

Tracking Dental Benefit Trends

By Gary V. Cupo, CLU ChFC

Right now, two out of every three working Americans have dental insurance. That figure rose from less than four percent in 1980. In fact, more than 100 million Americans now are covered by a dental benefit program.

Dental coverage is growing exponentially, even in an environment that grinds every bit of value from each benefit dollar. Today's employers and employees perceive dental coverage as one of their most valuable benefits—as evidenced by the flood of letters to Congress during the health care reform debate.

The tremendous popularity of highly utilized dental benefits also has brought tougher expectations to the market. In a marketplace facing spiraling medical coverage costs, employers demand highly customized benefit products, problem-free service and administration, professional review programs, and above all else, true cost management.

Nearly all the groups that offer dental coverage have some kind of fee-for-service arrangement, although dental health maintenance and dental preferred provider options are becoming more popular. The industry shows a gradual shift away from fee-for-service and into managed-care plans through dual-and triple-options. And, as flex programs become more popular with employers, the popularity of all types of dental programs are expected to grow steadily since employers will include multiple "employee-paid voluntary" options in their benefits package.

Despite rising pressures to contain benefit costs, an increasing number of employers are concluding that dental coverage is a critical component of their benefits mix.

More than 90 percent of the nation's largest, blue-chip companies offer dental coverage, according to a 1992 survey conducted by Foster & Higgins. Private insurance payments for dental services reached \$15.1 billion in 1990, up 70 percent from 1985, when private insurance paid out just \$9 million for dental care.

Because dental coverage is relatively inexpensive—about one tenth of what most companies spend on medical insur-

ance—the percentage of employers providing dental coverage is likely to increase, particularly among smaller employers. The cost of dental coverage has increased an average of 7.7 percent each of the past four years—about half the average increase in health insurance premiums that hits employers every year.

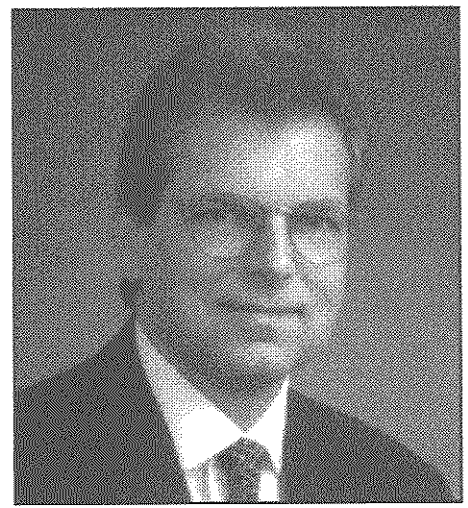
That means dental coverage still is a good value in the benefits marketplace, and it is likely to hold that value.

Another reason the dental industry has successfully avoided the cost escalation of medical services is dental coverage's over-all fee structure, which emphasizes preventive treatment. By requiring patients to pay a higher percentage of costs for restorative procedures and often reimbursing patients at 100 percent for preventive treatments, patients are more apt to see the dentist regularly.

Employers point to a variety of reasons for making dental coverage one of their core benefits. These factors include: helping recruit and maintain a highly qualified workforce in a competitive market; allowing employers to add something to the benefit package at a time when they are shifting more of the financial burden of health care coverage to the employees; providing a benefit that employees appreciate and use.

In 1970, when only 6 million Americans had dental benefits coverage, most visited the dentist only when they needed major restorative care; perhaps a root canal, a crown, gum planing, or a tooth extraction. Now, many of the 124 million Americans who have dental coverage seldom need treatment more complicated than a simple cleaning or filling because they visit dentists regularly for routine cleanings and exams. And although some people still need more complicated treatments, they need them less often than in the past. Ironically, people now understand the importance of regular, preventive cleanings and checkups and actually want to visit their dentist more often.

Despite the fact that people better understand the importance of prevention, having dental coverage is still the single largest



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factor in determining whether a person sees a dentist at all — people with dental benefits coverage are almost twice as likely to visit a dentist in any given year. More than 70 percent of those covered see their dentist each year, usually for preventive treatment and care. Almost 50 percent of those without coverage failed to visit a dentist last year, most likely delaying treatment until a condition has progressed to an acute stage.

The percentage of the population who has never visited a dentist has dropped dramatically since 1964. But there is still room for improvement; in recent years as many as four in ten Americans failed to see a dentist in any given year.

And there's more evidence that having dental insurance encourages people to see the dentist. In a 1993 survey, most people said that having dental insurance helps (or would help) them maintain a regular schedule of dental care. Nearly half (46 percent) said it helps (or would help) a great deal.

During the next several years, employers and other groups are expected to continue adding dental coverage to their benefits packages, although more slowly than in the past 20 years. The largest growth in the popularity of the benefit will most likely be in industries like the service sector where the popularity of dental coverage lags behind the rest of the nation.

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