



SOCIETY OF ACTUARIES

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**Session # 49 IF: Dental Challenges –  
Revealed & Addressed**

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# DENTAL CHALLENGES – REVEALED AND ADDRESSED

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## Premium Discounting – Background

- Carriers are rating aggressively
  - Need to attain growth objectives
  - Desire to obtain market share
  - Directives to achieve ever increasing sales goals
  - Seemingly unsustainable rates

## Premium Discounting – Challenges

- Need to transition group profitably
- Avoid the perception of buying business
- Retaining groups while giving higher renewals
- Obtain funding/correct balance for discounting versus revenue
  - Tracking results to forecast
- Should discounting be an accepted business practice?
  - How can one achieve goals in current environment?
  - Are there instances where discounting is justified?

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## Premium Discounting - Solutions

- Try to get real understanding of street rates
- Leverage long tenured business to subsidize new business
- Understand which durations most at risk
- Maintain long term perspective for business growth
- Partner with broker on long term strategy
- Build model to quantify exposure and transition plan
- Engage senior management for impact on revenue stream
- Separate manual discounting (e.g. cross sell) from discretionary
- Develop adequate reporting mechanisms (billed 2 manual) and compare to forecast
- Identify demographics driving aggressive rating
- Review experience consistently to demonstrate appropriateness (manual loss ratio)
- Stay away from bid triggers (10%,15%) on renewal
- Understand legality (broker favoritism vs field underwriting)

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## Extended Rate Guarantees - Background

- Increasing acceptance by buyers and sellers
- More than half of dental carriers offer
- Growing acceptance worsens situation

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## Extended Rate Guarantees - Challenges

- Pricing
- Competition
- Adverse selection
- Persistency
- Profitability

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## Extended Rate Guarantees - Solutions

- Don't offer – still some carriers out there
- Understand the right price and the strategy to achieve
- Develop relationships with brokers who will support your strategy
- Leverage extended rate guarantees to achieve market share desired
- Only offer to groups with proven persistency
- Vary availability or price by case size
- Require experience, rate history, carrier history & benefit booklet
- Address with step increases, rate caps, or increases contingent on L/R
- Defer full rep comp until after 1<sup>st</sup> renewal

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## Annual Max Rollover Benefits - Background

- New innovative product idea to improve persistency
- In most competitor's product portfolio
- No prior experience

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## Annual Max Rollover Benefits - Challenges

- Pricing (assumptions for model)
- Reserving (deficiency reserve needed?)
- Reporting (external customer, and financial management)
- Marketing (taking over from competition)

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## Annual Max Rollover Benefits - Solutions

- Set up appropriate financial tracking to monitor the following vs. expectations:
  - Reward levels
  - Utilization impact
  - Persistency
  - Turn-over within group
- Pay attention to the design and accumulation guidelines
  - If dental visit is required, cost will be less
  - Simpler designs will tend to cost more
- Reserves – consider whether necessary given the cost of the benefit
  - Normally annually renewable

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## Annual Max Rollover Benefits - Solutions

- Devote project time to build customer reporting to:
  - Assess impact of product feature on individual group
  - Demonstrate value added
  - Justify cost of feature
- To takeover from another carrier, put responsibility on group to get current individual max levels
- Don't forget about HIPAA requirements

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## Oral Health Integration And Evidence Based Dentistry - Background

- Some experts declare linkage between medical and dental health
- More employer groups requesting carriers to address linkage
- Dental plans forced to address value proposition

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## Oral Health Integration And Evidence Based Dentistry - Challenges

- Is there linkage or not?
- Can the results be measured?
- Impact to costs (admin and claims)?
- Does the medical-dental carrier have an advantage?
- How does dental only carrier overcome any disadvantage?
- How do we respond to RFPs?

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## Oral Health Integration And Evidence Based Dentistry - Solutions

- Not our place to determine linkage
- We should attempt to quantify cost vs benefit
  - Include intangible benefits (persistence)
- Medical carriers place low on DM scale – need to weight internally
- Dental opportunity to leverage knowledge base and plan design
- Dental companies may be able to partner with local HMO
- Demonstrate consumer driven, informative and preventative nature of product
- It is unlikely dental carriers would experience within own group actual savings (short avg duration)
  - Govt funding with university may be available for various initiatives

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## Customized PPO Fee Schedules - Background

- Arms race on growing PPO panel
- Carriers are moving to negotiating fee schedules for individual providers
- Large variation in discounts among providers

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## Customized PPO Fee Schedules - Challenges

- Maintenance
- Pricing (blending utilization, discounts)
- Implication on PPO steerage
- Calculating Savings Guarantees and Discounts
- Are your discounts real and sustainable?
- Equity between providers
- Who makes the call?

