizations (DHMO) / pre-paid

- Fixed co-payment
- No deductibles, maximums, or claim forms
- Limited number of providers
- Must choose primary provider
- Out of network – no benefits
- Limited employer cost

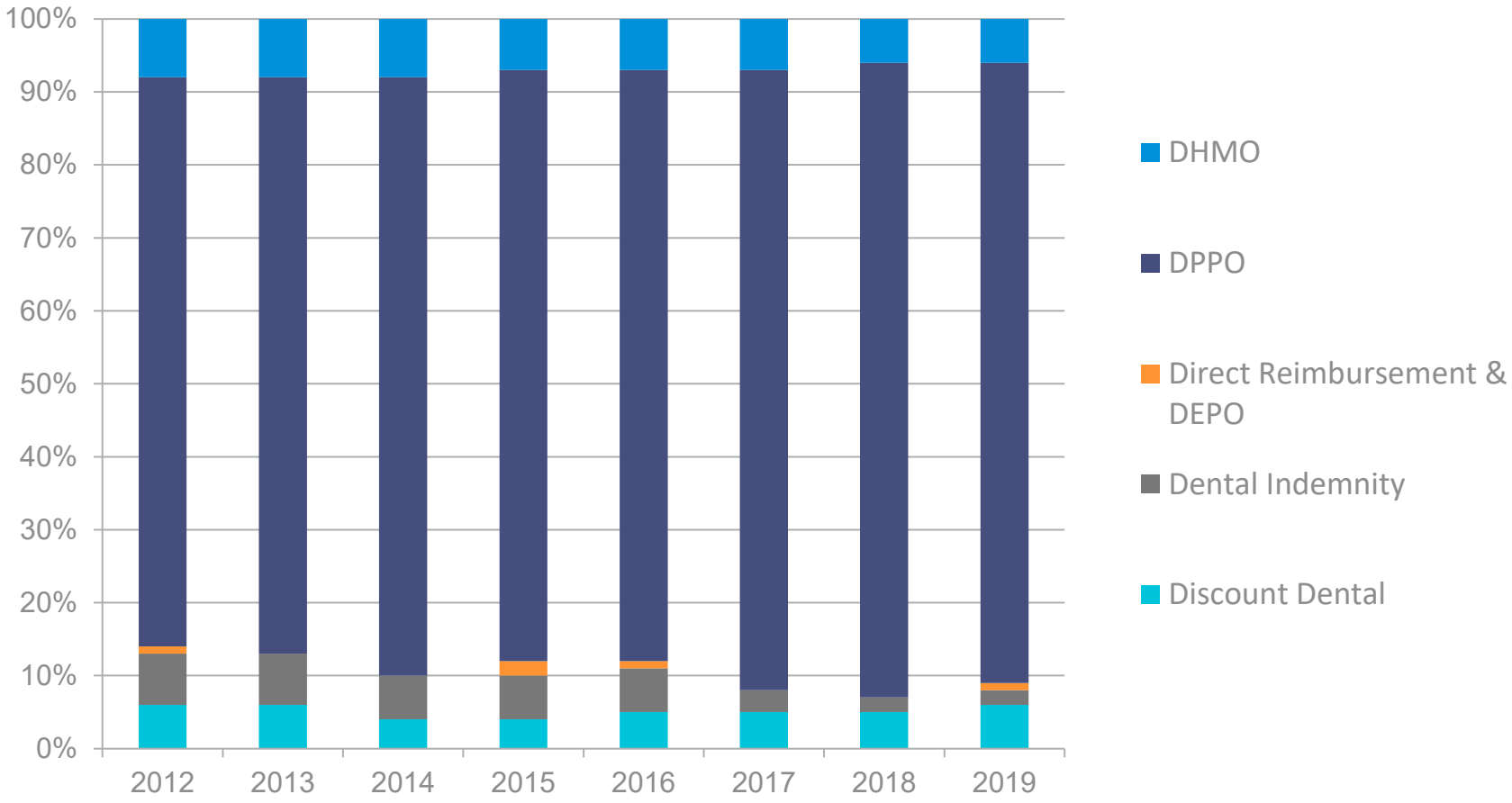
PPO or DHMO?

PPO	DHMO
Larger provider network	Smaller provider network
Freedom to choose any provider	Must choose primary provider
Higher employer premium	Limited employer cost
Employee pays annual deductible and co-insurance up to annual maximum	Fixed copayment – no deductibles, maximums or claim forms
Coverage outside of network available with increased employee out-of-pocket costs	Out-of-network – emergency benefits only

Choosing a plan design

- Considerations
  - Objectives
  - Annual premium & employer budget
  - Cost savings to employees
  - Network incentive
  - Benefit payment level
  - Employee ease of use

