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CORRESPONDENCE MEMORANDUM

DATE: January 11, 2013
TO: Group Insurance Board
FROM: Lucien Adams
Manager, Self-Insured Health Plans
Division of Insurance Services
SUBJECT: Uniform Dental Benefit Plan Design

Staff recommends the Group Insurance Board (Board) approve a low deductible, cost-neutral uniform dental plan design for benefit year 2014.

At the November 13, 2012 Board meeting, several options pertaining to a uniform dental benefit plan design were discussed. These options included:

- Implementing a cost-neutral uniform dental benefit plan design starting in 2014.
- Maintaining the current program, where dental benefits are offered as optional benefits through the insured health plans and plans are allowed to increase or decrease benefits at their discretion.
- Implementing a dental plan design similar to the current dental plan with the highest actuarial value to avoid the reduction of any benefits for current members.
- Implementation of stand-alone dental plan design.

Staff indicated they would bring this discussion to the Board in February 2013. Details of the key plan design provisions included and the analysis of these scenarios can be found in Attachment 1. After this discussion, staff will proceed consistent with the direction provided by the Board, with any necessary follow up information being presented at the May 2013 meeting.

Board	Mtg Date	Item #
GIB	2.5.13	4B

Reviewed and approved by Lisa Ellinger, Division of Insurance Services.

Signature *Lisa Ellinger* Date 1/18/13

Background

At the November 13, 2012, meeting staff recommended a uniform dental benefits design be developed in response to plans' concerns that previously frozen levels of dental benefits left them at a competitive disadvantage.

Deloitte Consulting, the program actuary, reviewed each plan's current dental offerings to construct a preliminary composite dental plan design based on a weighted average actuarial value for the 19 plans offering dental benefits. To verify the accuracy of this composite design, staff worked with each plan to confirm that all covered services were captured in Deloitte's assessment of each plan's benefit structure.

Discussion

Deloitte reviewed the current dental offerings for the 19 plans and has developed four separate uniform dental plan designs. Three of the designs were developed to be cost-neutral while the fourth design was developed to mirror the richest current dental benefit plan offering. The development of these plans was based on Deloitte's 2012 dental pricing model, adjusted to replicate the actual claims experience provided for each of the plans.

Deloitte estimated the actuarial value for each plan. The average actuarial value calculated was .358 and represents the value of a cost-neutral uniform dental plan design. This .358 value means a plan would cover approximately 35.8% of all expected services for a normalized population. According to Deloitte, the three cost-neutral uniform plan designs cover the same benefits, and only differ by the following: deductibles, annual benefit maximum, lifetime orthodontic maximum and coinsurance levels. The plans were designed to include a majority of the benefits currently offered, in order to avoid reducing benefits or introducing coverage for previously uncovered dental benefits.

Deloitte noted that coverage for services within each of the four main dental groups (Preventive, Basic, Major Restorative, and Ortho) may vary and/or be limited. A list of the major services covered under the four different scenarios developed by Deloitte is included in the attachment.

As an alternative to a cost-neutral uniform dental benefit design that would lower dental benefits for some members, a plan design offering the richest current benefits available was reviewed as well. Under this option, the plan design would be similar to the current dental benefits offered through the WEA Trust plan design, with an actuarial value estimated at .531 compared to the .358 weighted-average for all 19 plans. This plan design would prevent any current member from losing benefits but the approximately 42% richer benefit would result in an estimated \$19.3 million in additional cost if implemented for all plans in 2014.

Deloitte also noted that its analysis does not account for any potential "benefit rush". This term refers to the accelerated utilization of benefits in order to take advantage of a current level of coverage set to decrease after a certain date. The impact of a benefit rush is excluded from this analysis but is not expected to have a significant impact on plan cost. There is also the possibility that, due to pent up demand, the plan would experience excessive initial utilization of previously unavailable services. Again, the plan proposals were designed to minimize this impact.