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## Customized PPO Fee Schedules - Solutions

- Make systems part of your solution
  - Claim system
  - Provider fee system
  - Robust fee maintenance process
- Track provider utilization and discounts by area
  - Use info to adjust pricing assumptions in rate manual
  - Make sure data is credible
  - Consider the PPO steerage risk taken with the customized fee schedules

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## Customized PPO Fee Schedules - Solutions

- Make sure customized fee schedule strategy is consistent with plans you are selling
  - Smaller discounts on some providers improve Passive PPO price
  - May increase cost of two-tier plans
- More variability in fee schedules requires more conservative savings guarantees
- Keep feedback loop with provider recruiters open
  - Are providers complaining about other provider's fees?
- Establish clear policies and procedures in partnership with sales and provider recruiting for handling customized fee schedules

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## Recent Economic Conditions Are Unprecedented In Their Impact On The Dental Industry - Background

- Unemployment is reaching double-digit
- Some industries hit harder than others
- Salaries and benefits are being cut
- Less money available for benefits

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## Recent Economic Conditions Are Unprecedented In Their Impact On The Dental Industry - Challenges

- Keeping members and cases
- Utilization and cost trends
- Stronger focus on cost
- Sales growth
- Prospective pricing

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## Recent Economic Conditions Are Unprecedented In Their Impact On The Dental Industry - Solutions

- Creative plan offerings that are hard to take over and increase persistency
- Promote plan designs that keep enrollment over time (incentive coinsurance etc.)
- Develop long term focus including inter-year subsidies.
- Modify financial objectives with senior management approval.
- Engage sales to focus on voluntary plan offerings.
- Offer plans at the lower cost spectrum (e.g., MAC plans)
- Communicate value of plan to members (e.g., importance of oral health)
- Consider open enrollment penalties
- Provide renewal plan alternatives that save money

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## Recent Economic Conditions Are Unprecedented In Their Impact On The Dental Industry - Solutions

- Tilt field compensation to pay for persistency
- Increase monitoring of cost trends and react accordingly
- Consider conservative trend assumptions prospectively and its impact on sales
- Aggressively manage your PPO fee schedules
- Promote PPO usage and selling of PPO plan designs
- Aggressively manage claim payment practices and ensure they are current and effective

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## Voluntary Dental - Background

- Medical increases leave less for dental
- Market is growing
- Voluntary comprises 15-20% of market

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## Voluntary Dental - Challenges

- Creating plans to balance choice and antiselection
- Maximizing participation while minimizing cost
- Marketing for multi-level sale (ER and ee)
- Pricing and renewal strategies
- Easing admin burden of employer

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## Voluntary Dental - Solutions

- Strategy for triple sale – producer (price, service, compensation)
- Strategy for triple sale – employer (price, service, ee satisfaction, ease of admin, plan design)
- Strategy for triple sale – employees (need, plan, rate, value)
- Enrollment strategy (meetings required, company time & rep involvement)
- Participation requirements well communicated – what happens if actual different from price assumption?
- Smart plan designs – balancing choice and adverse selection
- Smaller renewals through plan design & less discounting at issue
- Marketing – AFLAC or other model?
- Allow open enrollments without LEP
- Tie dental enrollment to other products
- Tie producer comp to participation

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## Product Positioning - Background

- Medical carriers are less apt to focus on dental
  - Fewer resources and dollar allocation
  - Greatest opportunities
- Non-medical carriers lead with their dental or packaged portfolio
  - Resources are more focused but impacts expenses and claims more directly
- Each need to consider their niche in marketplace

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## Product Positioning – Challenges

- Medical and non-medical insurers each have their advantage in the dental space
- How does each position their product to compete effectively?
- Is there room for dental only (e.g., Delta) to survive in this environment?

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## Product Positioning - Solutions

- Perform SWOT analysis
- Understand what your available resources are including competing priorities
- Demonstrate advantages of total health benefit
- Leverage as many products (packaging) together to grow market share
- Identify differentiating advantages versus the competition
- Non-medical organizations (especially dental only) will give more priority to dental differentiation than medical co.
- Identify product spin (preventive enhancements, rollovers, etc.) geared towards oral health and consumer driven advantages

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## Maximum Allowable Charge (MAC) Plans - Background

- Market desires a low cost plan
- Medical increases means less for dental
- Not all low cost options are well received
- MAC plan versus DHMO, EPO and In-Network-Only plans

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## Maximum Allowable Charge (MAC) Plans - Challenges

- Potential member dissatisfaction
- Rural areas or where PPO network is weak
- Demonstrate value as viable alternative
- Slow acceptance by brokers, groups and insureds
- Do MAC plans have a place in the market?

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## Maximum Allowable Charge (MAC) Plans - Solutions

- Overboard with communication of MAC plans to avoid dissatisfied groups & employees
- Always quote alongside a UCR plan to help communicate plan difference
- Use MAC plans as a renewal strategy to buy down larger renewal increases
- Use MAC plans as a means to improve rate stability
- Restrict areas where offered if provider density is weak
- Greater opportunity for MAC plans in current economic climate
- Illustrate differences among MAC and other plans
- Use caution when experience rating against competitor's inforce MAC plan

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## Keeping Benefits Current – Background

- Average dental claims are increasing
- Plan maximums have not changed
- Premium is close to benefit value
- Expense ratios are being impacted
- Brokers/employers/members viewing dental as commodity
- Most plans have not changed in the past few years

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## Keeping Benefits Current – Challenges

- Is there a compelling reason for groups to modify/amend plans?
  - How does one overcome all the internal and external challenges?
- How can rates remain attractive when bumping against the plan maximum?
- How do you develop/enhance customer relationship on the same old product?

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## Keeping Benefits Current – Solutions

- Be proactive – change benefits when costs are lower
- Plan ahead as part of multi-year focus
- Change systemically
- Enable amendments on request
- Find opportunity to improve benefits without impacting plan maximum (maximum carve-outs)
- Offer voluntary buy-up plans
  - Require late entrant waiting period on prior premium (e.g. six month old premium until waiting period is over)
- Leverage other products and multi-line sales to reduce cost while keeping group engaged

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## Discussion and Questions

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