Managed Care: Dentistry
June 25, 2003

Overview of Benefit Issues

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

Trends in Dental Care

- Nearly 60% of covered employees are
currently enrolled in managed dental
programs.
- DPPOs are growing rapidly (>30%
anually)
  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

Dental Vendors - Market Share
Participation in dental plans (employees and
dependents)

- Total dental benefits market - 2000
  153 million

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*

<table>
<thead>
<tr>
<th>Percentage of Full-Time Employees by Size of Company</th>
<th>Percentage of Employees That Have Dental Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>12%</td>
</tr>
<tr>
<td>Large</td>
<td>60%</td>
</tr>
<tr>
<td>Mid-Siz</td>
<td>28%</td>
</tr>
<tr>
<td>Small</td>
<td>0%</td>
</tr>
</tbody>
</table>

*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

<table>
<thead>
<tr>
<th>Items</th>
<th>Percentage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Services</td>
<td>4.9%</td>
</tr>
<tr>
<td>Physician Services</td>
<td>2.6%</td>
</tr>
<tr>
<td>Personal Services</td>
<td>3.3%</td>
</tr>
<tr>
<td>Prescription Drugs &amp; Medical Supplies</td>
<td>2.0%</td>
</tr>
<tr>
<td>All Commodities</td>
<td>0.0%</td>
</tr>
<tr>
<td>All Services</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

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

Effect of Managed Care on Dentists’ Net Income
(responses among managed care participant dentists)


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)?