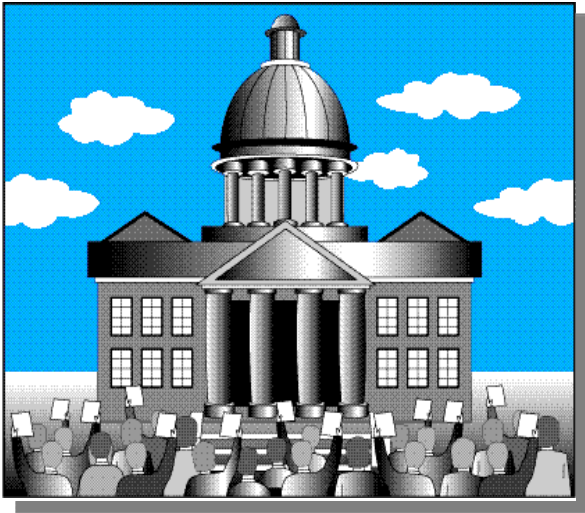


# Dental Benefits Under Healthcare Reform

Assessing the risks and opportunities  
for advocates of oral health



California Children's Dental Disease  
Prevention Program Meeting

September 17, 2007

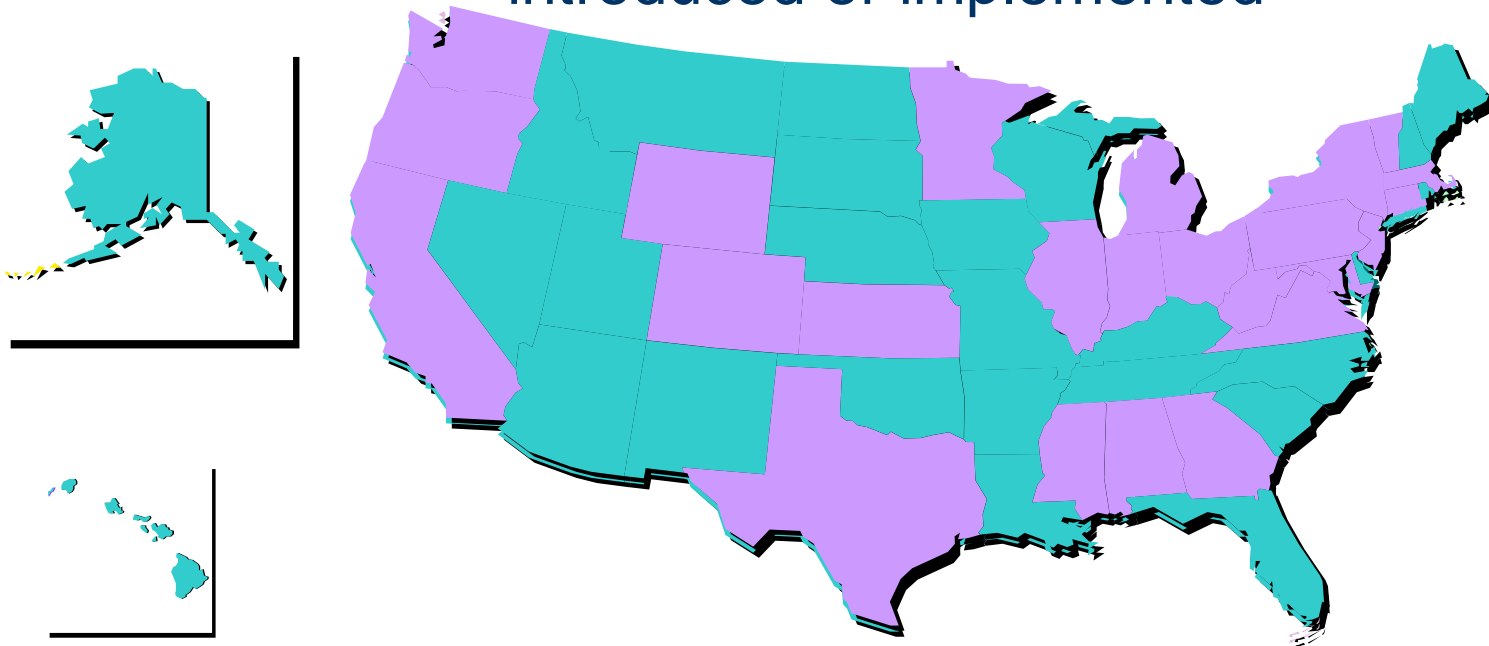
Jeff Album  
Director, Public & Government Affairs  
Delta Dental of CA, NY, PA & Affiliates

# Overview

- **Legislative and Regulatory Trends**
  - Federal and State Review
- **Opportunities for Oral Health**
  - Where the dental industry stands
  - Governor's Executive Order
- **Outlook and Final Thoughts**

# A Nation Grasping for Change

- States where major proposals have been introduced or implemented



# Legislative and Regulatory Trends

- Incremental approach yielding to large scale reform
  - The prevailing wisdom: Healthcare system is broken
  - The new advocates for reform: Business, labor & some large insurers
  - MA breakthrough spurs state legislatures across the country.
  - 2008: The healthcare election?
  - Consumer-driven division / conservatives consider, liberals lament
- Cost Containment
  - Few if any proposed solutions



# Legislative and Regulatory Trends

- Expansion of children's health and dental programs
  - SCHIP bills pass in House and Senate
    - House version contains guaranteed dental benefit
    - Senate version does not, but contains \$200 million for dental grants. Also provides for premium assistance to eligible kids who join parent's plans through work, *but excludes assistance for stand-alone dental.*
    - Need is for a "veto-proof" reconciliation, as President Bush opposes expansion on grounds that expanded kid care lays the foundation for socialized medicine.
    - Other issues: Medicare Advantage funding; \$35 or \$50 billion appropriation; anti crowd-out provisions; size of tobacco tax increases, comparative research components...

# Legislative and Regulatory Trends

- Bush administration issues new rules through Center for Medicaid Services (CMS)
  - Thwarts states from directing SCHIP funds to kids above 250 percent FPL (affecting 17 states including CA)
    - Kids above 250% of FPL must show proof of no insurance for 1 full year (CA requires just 3 months)
    - States must demonstrate 95% enrollment of Medicaid and SCHIP eligible kids under 200% FPL before extending coverage higher
    - *Sacramento Bee* editorial: the new guidelines "will surely add to, not reduce, the numbers of uninsured children"
    - National Association of Medicaid Directors and 44 Senators voice objection to the rules, which Congress will try to overturn

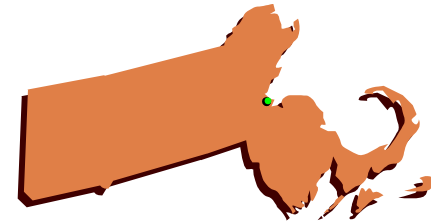


# Legislative and Regulatory Trends



- Regulatory micromanagement on the rise
  - Language assistance, provider sufficiency (timely access), rate regulation, any willing provider, assignment of benefits, prompt payment, independent review, retroactive termination, etc...
    - All intended to protect consumers from bad players and practices
    - All intended to address complaints about health plans, not dental
    - For low margin benefit like dental, these add up to “death by a thousand pinpricks”
  - Emergence of the “plan enforcement model”
    - By regulating “practice of dentistry” through dental plans, we risk defection of dentists from panels, which equals higher costs, higher premiums and less access. (example, timely access regs)

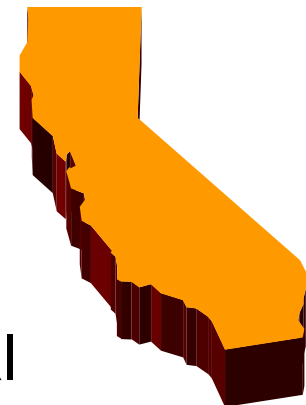
# Current State Issues: MA kicks it all off



- Governor Mit Romney signs universal coverage in 06
  - Employer and individual mandates; establishes large state agency “the connector” to coordinate private and tax-supported plans with hospitals, physician groups and insurers; establishes rules, builds marketplace where conforming products matched with purchasers.
  - Signaled that Democrats and Republicans can compromise on healthcare if they put their hearts and minds to it
  - Inspired much of CA proposed reforms and processes (more later)
  - Jury still out on impacts to dental; “crowd out” remains big concern; dental is option rather than mandate for commercial marketplace. Money the issue. Policymakers would like to see dental included eventually

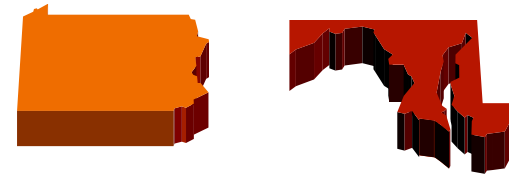


## Current State Issues - CA



- Gov. Arnold Schwarzenegger negotiates with Democratic leaders over play or pay proposal
  - Gov wants individual and business mandates, guarantee issue, with higher Medicaid reimbursement on the table along with hospital and physician tax and higher employer payroll tax
  - Dental included under proposed Medicaid and SCHIP expansion. Otherwise, not included but allowed as optional buy-up in state purchasing pool, and available to all mandated purchasers. Administration view consistent with Delta Dental/CADP priorities and principles. (See “principles”)

## Other State Issues



- (PA) Gov. Ed Rendell proposes “Prescription for Pennsylvania”
  - Sets up state health care agency, employer health levy, “individual wellness” tax and new health care board to finance and offer universal coverage, all with limited news/mention of dental
- (MD) Legislature proposes tobacco tax-funded universal health plan with individual and business mandates
  - Medicaid expansion and subsidies for small businesses through state-purchasing pool; veto from more moderate Governor likely
  - MD Dental Action Committee recommends: increased Medicaid reimbursements to dentists; dental health ed. campaign; pediatricians and nurses apply fluoride varnishes on children; establish primary dental care providers for Medicaid beneficiaries.

## Other State Issues



- (CO) ...5 proposals to overhaul healthcare system, with latest a mandate on insurers to offer a “no-cost preventive” care plan, based on guarantee issue



- (IN) ...mandate to buy HSA high deductible plan



- (KS) ...advisory councils recommend individual and employer health mandates for possible legislative intro in November



- (MN) ...“Q-Care,” a pay-for-performance system promoted to save costs in public programs, reward quality over quantity



- (NJ) ...large employer mandate to spend min. percent of payroll on employee health benefits; similar to MD’s failed “WalMart bill”



- (NY) Gov. Elliott Spitzer champions universal coverage / cost containment proposal, with focus on hospital efficiency.

## Other State Issues



- (MI) ...“First Health Care Plan,” creates state-regulated insurance purchasing pool with federal subsidies for low-income individuals and small businesses



- (OH) ...voluntary state-run health care exchange targeting low-income families



- (OR) ...ballot measure to increase tobacco tax to fund universal childrens healthcare measure



- (WA) ...individual mandate, state purchasing pools, and all children covered by state program

# Opportunities for Oral Health: Developing a “Principled Stand”



- Wanting a voice, dental industry offers principles to inform policymakers on opportunities
  - Principles are a common vehicle to help members measure proposals, advise the public and customers, and influence policymakers
  - Principles offer a way to respect local conditions, priorities and ways of doing things by region. What works in MA not necessarily best in CA
  - Delta Dental, AHIP, NADP & CADP now unified on principles. ADA shares some goals, but politics makes collaboration difficult at best. Places where mutual interests occur will be chosen carefully.

# Principles for Dental in Health Care Reform



- Four fundamental observations inform industry's perspective on healthcare reform
  1. Dental is an inseparable part of health and overall wellness
  2. Dental coverage creates affordable access for millions of Americans
  3. Third party dental carriers add value, quality and control
  4. Everyone deserves dental coverage; not everyone has it
- Brief support for each of these included in the draft "Principles" document.
- Four observations followed by five policy implications.

# Policy Implication I



- Proposals that inadvertently add cost to dental benefit administration and/or new barriers to the design of lower cost alternative plan designs will reduce access to affordable dental coverage, thereby diminishing oral health.
  - Preserving the deductibility of dental benefits for employers, employees and/or adding tax credits for individuals who purchase dental benefits on a voluntary basis is critical.

## Policy Implication II



- Dental carriers should be encouraged — not hindered — in efforts to develop and enforce competitive fee arrangements, equitable reimbursement and dental policies, and innovative plan designs.
  - to ensure necessary and appropriate care in accordance with group contracts and high professional standards.



## Policy Implication III



- Dental coverage should not be neglected in the debate over how to fix healthcare.
  - Dental can be added into proposals or taken out, but in either event, should be regarded carefully in view of the growing body of evidence that suggests control of caries and periodontal disease can improve health outcomes and reduce costs.

## Policy Implication IV



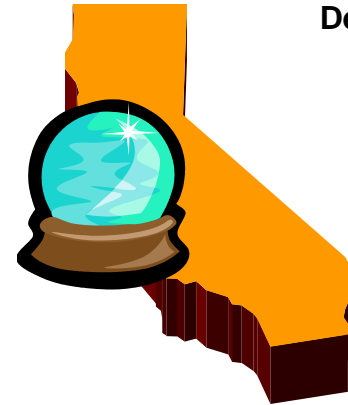
- Dental benefits *should* be included if possible, if proposed reforms:
  - Increase access to affordable care
  - Expand or build upon successful existing programs
  - Rely on qualified, experienced third party dental carriers (including stand-alone dental carriers)
  - Do not undermine healthy competition
  - Do not reduce employers' and/or individuals' capacity to retain existing dental benefit programs
  - Do not jeopardize the tax-advantaged status of those who sponsor and/or pay the cost of their own dental coverage.

# Policy Implication V



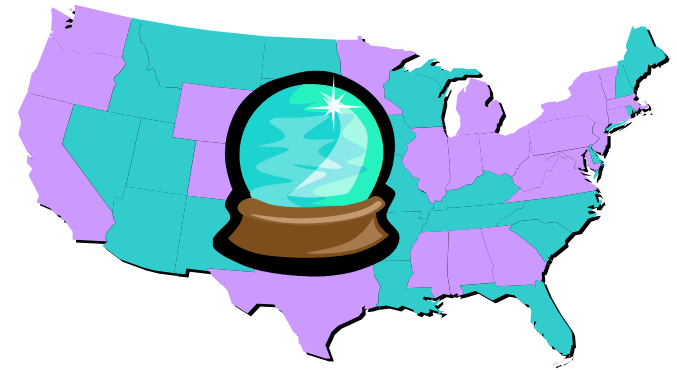
- Health reform proposals should not.
  - Extend only a limited scope dental program in a way that erodes existing, comprehensive dental benefit programs currently prevalent in the group benefits market place.
  - Lead to a single-payer, government-sponsored agency that eliminates the critically important role of third party administration.
  - Erect higher, more costly barriers to the development and offering of cost-effective dental benefit programs
  - Reduce the current portion of healthcare expenditures committed to dental treatment and coverage.

# CA State Outlook

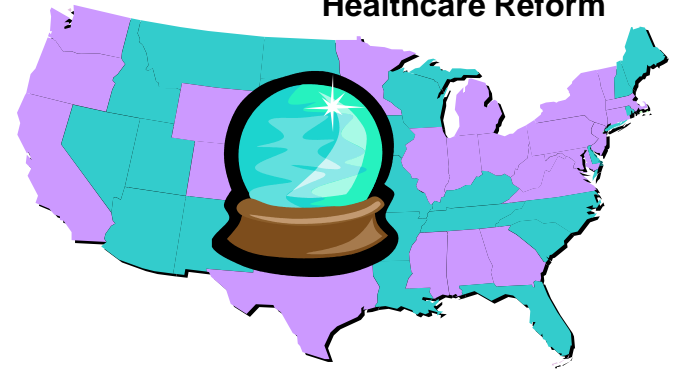


- AB 8 passed by Legislature to be vetoed by Governor. Special Session produces agreement with individual mandate and a ballot initiative for funding
  - No dental component beyond voluntary options for a long while.  
Will depend on economic health of state and the economy
- Governor's Executive Order on Oral Health
  - CADP/CDA/Delta Dental work on Governor's Executive Order for Oral Health (would establish task force to increase fluoridation, state leadership, affordable dental coverage)

# Federal Outlook



- Single-payer not in the cards
  - Lack of leadership in Congress, even after Democrats gain control.
  - 80 to 85 percent of Americans have coverage and are basically satisfied with what they have.
  - Current attitudes could change by 2020 if cost trends aren't fixed, and when half the U.S. population reaches 50+
- Americans support government support / funding for healthcare.
  - Concepts of universality, beginning with kids, poll well.
  - 2008 presidential candidates will have proposals in hand.
  - SCHIP funding proposals / Medicaid funding proposals most immediate issue (this session).



# Federal Outlook

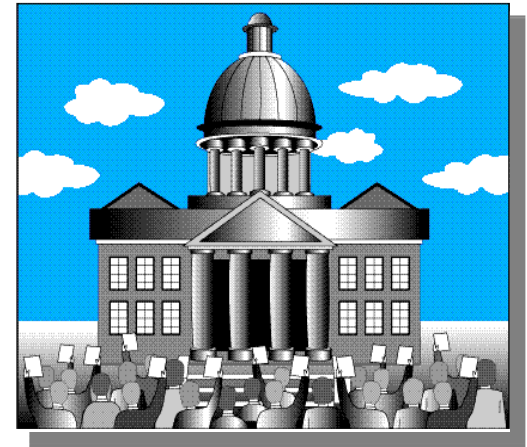
- Coalitions signal new dynamic
  - “Divided We Fail” (AARP, Business Roundtable, SEIU) and “Health Care Together” (AT&T, Wal-Mart, SEIU) coalitions signal a new political dynamic
- Clinton, Obama and Edwards propose universal health coverage goal
- President Bush proposes cap on tax deduction for benefits
  - \$15,000 families, \$7,500 individuals
  - equal tax credit to individuals, regardless of what they buy amounts to disincentive for group dental, without promoting individual dental
- Congress open to “state laboratory” legislation
  - Bills encourage state models with federal funds, ERISA rule waivers, with eye toward eventual federal adoption of best practices

# