

# Dental Loss Ratio Legislation and Model Alternatives

National Association of Dental Plans

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# Dental Loss Ratio (DLR)

Dental is Different

History

- Affordable Care Act and Dental Plans
- California Reporting Requirements Since 2014

# Important Facts About the Dental Benefits Market

- Dental insurers are successfully holding down premiums
  - Since 2017, dental premiums have risen 0.9% per year on average, compared to the Consumer Price Index average of 2.4%, and medical premiums increasing 3.5% on average
- Consumer protections in dental plans are increasing
  - Since 2017, the percentage of enrollees in low deductible (<\$50) dental PPOs has risen from 22% to 41% in 2021.
  - Since 2017, the percentage of PPO enrollees in plans with an annual maximum of >\$2,499 increased from less than 5% to over 17% in 2021.
  - Note: PPOs make up roughly 90% of the dental benefit market
- Dental benefits competition is generally robust with more than 25 companies offering dental plans in most states.

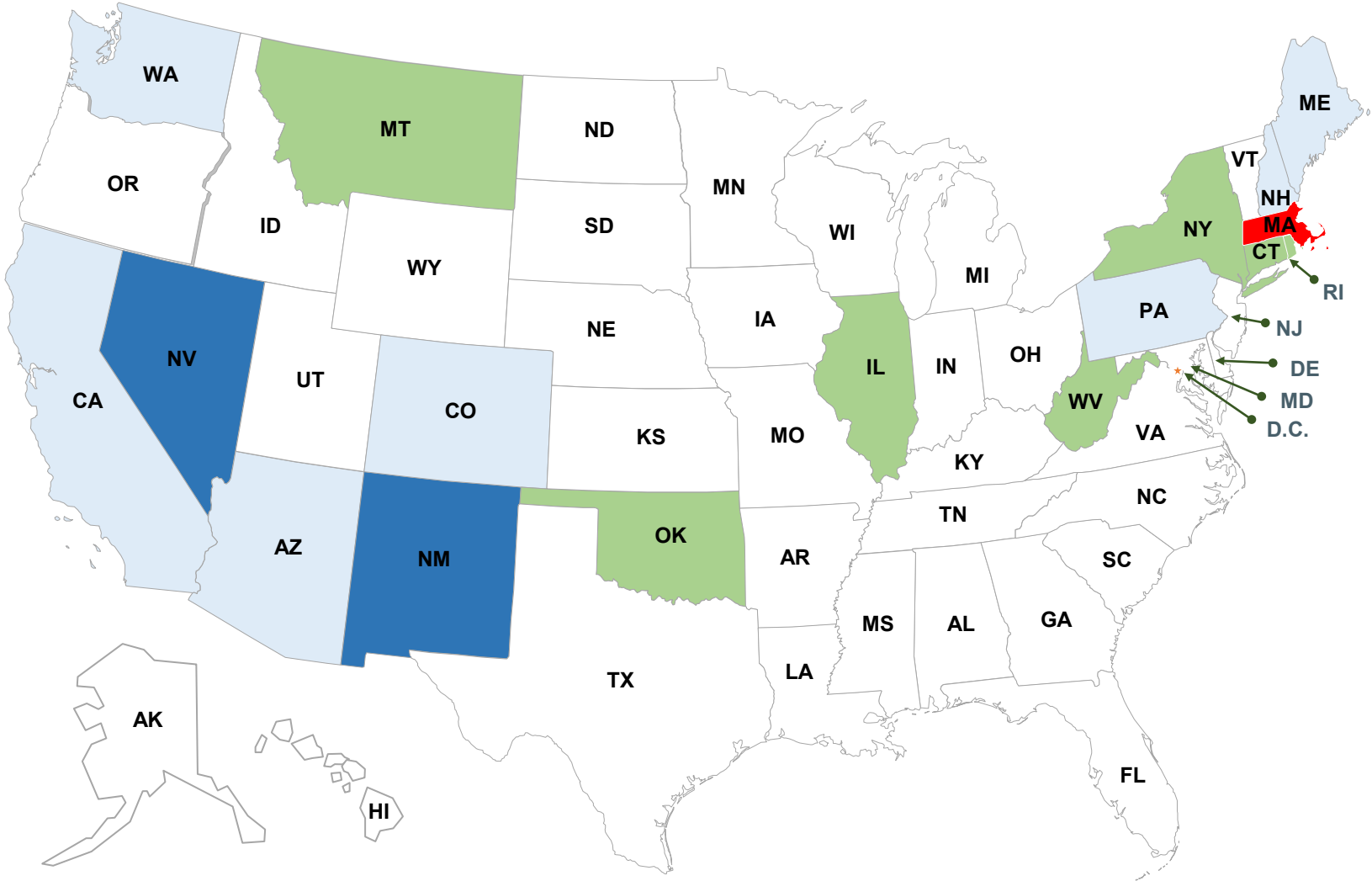
# What's Happened in 2023?

