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Smiling through

Employees grin and bear higher costs for dental benefits

By Jill Elswick

Dental benefits are more widespread than ever, with 54% of Americans enrolled in a dental plan. To satisfy employee demand, more employers added dental to the benefits menu in recent years. One of the final holdouts, the federal government, will offer dental benefits to employees in 2006.

But there's a price to pay for access. Stung by double-digit inflation for health insurance, firms are asking employees to shell out more for dental benefits. Some, including the federal government, are requiring them to pay the entire cost.

"Employers aren't dropping dental coverage, but they're squeezing the amount of money they're contributing to it," says Evelyn Ireland, executive director of the National Association of Dental Plans, a trade association for the dental benefits industry.

The trend is spreading despite modest gains in group dental insurance premiums, which NADP says grew by just over 4% in 2004. Last year's average monthly premium was \$15.03 for dental HMO plans, \$22.26 for dental PPO plans, and \$30.79 for indemnity plans.

Enrollment is increasing markedly for dental PPO plans and dropping for both dental HMO and indemnity plans.

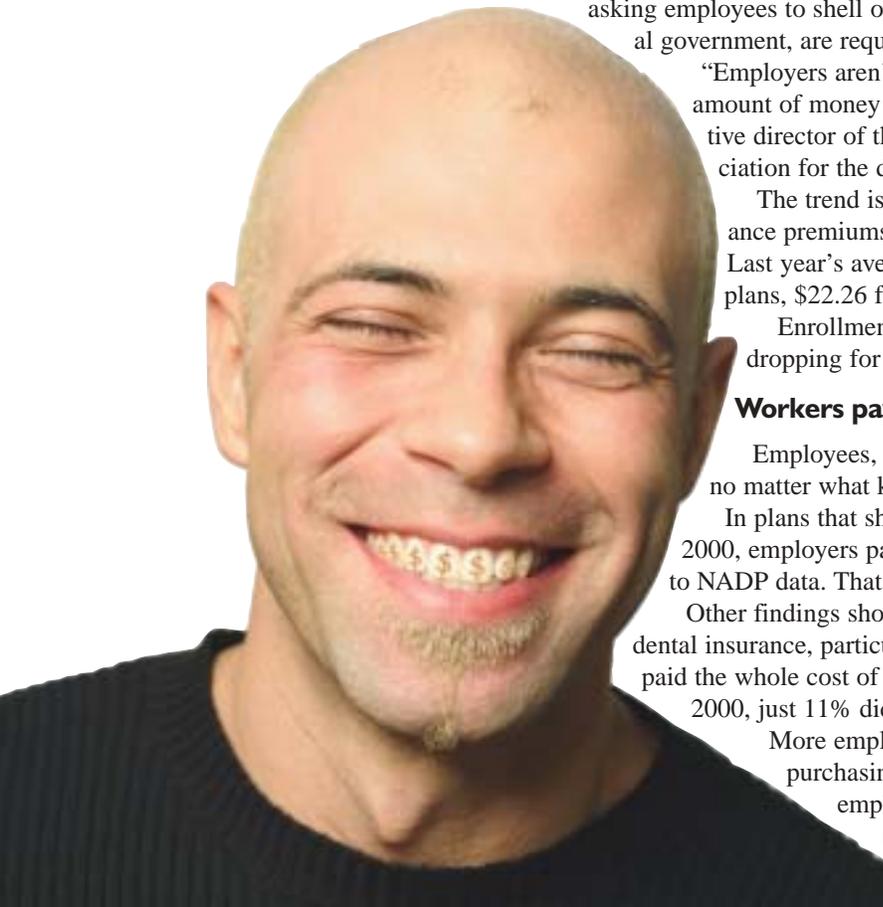
Workers pay more

Employees, meanwhile, are coughing up more for dental benefits no matter what kind of plan they're enrolled in.

In plans that shared the cost of dental premiums with employees in 2000, employers paid nearly 62% toward the cost of premiums, according to NADP data. That contribution level dropped to 58% in 2002.

Other findings show fewer employers willing to foot the entire bill for dental insurance, particularly for indemnity plans. While 30% of employers paid the whole cost of employee premiums for dental indemnity plans in 2000, just 11% did so in 2002.

More employees, meanwhile, find themselves on their own in purchasing dental care. From 2000 to 2002, the proportion of employees paying the full premium cost for dental indemnity plans rose dramatically from 24% to 61%. The rise was more modest for dental PPO plans (17% to 27%) and dental HMO plans (31% to 35%).



Yet for the most part, says Ireland, employees are taking on relatively small cost increases and employers are not dramatically slashing what they pay toward dental coverage.

“Say I’ve been paying \$15 a month for the employee’s dental coverage, and that goes up to \$16.50. I tell the employees I’m going to continue to contribute \$15, so you’ll have to pay the other dollar and a half. It’s more that kind of thing than going from paying \$15 to \$5.”

