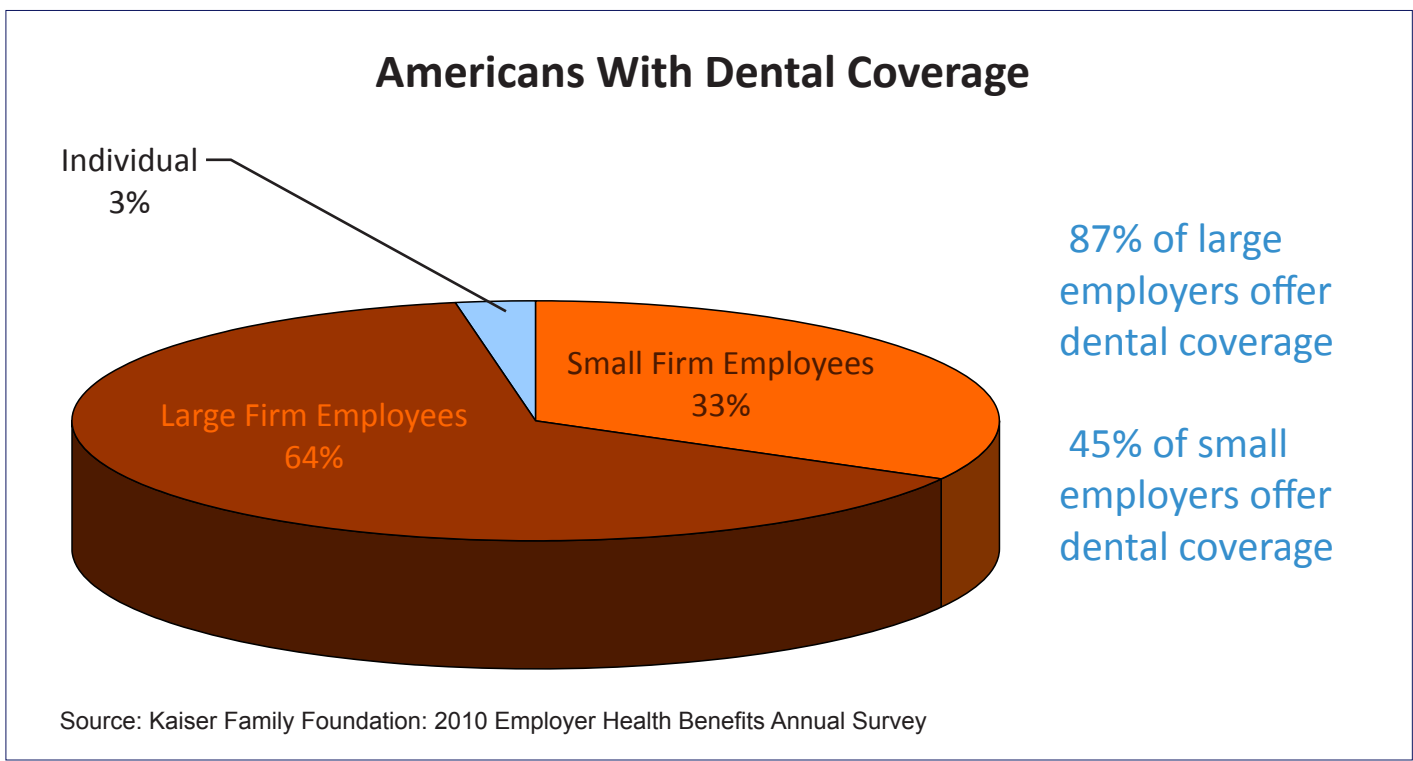


November 2011

# Exchanges and Dental Coverage: Building on an Employer Base

## Introduction

The Patient Protection and Affordable Care Act (ACA) requires insurers providing coverage through the newly established Exchanges to offer pediatric dental coverage as part of the Essential Benefits Package. Child advocates have applauded this provision because this law will allow nearly all legally residing children to have access to dental coverage. However, for most policymakers, little is known about the the potential impact of the ACA on individuals eligible for dental coverage in the private dental insurance market. This issue brief provides a brief overview of private dental coverage, who currently has coverage and how they obtain it, and considers the possible impact of ACA on employer sponsored dental benefits.