- Since the Massachusetts ballot initiative in 2022, **no state has passed a similar DLR requirement.**
- In the 14 states with activity on Dental Loss Ratio in 2023:
  - 9 States considered but did not pass new legislation on DLR
    - CA, CT, IL, MT, NM, NY, OK, RI, WV
  - 4 adopted compromise DLR legislation
    - AZ, CO, NH, NV
  - 1 state considering DLR reporting only legislation
    - PA

# Massachusetts: Implementation and Concerns

- Impact of 83% MLR on Massachusetts dental benefits market is not yet fully known, however there are reasons for concern
- Milliman, a leading actuarial and research firm, has estimated:
  - smaller carrier or small group and individual market focused carriers would need to increase premiums by almost 38%
  - Rebates are likely to be small, in many cases below the \$20 de minimis threshold set by the ACA
  - carriers may eliminate lines of business, such as individual and small group, as administrative expenses as a percent of premium are higher in these segments
- One large carrier has announced it is leaving the Small Group market
  - Others are considering options; waiting on regulation
- Delays and difficulties in releasing the implementing regulation
  - No instruction for rate filing required by July 1, 2023 for 2024 implementation
  - Draft regulations to meet the October 1, 2023 deadline have not been released

# State of Dental Loss Ratio in First Half of 2023



# Maine Approach: Reporting and Outliers

Gather data. Let regulators investigate outliers to determine root cause

- Dental plans submit their DLR annually to the regulator using a standardized template similar to the medical MLR reporting template.
- The regulator tracks these loss ratios for all regulated entities for at least three years to look for trends and outliers.
- Regulator is charged with investigating any “outlier” whose DLR trends are more than two times the standard deviation from the mean DLR of all companies.

**Allows regulators to answer these basic questions:**

1. Is there even a problem here?
2. How low is too low, and how is it impacting enrollees, dentists, or correlating to consumer complaints?
3. How might the regulator issue a corrective action to address an outlier determined to be troublesome?

# The Colorado Compromise SB23 179

- Bill began as an 80% DLR requirement but passed as a reporting and outliers bill with consensus from dental plans, providers, and consumer groups, based on the Maine approach.
  - Sponsor: Majority Leader Moreno
  - Additional reporting language on out-of-pocket maximums, number of individuals who reach annual maximums
- Signed into law June 2, 2023
- Colorado Dental Association spotlighted the compromise as a success during the 2023 Colorado legislative session



# Beware of Unintended Consequences

- Arbitrarily applying a medical-plan loss ratio to dental plans will produce unintended consequences that could harm both consumers and dentists.
- Dental plans will scramble to lower admin costs, and may have to make cuts to high-cost operational areas such as:
  - Consumer and provider call centers
  - Claims processing
  - Maintaining broad networks
  - Fraud and abuse detection

# Where do we go from here?

- It is not clear that additional dental benefits regulation is necessary; currently the dental benefits market is...
  - Successfully holding down premiums
  - Home to significant competition
  - Generating unremarkable margins
- If it is necessary to add additional dental regulation, adopting a Maine-style reporting and outlier model will keep dental coverage affordable and will identify outliers for remediation.
- Medical and Dental are different -- Be careful of unintended consequences when treating dental and medical insurance as if they were the same

# Q&A AND CONTACT INFORMATION

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