Dental

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Dental insurance is usually issued under group policies instead of individual policies. The two main reasons are:

High Frequency, Low Severity

Compared to major medical claims, dental claims are smaller and occur more frequently. However, since the purpose of insurance is to share infrequent, large costs among a group of insureds, there is less value in dental insurance.

Tax Subsidy

Under the U.S. tax code, there is a tax subsidy if dental insurance is issued as a group policy. Individual policies do not receive this subsidy.

Dental coverages are categorized into four types. The benefits are typically defined separately. In most cases, Type I coverage has the highest benefit, while the others have limited benefits. Type IV coverage is often excluded from dental policies due to its elective nature and proneness to anti-selection.

Туре	Coverages	Examples
I	Diagnostic and Preventive	Oral Examination, Cleaning
II	Basic Services	Extractions, Restorations, Endodontics, Periodontics
Ш	Prosthetic Coverage	Inlays, Crowns
IV	Orthodontia	Braces, Retainer

In general, the proportion of a dental insurer's benefit costs for Coverages I, II, and III are approximately 40%, 45%, and 15%, respectively.

We will now discuss several aspects of dental insurance that drive the design of the product.

Multiple Options for Treatment

Typically, a person can address their dental needs in numerous ways. It is common to even defer treatment if the need is not urgent. However, a policyholder's decision would be highly influenced by the presence of insurance coverage. They may choose to over-utilize their benefits. This is called *induced utilization*, and it can be addressed using at least one of two ways:

- Benefit Design Controlling the benefits on more costly services.
- Preauthorization Requiring approval from an insurance company before services can be performed.

Accumulated Untreated Conditions

Patients have the ability to postpone treatment until insurance is present. This problem can be controlled by limiting coverage of pre-existing conditions. However, this is tough to regulate for dental conditions. So, most policies will reduce initial benefits and phase them in over a few years.

External Anti-Selection

Most individuals are well aware of their dental health and tend to choose dental coverages that will benefit them the most. This is why insurers face high risks of anti-selection.

Pediatric Dental Coverage under ACA

Beginning in 2014, pediatric services, including oral and vision, were required to be covered in all non-grandfathered individual and small group health plans as essential health benefits. This caused issues for insurance companies that did not have experience in administering dental benefits.

To help insurance companies, the government has allowed carriers to offer health policies without dental coverage as long as standalone dental plans are made available to prospective insureds.