## Who is Covered?

Over 165 million Americans have private dental coverage – including nearly 9 million children.\* Employers offer dental coverage for numerous reasons:

1. to recruit and retain employees;
2. to boost worker productivity;
3. to offer a benefit where there is no viable alternative.
4. out of a moral obligation;
5. and to obtain preferential tax treatment;

The majority of individuals (97%)<sup>i</sup> receive coverage through their employer and it remains the third most highly valued benefit after medical coverage and retirement benefits.<sup>ii</sup> Full time workers exceed their part-time colleagues in access with 56% versus 15%.<sup>iii</sup> Higher wage earners also have higher participation rates.<sup>iv</sup>

## What is Coverage?

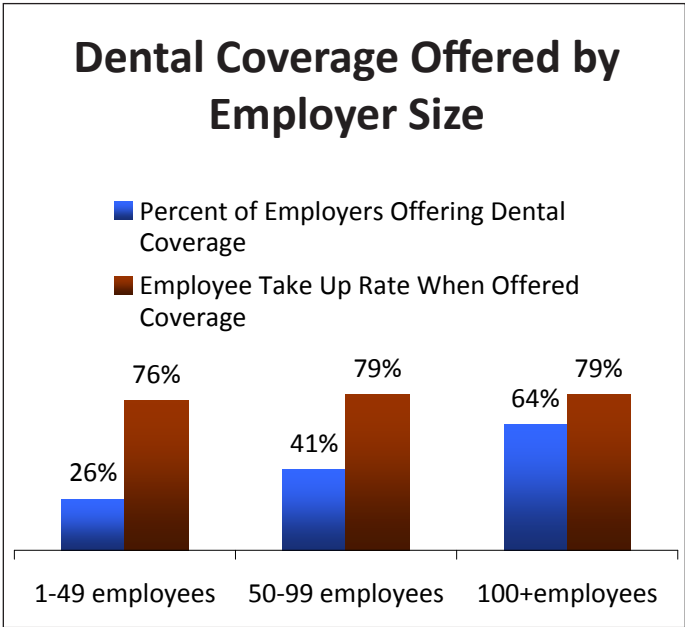
The design of dental coverage has remained consistent since the 1990s. To ensure affordability for employers while covering a wide range of dental services, dental coverage functions as a limited prepayment program as opposed to a risk-sharing insurance program. Most dental insurance includes significant cost-sharing by consumers for non-preventive services. These benefit plans typically offer preventive care with low or no cost-sharing and a defined set of payments for additional treatment such as root canals and orthodontics. The standard dental coverage also has lifetime and annual caps.

The levels of cost-sharing vary according to employer preference and premium costs. Employers determine how much they will contribute towards a dental benefit and how much their employees will be required to contribute.

The benefit structure allows the employer to assume a fixed and predictable premium for providing the level of dental coverage elected. The cost of the benefit is controlled by the limits placed on the scope of the benefit, which requires the enrollee to pay for care that falls outside the scope or exceeds the stated limits. In recent years, employers have begun to either lower some contribution levels or allow the employee to pay the full premium in order to control overall healthcare costs.<sup>v</sup>

## What Type of Employers Offer Coverage?

Dental coverage varies by the size of the employer.<sup>v</sup> Over half, 64%, of the large group (>100 employees) employers offer dental coverage with 79% of employees within those companies that take advantage of the coverage (take-up rate).<sup>vi</sup> While small employers (<50 employees) offer dental coverage at a significantly lower rate, 26%, the employee take-up rate remains comparable to those in large companies at 76%.<sup>viii</sup>



\*Of the 300 million Americans, approximately 50 million do not have any type of health insurance. An additional 50 million Americans and more than 25 million children do not have any form of dental insurance.

## Potential Impact of ACA

The Affordable Care Act (ACA) could impact employer insurance purchasing patterns. Since the passage of the ACA, numerous analyses have been conducted to determine this impact. While it is difficult to predict the future purchasing patterns of employers, analysts have noted that overall there will likely be an increase in employer coverage and that few employers will intentionally drop employees from coverage in order to take advantage of Exchanges.<sup>ix</sup> Overall, estimates show there is likely to be an increase in employer coverage across all markets. Of the 32 million individuals who will gain coverage, the majority will likely be eligible for Medicaid and the Exchanges. The Exchanges, however, will initially only serve those in the small and individual group markets, which represents over half of employees nation-wide.<sup>x</sup>

The majority of estimates assume that there will be little shift in the large group market.<sup>xi</sup> Large employers typically offer rich benefit packages, including dental benefits, and their employees will likely see benefits comparable to those offered in the Essential Benefits Package.