In addition, over the next several years, federal healthcare reform will begin requiring health plans to cover "pediatric oral" service costs. It is expected that ETF will be required to offer these services within the medical plans beginning in 2017. Currently there is no definition for the services that would be included as a part of "pediatric oral" services. However, Deloitte was able to use a published report developed by consulting firm Milliman to estimate the effect of this change would be \$3.1 million for ETF in 2014 without any plan design changes. Based on the information in Milliman's report, approximately .124 actuarial value of the .358 neutral plan design value would shift to the medical plan. Approximately 81% of the .124 value is already included in the proposed plan design. This indicates that making these plan changes may better position the plans for the future requirements.

On several occasions in the past, the Board explored the implementation of a stand-alone dental plan design. As an example, in 2000 a dental study group was established by the Department of Employment Relations (now the Office of State Employment Relations -- OSER) to examine dental benefits and the possibility of a stand-alone dental plan, but under Wis. Stats. 40.03 (6) (c), the Board was prohibited from making material changes to the benefit plan. Again in 2002, the Board adopted a recommendation that a separate stand-alone statewide dental program be implemented. The recommendation was not supported, as the optional dental benefits provided by the health plans were deemed essentially "cost-free" to members; whereas any proposal for a stand-alone benefit would result in additional premium for employees.

Recommendation

Based on the analysis provided by Deloitte, the implementation of a uniform plan will benefit the majority of members while at the same time maintain a neutral cost structure. Staff recommends the implementation of Option 1 (No Deductible) uniform dental plan design. Option 1 has an estimated difference in cost impact of less than .01% of current premiums. This is recommended because most of the plans do not currently require a deductible. In addition, the annual benefit maximum of \$1,000 under the no deductible plan option is similar to what is being currently offered by most plans.

The table on the following page outlines the benefits for Option 1.

Uniform Scenario 1	Key Plan Provisions
No Deductible	Deductible: \$0 / \$0 Annual Benefit Max: \$1,000 Diagnostic / Preventive: 100% IN / 100% OON Restorative: 75% IN / 50% OON Endodontic: 75% IN / 50% OON Periodontic: 75% IN / 50% OON Oral Surgery: 50% IN / 50% OON Adjunctive Services: 75% IN / 50% OON Ortho: 50% (Children Only) Ortho Lifetime Max: \$1,425

Conclusion

Selection of a uniform dental plan at this time may move the Board closer to the implementation of a stand-alone dental plan design in the future, if desired. However, we do not believe that a stand-alone dental plan is feasible for 2014, due to the lead time involved in implementation.

While the option of increasing benefits to the richest level would prevent a reduction in member benefits, there are substantial implementation costs. Consideration must also be given to the health plans that will experience the greatest impact as a result of these changes—specifically, some plans may find it a challenge to meet these requirements.

To gain a better understanding of any limitations plans may have with implementing the uniform dental benefit, the next steps should be to confirm their ability to administer its provisions.

Finally, the valuation of the dental plan design was based on Deloitte's dental pricing model. Actual pricing may vary, depending upon each plan's evaluation of the benefit requirements.

As recommended, staff believes Option 1 best meets the needs of the program at this time.

Staff will be available at the Board meeting to answer any questions.

Attachment A: Uniform Dental Plan Design

State of Wisconsin
Employee Trust Funds
Uniform Dental Plan Design



Uniform Dental Plan Design

Wisconsin Employee Trust Funds Uniform Dental Plan Design

Overview

For the 2012 and 2013 plan years, the Wisconsin Employee Trust Funds' (ETF) fully-insured medical plan options each include dental coverage. The provisions of these dental benefits differ from medical plan option to medical plan option, even though the medical plan design itself is uniform across all the options.

ETF has expressed an interest in investigating the implementation of a uniform dental plan design that would replace the varied dental plan designs currently in place across the fully-insured medical options. The fully-insured medical plan premium rates include the dental coverage; no separate dental option election or premium rates are provided.

One objective for this uniform dental plan design is that it be cost neutral with respect to expected premiums as compared to the current dental plans. The determination of cost neutrality has been based on developing a 2014 uniform dental plan design which replicates the total current dental plan spend trended to 2014, based on the current medical/rx/dental plan enrollments.

An alternative objective proposed for a uniform plan design that would not reduce the benefits for any current member would be the adoption of the current plan with the richest actuarial value (the dental plan provided by WEA Trust).