Dental plan enrollment trends



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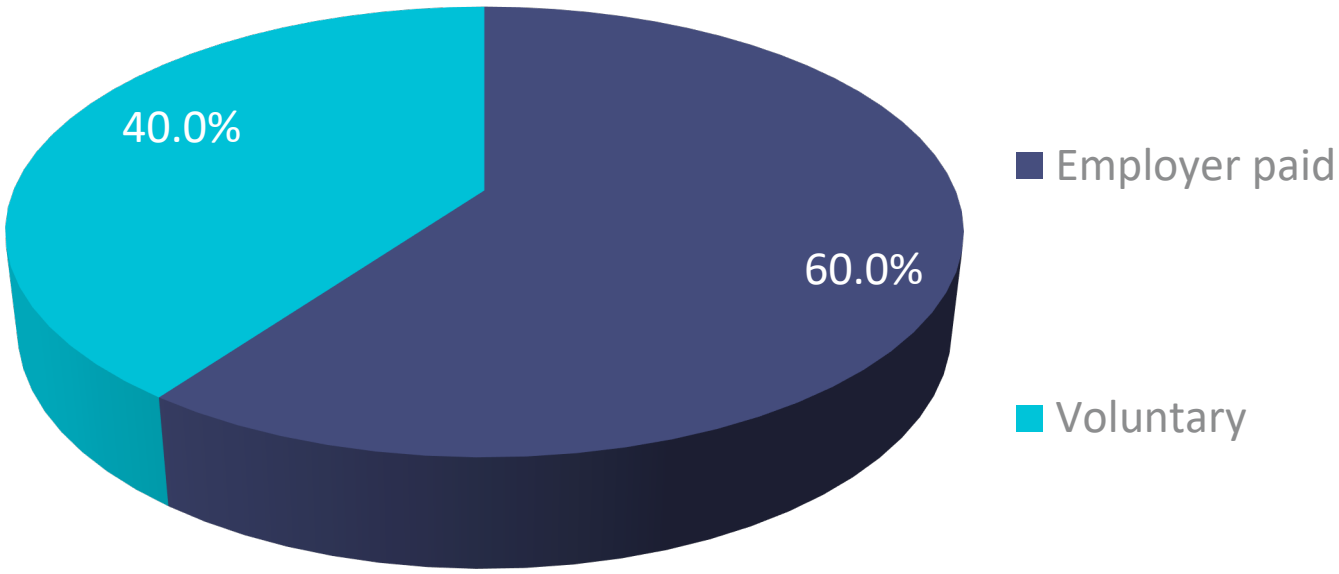
Funding

- Employer-paid
- Contributory
- Voluntary
- Self-insured/self-funded

Dental premiums – who pays?



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Cost-saving ideas: dental plan designs

Be active: use an active scheduled PPO

Benefit comparison

Transitional/Passive PPO						
	In-Network			Out-of-Network		
	Deductible	Coinsurance	Maximum	Deductible	Coinsurance	Maximum
Preventive	$0	100%	$1,000	$0	100%	$1,000
Basic	$50	80%		$50	80%	
Major		50%			50%	

Active PPO						
	In-Network			Out-of-Network		
	Deductible	Coinsurance	Maximum	Deductible	Coinsurance	Maximum
Preventive	$0	100%	$1,000	$0	80%	$1,000
Basic	$50	80%		$50	80%	
Major		50%			50%	

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Passive and Active: In-network

Passive & active PPO	
Provider's charge (cleaning)	$125
Fee schedule amount	$81
Patient responsibility ($0 deductible)	$0
Patient responsibility (0% coinsurance)	$0
Balance bill amount	N/A
Total out-of-pocket	**$0**

Passive and Active: Out-of-Network

Passive PPO	
Provider's charge (cleaning)	$125
90th percentile amount	$118
Patient responsibility ($0 deductible)	$0
Patient responsibility (0% coinsurance)	$0
Balance bill amount = $125 - $118	$7
Total out-of-pocket = $0 + $8 = $8	**$7**

Active PPO	
Provider's charge (cleaning)	$125
90th percentile amount	$118
Patient responsibility ($0 deductible)	$0
Patient responsibility (20% coinsurance)	$23.60
Balance bill amount = $125 - $118	$7
Total out-of-pocket = $8 + 22 = $30	**$30.60**

Make small changes

- Reduce maximums
- Move endodontics, periodontics and oral surgery from basic to major
- Use crown replacement frequency of 120 months instead of 60 months

Offer choices

Use core/buy-up

- Employer provides core benefits (exams, cleanings, x-rays)
- Employees have option to buy additional coverage for basic and major services

Core/buy-up example

Core: Employer-paid	Buy-up: Employee-paid
100% coinsurance for preventive only	100/80/50 coinsurance
$0 deductible for preventive only	$50 deductible for basic & major
$250 maximum	$1,500 maximum
Scheduled PPO Network	Unscheduled PPO Network

Use low and high benefit designs

- Create two plan designs – one with richer benefits
- Employees choose benefit they want and can afford

Employee choice sample designs

Low
100% preventive/80% basic/ 50% major coinsurance
$50 deductible for basic & major
$500 maximum
Preventive (exams, cleanings)
Basic (x-rays, fillings, sealants)
Major (crowns, periodontics, oral surgery, endodontics)

High
100% preventive/80% basic/ 50% major coinsurance
$25 deductible for basic & major
$1,000 maximum
Preventive (exams, cleanings, x-rays, sealants)
Basic (fillings, periodontics, oral surgery, endodontics)
Major (crowns)

Go voluntary

Moving to voluntary

- Increase deductibles
- Lower co-insurance
- Move to active design
- Give employees options how to spend their money

Low cost enhancements

- Maximum accumulation
- Implant coverage (under major or separate rider)
- Composite molar filling coverage under basic
- Adjust cleaning/exam frequencies to 2x/year rather than 1 every 6 months
- Waive missing tooth clause
- Cosmetic services and TMJ coverage

Transfer considerations

Maximum rollover & deductible credit

- Need to coordinate to preserve unused maximum benefits & receive deductible credit
- Provide new carrier with prior carrier information:
  - Max rollover report, if plan has maximum accumulation
  - Deductible report to demonstrate amount already satisfied

Treatment in progress is treated differently by each carrier

The “black hole”

- It’s important to know how care covered by the prior carrier and started before new coverage effective date will be covered by both carriers
- Normally orthodontic treatment is immediately covered by new carrier if covered by the prior carrier

Summary

1. Know your group
2. Choose the right plan design to meet objectives
3. Use cost-saving options
4. Look closely when transferring groups between carriers
5. Work with your carrier representative

Questions?

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