

Managed Care: Dentistry

June 25, 2003

Overview of Benefit Issues

PRACTICE OF DENTISTRY

(BUSINESS ASPECT)

VS.

PRACTICING DENTISTRY

(PROFESSIONAL ASPECT)

**Changes in the Delivery of
Dental Benefits**

- Indemnity
- Hybrids
- PPO
- HMO
 - ◆ Loss of control

FEE-FOR-SERVICE

THE DENTIST RECEIVES A FEE FOR EACH SERVICE

THE DENTIST IS NOT AT RISK

**MANAGED DENTAL
CARE:**

... attempts to manage the cost and quality of dental care through the use of various delivery systems and reimbursement models

**PREFERRED PROVIDER ORGANIZATION
“PPO”**

A dental plan with a network of dentists who have agreed to accept a specific fees for covered services

Reimbursement is on a fee-for -service basis

THE DENTIST IS NOT AT RISK

DENTAL HMO

“CAPITATION/PREPAID”

A dental plan that reimburses the dentists on a fixed “per capita” basis, usually monthly for each individual or family

Payment is made irrespective of the number of services rendered or beneficiaries seen

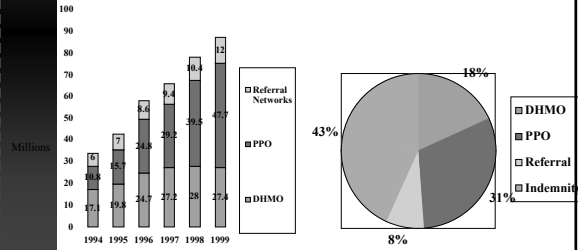
THE DENTIST IS AT RISK

The Dental Marketplace - Delivery Models

Dental managed care member growth - 1994-1999*

Current Dental Enrollment by Plan Type*

*Source: National Association of Dental Plans, 2000.



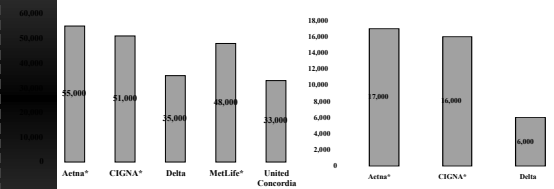
Trends in Dental Care

- Nearly 60% of covered employees are currently enrolled in managed dental programs.
- DPPOs are growing rapidly (>30% annually)
 - Growth in managed dental enrollment helped to control employers' overall dental cost increase to 5% in 1999.

Dental Vendors

Participating dentists by major DPPO vendor

Major DHMO Vendors



- Dentists usually participate in several DPPOs.
- Most dentists participate in only one DHMO.

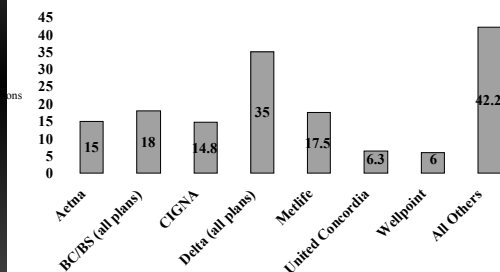
*Has national capabilities

Dental Vendors - Market Share

Participation in dental plans (employees and dependents)

Total dental benefits market - 2000

153million



Dental Care in Traditional and Managed Plans

Cost

≠

“Quality”

(or appropriate care)

Dental Care in Traditional & Managed Plans

- No valid or reliable studies currently exist which indicate that there is a “variance” in quality between traditional and managed care dental programs
- The limited studies available indicate there is no distinction between the care delivered under dental benefit programs with differing financial incentives for dentists

(E.G., Massachusetts Employees Study, Washington Delta Study)

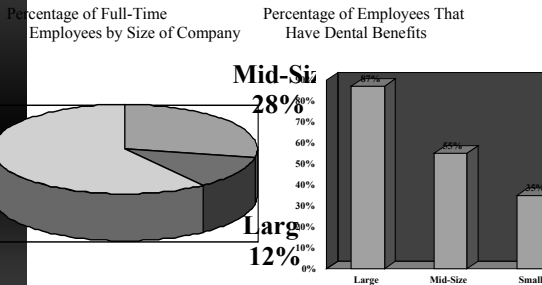
Dental Marketplace Data

Surveys of more than 34,000 private firms in 1993 and 21,000 private firms in 1997 showed that more employees were receiving dental benefits coverage through their employers, not fewer as had been expected.

In 1993, said the Rand researchers, 59% of workers with health benefits also had dental benefits. The number climbed to 65% by 1997.