But despite being less able to subsidize dental plans, employers continue to see the value in offering them.

Among firms with at least 10 employees, 56% offered dental coverage in 2003. Just one year later, that figure leaped to 67%, according to an annual survey of employer-sponsored health plans by Mercer Human Resource Consulting. Dental offerings among large employers (500 employees and up) jumped from 90% to 96% of firms.

Mercer data show dental costs averaged \$577 for all employers in 2003 and edged up to \$598 in 2004, a 3.6% increase. Large employers, meanwhile, saw a 5.4% increase from \$574 to \$605.

Dental benefits represent a “relatively small part of the health care dollar, usually less than 10%” says Cathye Smithwick, who heads up Mercer’s dental consulting division.

Because dental is a low-cost but highly valued benefit, “some employers who have not offered it in the past are looking to offer it,” she continues. “In exchange for a small expense, they can get a high degree of employee satisfaction and hopefully offset some of the takeaways that are happening somewhere else.”

Cost-control tactics

Yet, despite the relatively low price tag, employers are modifying dental benefits to keep costs in check. A “buy up” approach is on the rise, reports Jeff Album, spokesperson for the holding company that represents Delta Dental plans in 16 states including California, New York and Pennsylvania.

“The employer pays for the lowest priced dental plan [typically a dental HMO], and employees can buy up to the higher priced plans,” explains Album. Taken together, the plans he represents serve 21 million subscribers.

Some employers are tinkering with covered services, says Paul Michael, vice president of dental product management at MetLife, the nation’s largest for-profit dental insurer with 20 million members. Certain procedures, such as root canals, that used to be paid at 80% of cost under the “basic restorative” schedule of benefits are being shifted to the “major restorative” column, which pays 50%.

The switch “reduces the overall rate assigned to the plan, reducing the cost to the plan sponsor and the plan participant, from the standpoint of premium,” explains Michael. Individuals pay more, however, for high-cost services.

Despite declining enrollment overall for dental HMO plans, some employers are opting to offer the more restrictive and less expensive plans. “We’ve seen many large national account customers introduce DHMO for the first time this year,” says Rebekah Whitehouse, chief marketing officer for Cigna Dental & Vision Care, which has 10 million members nationwide.

Kerri Mansberg, head of product development for Aetna Dental, which provides benefits to 11.4 million Americans, reports “significant growth” for the company’s Vital Savings dental discount card introduced in 2003. While not insurance, the program gives members access to a nationwide network of 56,000 dentists who offer an average 28% discount off their services. The benefit costs \$6 per month for singles and \$9 for families.

Companies tend to offer the Vital Savings card to certain classes of employees who do not have access to traditional dental benefits, such as part-timers or retirees, says Mansberg. Aetna began offering the card to its own retirees after it stopped subsidizing their dental insurance.

Voluntary trend

The most obvious way for employers to control dental costs, though, is to make employees pay more.

“Health care costs are rising at a pretty significant clip, and something’s got to give somewhere,” says Kirk Rothrock, CEO of CompBenefits, which provides dental and vision insurance to 4.5 million members in a handful of states, including Florida and Texas.

CompBenefits primarily serves the small and mid-sized employer market, says Rothrock, where the pressures of rising health insurance costs hit first. “The biggest trend we’ve seen over the last three or four years is the move from employer-paid benefits to voluntary benefits,” he says. “Employers are saying, ‘I can no longer afford to pay your dental benefits.’”

Larger insurers report less dramatic cuts in employer-paid dental benefits, but they say small firms are interested in voluntary dental plans.

“We’re seeing more interest in voluntary coverage,” confirms Cigna’s Whitehouse. “Not so much as a movement away from [employer-paid coverage], but [in the small employer market], where employers may not have offered coverage previously for dental.”

“Only about half of small employers offer dental coverage, so that’s where you start to see voluntary plans being offered,” says Mansberg of Aetna Dental.

“It is harder and harder to sell a benefit to a group that has not had it previously,” adds Delta Dental’s Album, who confirms an uptick of interest in voluntary plans among such employers.

Insurers have finally learned how to price voluntary dental plans, says Mercer consultant Smithwick. It’s a challenge to do so, she says, because dental benefits are particularly subject to adverse selection. Employees who need lots of dental work are more likely to buy insurance.

But dental insurance has become more important to Americans in general since the Surgeon General’s landmark report on oral health in 2000, says Album. Popular culture also plays its part, he admits.

“There’s an incredible amount of television showing cosmetic dentistry. It’s out there in the popular culture, the importance of a good-looking smile. People care more than they probably have in the past about their teeth.”

All the more reason dental benefits, whether employer-paid or voluntary, are likely to thrive. — **J.E.**