Executive Summary

The approach developed for this study was based on the current dental plan designs provided by the fully-insured plans, coupled with the costs for the dental coverage reported by those plans. This data provided a sufficient basis to estimate the total dental costs for 2014. Several uniform dental plan designs were then developed that replicated, in aggregate, these costs, based on the Deloitte dental plan design pricing model.

The following table summarizes at a high level the key plan design provisions for the current dental plans, as confirmed by the dental plans themselves. Note that coverage for specific services within each of the four main dental groups (Preventive, Basic, Major Restorative, and Ortho) may vary and/or be limited.

Plan	Deductible (S/F)	Annual Max	Ortho Max	Preventive	Basic	Major	Ortho
Anthem	\$50 / \$75	\$500		50%	50%		
Arise	\$25 / \$75	\$1,000	\$1,500	100%	80%		50%
Dean	\$0 / \$0	\$1,275	\$1,750	100%	80%		50%
GHC EC	\$0 / \$0	Unlimited	\$1,200	100%			50%
GHC SCW	\$0 / \$0	Unlimited	\$1,750	100%	100%		50%
Gundersen	\$0 / \$0	\$500		100%	80%	80%	
Health Partners	\$0 / \$0	Unlimited	\$1,200	100%			50%
Health Tradition	\$0 / \$0	\$500		100%	80%	80%	
Humana	\$25 / \$75	Unlimited	\$1,200	100%	100%	100%	50%
Medical Associates	\$0 / \$0	\$1,000	\$1,500	100%	80%		50%
MercyCare	\$25 / \$75	\$1,000	\$1,500	100%	80%		50%
Network Health	\$25 / \$75	\$1,000	\$1,500	100%	80%		50%
Physicians Plus	\$0 / \$0	Unlimited	\$1,500	100%	100%		50%
Security Health	\$25 / \$50	\$1,500	\$1,500	100%	100%		50%
UHC	\$50 / \$100	\$1,000	\$1,200	100%	50%		50%
Unity Community	\$0 / \$0	\$1,000	\$1,500	100%	100%		50%
Unity Health	\$0 / \$0	\$1,000	\$1,500	100%	100%		50%
WEA Trust	\$0 / \$0	\$1,000	\$1,500	100%	80%	50%	50%
WPS	\$25 / \$75	\$1,000	\$1,500	100%	50%		50%

The Deloitte dental rate model was adjusted to replicate each plan's dental claims experience, producing the following estimated dental actuarial values:

Plan	Actuarial Value	Plan	Actuarial Value
Anthem	0.162	MercyCare	0.368
Arise	0.333	Network Health	0.322
Dean	0.341	Physicians Plus	0.297
GHC EC	0.244	Security Health	0.236
GHC SCW	0.335	UHC	0.367
Gundersen	0.382	Unity Community	0.380
Health Partners	0.255	Unity Health	0.409
Health Tradition	0.404	WEA Trust	0.531
Humana	0.272	WPS	0.223
Medical Associates	0.387	Weighted Average Plan	0.358

For example, the actuarial value for the Unity Community plan per the chart on the prior page was 0.380 (i.e., the plan is expected to play, on average, 38.0% of allowed charges for covered benefits).

The weighted average actuarial value across all plans (weighted by plan enrolled membership) was 0.358, very close to the plan-specific actuarial values for the Dean, MercyCare, UHC, and Unity Community dental plans.

As a result of the analysis of the claims-experience-based actuarial values, a cost neutral uniform dental plan design would be one with an actuarial value of approximately 0.358.

The three resulting cost neutral plan designs and the rich WEA Trust plan design are outlined below:

Uniform Scenario	Key Plan Provisions	
1 No Deductible	Deductible: Annual Benefit Max: Diagnostic / Preventive: Restorative: Endodontic: Periodontic: Oral Surgery: Adjunctive Services: Ortho: Ortho Lifetime Max:	\$0 / \$0 \$1,000 100% IN / 100% OON 75% IN / 50% OON 75% IN / 50% OON 75% IN / 50% OON 50% IN / 50% OON 75% IN / 50% OON 50% (Children Only) \$1,425
2 Low Deductible	Deductible: Annual Benefit Max: Diagnostic / Preventive: Restorative: Endodontic: Periodontic: Oral Surgery: Adjunctive Services: Ortho: Ortho Lifetime Max:	\$25/ \$50 \$1,275 100% IN / 80% OON 80% IN / 50% OON 80% IN / 50% OON 80% IN / 50% OON 50% IN / 50% OON 80% IN / 80% OON 50% (Children Only) \$1,750