Managed Dental Care February, 2000

Dental Benefits Enrollment by Employer Type - Full-Time Employees*



*Large employers are defined as 3,000 covered lives or bigger. Mid-Sized employers are 300 to 3,000 lives. Small employers are under 300 lives

Dentist Income

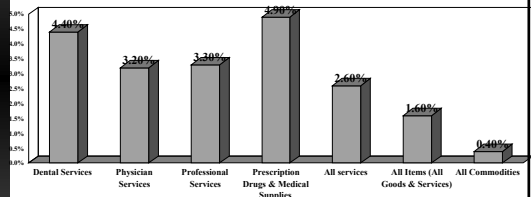
75% of dentists' professional income is derived from 1/3 of population with employee dental benefit

Myth #1

That dentistry has “held the line” re: costs

Changes in the Dental Marketplace

1998 Consumer Price Index - Increases in selected Items



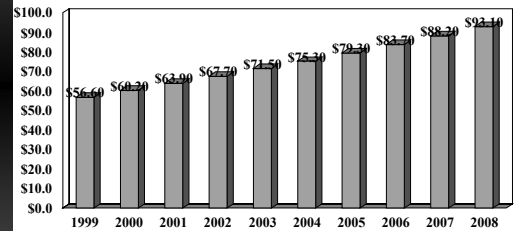
Source: U.S. Department of Labor, Bureau of Labor Statistics 1999

The Dental Marketplace - Financial Overview

- Trend rates
 - Traditional indemnity **7% - 10%**
 - Many plans in excess of 10%
 - DPPO **4% - 7%**
 - DHMO **2% - 4%**
- No abatement in trend increases is expected

Changes in the Dental Marketplace

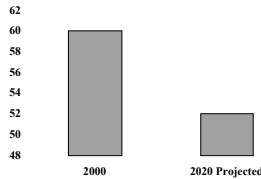
Projected Spending on Dental Services 1999 - 2008
(\$ in billions)



Source: U.S. HealthCare Financing Administration, Office of the Actuary, 1999

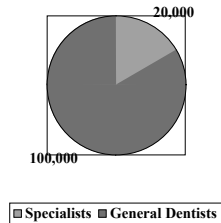
Dental Providers

Dentists per 100,000 U.S. Residents



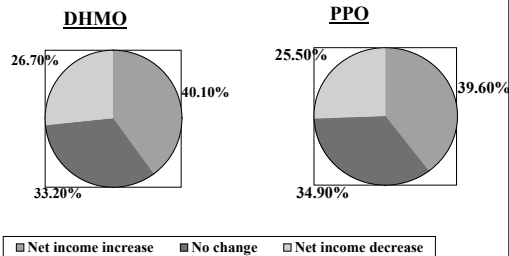
Dental Providers

US Dentists in Private Practice- 2000



Effect of Managed Care on Dentists' Net Income

(responses among managed care participant dentists)



Source: American Dental Association, Survey Center, "1998 Survey of Capitation and Preferred Provider Dental Plans," March 2000

The Changing Face of the Marketplace: is Managed Care Right for You?

RISK!

- FINANCIAL
- ADMINISTRATIVE
- LEGAL
- INDEPENDENCE

RISK

- EXTENT/DEGREE OF RISK EXPOSURE
- CAN RISK BE MANAGED OR MINIMIZED
- WHAT ARE POTENTIAL BENEFITS

CHANGING DENTISTS' MIND-SETS

- THINK IN TERMS OF *HOURLY* INCOME, NOT FEE FOR A SPECIFIC SERVICE
- ANALYZE INCOME FOR TREATING A *POPULATION* OF PEOPLE, NOT AS INCOME FROM EACH PATIENT

THEY ARE NOT ALL ALIKE

Robert Mehlman D.D.S.

In reality, there are good programs available and there are programs that are not beneficial for the average dental practice. In any given part of the country, the quality of dental health plan programs can vary dramatically.

KEY "REAL WORLD" FACTORS IN CHOOSING A MANAGED CARE PROGRAM

- RECOMMENDATION OF A *CURRENT* PROGRAM PARTICIPANT WHOSE *OPINION* YOU TRUST
- WHAT IS THE REPUTATION AND STAYING POWER OF THE PROGRAM?
- IN CAPITATION (DHMO), WHAT IS THE PER MEMBER PER MONTH PROVIDER COMPENSATION?
- IN A PREFERRED PROVIDER PROGRAM (DPPO), WHAT IS THE SCHEDULE OF MAXIMUM ALLOWABLE CHARGES *COMPARED TO MY USUAL FEES* ?
- EXACTLY, WHICH SERVICES ARE COVERED BY THE PROGRAM?

KEY "REAL WORLD" FACTORS IN CHOOSING A MANAGED CARE PROGRAM

- CAN PROVIDERS CHARGE THEIR USUAL AND CUSTOMARY FEES FOR *NON-COVERED* SERVICES? IF NOT, WHAT ARE THE RESTRICTIONS?
- IN A DHMO, WHICH SERVICES REQUIRE A COPAYMENT AND WHAT IS THE COPAYMENT AMOUNT?
- HOW IS SPECIALTY CARE HANDLED?
- WHAT IS THE *TERMINATION* PROCEDURE (FOR MYSELF; FOR THE PROGRAM)?