Changes are more likely to be seen in the small group market.<sup>xii</sup> These small employers are much more sensitive to premium increases but may also benefit from tax subsidies. The uncertainty in the overall economy as well as ACA implementation has caused some to suggest that coverage in the employer-sponsored small group market will decline. However, the majority of researchers and statisticians' modeling suggest that overall offerings of dental coverage is likely to increase in this market but that there could be pockets of decrease (e.g., employers who have a high percentage of part time, low wage workers).<sup>xiii</sup>

## Moving Ahead

Modeling of employer behavior suggests that any drop in coverage will be minimal and contained within certain pockets of the small group market. Large group coverage should be minimally affected by changes and requirements in the ACA. Fewer than half of small employers offer dental coverage (47%) and of those, it is mostly the larger small employers, those with 50-99 employees, who offer this coverage. Given the low penetration of dental coverage in the small employer market, it is unlikely there will be a dramatic drop in employer-sponsored dental coverage for individuals who qualify for the Exchanges (those in the small and individual group markets). It is more likely, given the tax subsidies, greater availability of coverage, and the desire of employers, that there will be an increase in dental coverage in the markets affected by the Exchanges.

While the outlook for employer-sponsored dental benefits remain strong, there is considerable work that remains to be done in the small and individual group market within and outside the Exchange. Those decisions have yet to be clarified by the federal government, although it is possible that the greater portion of decisions determining the scope and limits of dental coverage for children and families could be the responsibility of state authorities.

## Acknowledgments

This brief was prepared by Georgia Maheras, GM Health Care Consulting, in collaboration with staff of Children's Dental Health Project. For more information on the impact of ACA on dental coverage for children go to [www.nmcohpc.org](http://www.nmcohpc.org).



## About the Policy Center

The National Maternal and Child Oral Health Policy Center was created in 2008 as a collaborative effort of the Association of Maternal and Child Health Programs (AMCHP), the Association of State and Territorial Dental Directors (ASTDD), the Medicaid/SCHIP Dental Association (MSDA), and the National Academy for State Health Policy (NASHP) with funding from the federal Maternal and Child Health Bureau of the Department of Health and Human Services, Health Resources and Services Administration, Department of Health and Human Services. The Policy Center promotes the understanding of effective policy options to address ongoing disparities in children's oral health.

The three-year initiative has set out to map a course for improving family oral health by building knowledge and skills of professionals with the ability to steer systems changes.

*This publication was made possible by grant number U44MC09877 from the Maternal and Child Health Bureau (MCHB) (Title V, Social Security Act), Health Resources and Services Administration (HRSA), U.S. Department of Health and Human Services (DHHS). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of MCHB, HRSA, or DHHS.*

## References

<sup>i</sup>Delta Dental, America's Oral Health: The State of Dental Benefits available at: <http://www.trusttheleader.com/DidYouKnow/DDPA-AmericasOralHealthPart2-43010.pdf>; 2010 Employer Health Benefits Annual Survey, Kaiser Family Foundation, available at: <http://ehbs.kff.org/>.

<sup>ii</sup>LIMRA, What is \$1 billion an hour worth? Employee perspectives on benefits; 2011.

<sup>iii</sup>Delta Dental, op. cit.

<sup>iv</sup>Id.

<sup>v</sup>Health Insurance Underwriter/ Solera Insurance, Trends in Employer-Sponsored Dental Insurance Plans available at:

[http://www.solerainsurance.com/Press%20Releases/HIU\\_May\\_2011\\_Solera\\_Article.pdf](http://www.solerainsurance.com/Press%20Releases/HIU_May_2011_Solera_Article.pdf)

<sup>vi</sup>42.1 million people are employed by large employers (< 100 employees); 78.7 million people are employed by small employers (>100 employees); 2008

Statistics about Business Size from the Census Bureau, available at: <http://www.census.gov/econ/smallbus.html>

<sup>vii</sup>Bureau of Labor and Statistics, U.S. Department of Labor. Employee Benefits in the United States-March 2010 News Release and supporting data tables available at: <http://www.bls.gov/news.release/pdf/ebs2.pdf>.

<sup>viii</sup>Id.

<sup>ix</sup>Deloitte, Applying health reform to dental and vision benefits available at: [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us\\_consulting\\_healthreformissuebrief20\\_11012010.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/us_consulting_healthreformissuebrief20_11012010.pdf); Avalere, The Affordable Care Act's Impact on Employer Sponsored Insurance: A Look at the Microsimulation Models and Other Analyses available at: [http://avalerehealth.net/pdfs/2011-06-17\\_ESI\\_memo.pdf](http://avalerehealth.net/pdfs/2011-06-17_ESI_memo.pdf); Robert Wood Johnson Foundation and Urban Institute, The Effect of Health Reform on Small Businesses and Their Workers available at: <http://www.urban.org/publications/412349.html>

<sup>x</sup>Id.

<sup>xi</sup>Analysis of U.S. Census Bureau Data on Employer firms, establishments, employment, and annual payroll of small firm size classes, 2008.

<sup>xii</sup>Deloitte; Avalere; Urban, op. cit.

<sup>xiii</sup>Id.

<sup>xiv</sup>Id.