

Discount Dental Plans are Coming of Age

by Brian Watts

Discount dental programs have been around for more than three decades. In spite of their longevity, many insurance professionals still think that these plans are on the fringes of the market. However, there has been significant growth in discount dental plans, while growth has remained flat for traditional dental products. Along with a growing consumer demand for more affordable options, there is a new wave of regulatory activity for discount health plans. Like a fine wine that has aged well, leading discount dental plans are becoming more mature and are providing better access and quality services, which makes them an important product in the insurance professional's dental market portfolio.

When I hear people describe discount dental products as new, I have to smile. They had been around for more than a decade when I started working in the dental industry in 1985. So why are discount dental plans perceived as a new product 30 years after being introduced? A brief historical recap might offer some clues.

Small, non-carrier companies owned and operated the early discount dental plans. Dental HMOs often developed them as a lower-cost plan option. Most early dental discount networks resembled dental HMOs in terms of size and discounts since they evolved before the dental PPO network era. As non-capitated plans, their membership fees were generally lower than those of a dental HMO and their discount fees were generally higher.

While offering attractive membership fees, discount plans took a back seat to traditional insurance and dental HMOs. They offered better benefits and value because dental costs were much lower and premiums were much more affordable 20 to 30 years ago. Dental discount plans retained the dental HMO look, feel, and reputation until the late 1990s when the proliferation of dental PPO networks diversified the discount dental plan offerings and broadened the field of players.

As agents know, the PPO boom of the late 1990s caused a huge migration from non-network insurance plans to PPO plans. It also resulted in the introduction of a new type of PPO-based dental discount plan. Like the early dental HMO plans that sought to maximize value of their networks with different products, companies with PPO networks started to convert their insurance only provider con-



tracts to include optional participation in discount plans. These new PPO network-based discount plans expanded the model beyond the deep discount, small network of the dental HMO. By offering higher fees to the providers, they developed discount plans that offer consumers much greater provider choice in terms of numbers and geographic coverage. Since 2000, many carriers that manage their own PPO networks have entered the discount field, giving the discount plan industry a big credibility boost.

Dental Industry Trends

A number of important trends are influencing the popularity of discount dental plans. The first and most far-reaching trend is the maturation of the dental benefits industry. More than 160 million Americans have dental benefits due to the steady growth of the industry since the 1960s, but this growth has flattened. In

recent years, enrollment in PPO plans has grown primarily at the expense of traditional plans (non-PPO) and dental HMOs. A recent survey by the National Association of Dental Plans (NADP) reveals limited dental market growth during the past few years and projects only slight new membership growth in the future. Declining growth in dental plans should be no surprise given the tremendous pressure that escalating medical plan costs have put on healthcare purchasers. Dental expenses have far outpaced regular inflation so that today's dental insurance family rates resemble the medical rates of 20 years ago.

After four decades of growth, the old standbys of traditional insurance and dental HMOs seems to have hit a wall, leaving more than 135 million Americans without dental benefits, including approximately 15 million Californians. Traditionally, dental HMOs have been selected for their price. They are seemingly the best alternative for those who can't afford insured plans, but they have continued to lose market share. Provider choice has become the most important factor for many buyers. Most dental HMO networks are unable to meet this consumer demand because of the shrinking availability of dentists.

Growing consumer demand is another major trend in the discount dental market. Twenty years ago, pain was the number one reason people avoided going to the dentist. Today, cost is the top reason. Sensitivity to cost and growing medical evidence linking oral health to overall health has led to unprecedented consumer demand for affordable, high-quality dental care.

A Regulatory Revival

While discount plans have enjoyed success with individuals, employers have been reluctant to buy them and insurance professionals have been slow to sell them. One of the primary concerns about purchasing or selling discount programs has been the lack of government regulation. This rela-

tively unregulated environment has put a stigma on this category. This stigma has become more pronounced in recent years in the wake of reported fraudulent representations by medical discount plans and on-line discount dental programs.

Driven primarily by concerns about medical discount plans, regulators across the country are regulating all types of discount health plans. Many states are requiring compliance to ensure adequate access, verifiable discounts, truth-in-advertising, and real dispute resolution systems. Recently, the California Department of Managed Health Care (DMHC) won an important administrative hearing decision, which confirmed its regulatory authority over discount health plans. DMHC's increased regulatory role in California will give complying discount plans a much-needed credibility boost with healthcare purchasers and should give insurance professionals the confidence to represent licensed discount programs.

Value Proposition for Agents

In the wake of the evolution of discount dental plans, what do discount dental plans offer insurance professionals? They provide an affordable and flexible way to address the needs of millions of consumers who do not have dental coverage on an individual, employer, or affinity group basis. These plans are an outstanding prospecting tool and value-added service for existing clients. Insurance and dental HMO plans will continue to serve the needs of certain segments. But, virtually everyone else is looking for a dental plan that is more affordable, more flexible, and more accessible.

Discount dental plans typically cost between \$5 and \$10 per month and about \$10 \$20 per month for families, so affordability should never be an issue. Discount dental plans offer your clients almost unlimited treatment flexibility because they don't have the standard insurance plan limitations and exclusions. On an individual basis, there are no waiting periods so needed dental work never has to be put off. Services, such as dental implants, which are not usually covered by insurance, are available at a discount and are not limited by an annual maximum. A popular service, such as teeth whitening, is always excluded on insurance plans, but is often available at discounts through dis-

count dental plans. These plans let your clients decide when and how much dental work they want done; isn't that what they are looking for?

Small employer groups are a perfect market for discount dental plans because the inherent affordability and flexibility of these plans helps address most employers' greatest frustrations. If an employer does not want to pay the cost of the program, discount plans can be offered via a voluntary payroll deduction. There are no underwriting minimum participation requirements. Best of all, there is no sticker shock at renewal time. In fact, you can probably get a multi-year rate guarantee for your client.

This brings us to the matter of access. No single network can meet everyone's needs, but coverage areas and choices have improved significantly with the advent of PPO network-based discount plans. Discount plans that used to be limited to one or two thousand providers in California now have networks with more than 10,000 participating providers. This means choice, choice, and more choice to help you meet your clients' needs.

To paraphrase Helen Keller, "When one window of opportunity closes another one often opens." This is a great way to characterize the dental industry today. A maturing dental market may be a closing window as far as traditional insurance and dental HMOs sales are concerned. But, the discount dental window of opportunity is opening. Discount plans, which have matured greatly in recent years, offer your individual clients, group clients, and your business exciting new ways to meet their dental needs. Now it is up to you to decide whether you will continue to stare out the window that's closing or expand your view and profit from the view in the window that is newly opened. □

Brian Watts is vice president of sales for First Dental Health (FDH). FDH is one of California's largest dental PPO networks. The company can provide national coverage. FDH is introducing "New Dental Choice." It is the only discount healthcare plan licensed by the State of California providing access to quality reduced fee-for-service dental care to small to medium-sized employers, retirees, or anyone who isn't insured. For more information, visit www.firstdental-health.com.