Uniform Scenario	Key Plan Provisions	
3 Moderate Deductible	Deductible: Annual Benefit Max: Diagnostic / Preventive: Restorative: Endodontic: Periodontic: Oral Surgery: Adjunctive Services: Ortho: Ortho Lifetime Max:	\$50 / \$100 \$1,275 100% IN / 75% OON 80% IN / 70% OON 80% IN / 50% OON 80% IN / 50% OON 50% IN / 50% OON 80% IN / 75% OON 50% (Children Only) \$2,000
4 Match Richest Plan (WEA Trust Plan)	Deductible: Annual Benefit Max: Diagnostic / Preventive: Restorative: Endodontic: Periodontic: Prosthodontic Removable: Maxillofacial Prosthetics: Oral Surgery: Adjunctive Services: Ortho: Ortho Lifetime Max:	\$0 / \$0 \$1,000 100% IN / 100% OON 80% IN / 80% OON 80% IN / 80% OON 80% IN / 80% OON 80% IN / 80% OON 50% IN / 50% OON 50% IN / 50% OON 80% IN / 80% OON 50% (Children Only) \$1,500

The estimated 2014 cost impact of each of the uniform dental plan designs are noted below, the first three of which are intended to be cost neutral.

- Uniform Dental Plan Design 1: +\$24,000 +0.1%
- Uniform Dental Plan Design 2: +\$16,000 +0.0%
- Uniform Dental Plan Design 3: +\$72,000 +0.2%
- Uniform Dental Plan Design 4: +\$19,250,000 +42.3%

Once a uniform dental plan design has been selected, the potential implementation of that uniform design will require coordination with the HMOs to confirm the ability to administer the provisions of the plan.

Uniform Dental Plan Design Scenarios

Four uniform dental plan design scenarios were developed for this study, the first three of which (cost neutral designs) exhibit an adjusted actuarial value within 0.3% of the weighted average adjusted actuarial value for the current dental plans; the final uniform plan design option reflects a uniform plan that parallels the richest current plan.

The three “cost neutral” uniform dental plan designs all cover the same benefits, and only differ by:

- The deductibles
- The annual benefit maximum
- The lifetime ortho maximum
- Coinsurance levels

Higher annual benefit maximums and lifetime ortho maximums are coupled with higher deductibles to maintain cost neutrality. The benefits to be covered were selected to be largely consistent with the majority of the current plans so as to not introduce coverage for a previously uncovered benefit (thereby adding coverage for services with “pent up demand”, causing a 2014 first-year cost spike, or “benefit rush”, that would what return to actuarially expected levels by 2015). Details of the covered benefit are provided in the appendix; in general, however, these three cost neutral uniform dental plans include coverage for:

- Most diagnostic services
- Almost all preventive services
- Some restorative services:
 - Amalgam restorations
 - Resin-based composite restorations
 - Stainless steel crowns
- Limited endodontic services:
 - Therapeutic and partial puplotomy
- Periodontic maintenance services
- Oral tooth extractions:
 - Non-surgical extractions
- Most ortho services to children under age 19
- Adjunctive general services:

- Palliative (emergency) treatment of dental pain
- Anesthesia
- Occlusal guards

The fourth uniform design duplicates the current WEA Trust dental plan design, and represents a plan with an actuarial value approximately 42% richer than the cost neutral designs, and would include the following additional services to the list above:

- Some restorative services:
 - Amalgam restorations
 - Resin-based composite restorations
 - Metallic, porcelain, ceramic, and resin-based composite onlays
 - All types of crowns
- Comprehensive endodontic services:
 - Pulp caps
 - Root canals
- Comprehensive periodontic services (surgical services):
 - Surgical services
 - Non-surgical services (splinting, scaling, and root planing)
- Some prosthodontics (removable) services:
 - Removable denture adjustments and repairs
- Comprehensive oral surgery
- Comprehensive ortho services to children under age 19
- Adjunctive general services:
 - Occlusal guards, including repairs