

To: Joint Standing Committee on Insurance and Financial Services
From: Chris O'Neil and Christine Alibrandi, for Northeast Delta Dental
RE: Transparency Amendment to Exchange Legislation
Date: January 4, 2012

Delta Dental on November 1, 2011 submitted a transparency amendment to the Committee's draft legislation on Health Insurance Exchanges. The amendment is simple, but in the context of such sweeping and complicated reform, we offer the following explanation to ensure that it is easily understood. This memo describes our amendment and its rationale, with an example of how consumers could be adversely impacted without the amendment.

In summary, the amendment says:

Dental and medical insurance plans on the exchange must be offered and priced separately. If a dental component is "bundled" into a medical plan, the consumer must see the price (rate) for the dental component separately from the medical component.

Background

97% of all group dental programs purchased nationally today are "stand-alone" dental plans, offered separately from medical plans. This reflects the market reality that dental services as they are delivered and processed are very different from medical carriers' processes and are better provided by carriers specializing in dental benefits.

The intent of the Exchange is to allow consumers multiple choices of plans so they can find the coverage that best suits their needs and economic conditions. Consumers in the Exchange must be able to easily compare (apples to apples) rates, benefits, provider networks, and quality.

Maintaining the current practice of separately pricing medical and dental components will continue to facilitate transparency and consumer choice in the new "Exchange marketplace." Note that while the ACA requires all persons to maintain health insurance, dental insurance is only mandated for children, which is referred to as the "pediatric dental benefit".

How the Amendment Improves the Legislation

Consumers should not needlessly buy bundled plans when they already have or prefer a separately purchased dental plan. When prices for medical and dental benefits are transparent, consumers will have the choice to purchase each product from whichever carrier they wish. Equally important, consumers will not buy duplicative or inadequate coverage.

Along the same lines, consumers must have the ability to decline a medical carrier's *pediatric* dental benefit, as long as consumers are advised that they must otherwise satisfy that federally mandated requirement with a separate dental policy which meets the federal requirement.

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How Consumers Can be Harmed without the Amendment

Under the ACA requirements, if a consumer were not allowed to purchase her pediatric dental coverage separately from her medical coverage then she would be required - regardless of desire - to enroll her child in her medical carrier's dental product. She would pay extra for coverage she may have already bought elsewhere. To illustrate, please consider the likely process the consumer will follow:

Consider a family of four (two parents, two children) with only one of the children under the age of 18. The parents want to purchase - or retain - a stand-alone dental plan. All of the family members currently visit the same dental provider. If the family does not have the ability to separate their pediatric dental coverage from their medical coverage, they would have to pay the medical carrier for the one child's pediatric dental coverage and purchase a family dental plan for the remaining three family members, paying a family rate. This same coverage being provided through the medical carrier for the younger child would, in fact, have been provided under the dental family plan at no additional cost to the consumer.

Moreover, not only would the family dental plan provide all the federally mandated pediatric care for the child, it may even provide additional benefits (depending upon the eventual federal definitions). It is a financial advantage for the family to be able to choose the carrier for all the family members, based on transparent pricing that provides the best value for the cost. Not providing this level of transparency in the Exchange would thwart a major goal of the Exchange; to control costs for the consumer.

To consider a second undesirable scenario, recall that the entire family visits the same dental provider. It is possible that the family dentist would participate in the dental insurer's network, but not in the medical carrier's network. If the family is forced to enroll the child in the medical carrier's pediatric component, they would have their one child receive services from a different provider than they would choose. Furthermore, they would likely have additional out-of-pocket expenses if they chose to bring that child to their current medical carrier's "non-network" dentist. Again, as with the additional monies the consumer would have to pay if not allowed to purchase the pediatric dental separately, it is the consumer who would bear the brunt and cost of having to deal with this deficiency.

Easy to Implement

A reasonable question you might have is: *Can insurance companies wishing to participate on the Maine Exchange easily separate the two cost components of medical and dental?*

The answer is yes. As an insurer, Delta Dental is naturally wary of any mechanism that would add cost or administrative burden. Of course, at times we simply must adjust our practices and procedures to comply with various government mandates, and we do that as efficiently as we possibly can. But in this case, transparency comes easily. Under the Maine Bureau of Insurance's rate-setting requirements, insurance premiums are already subject to review. Carriers already know and justify the actuarial costs for the components within a plan, so the amendment adds no administrative burden. It is as simple as subtracting the dental cost from the overall plan cost.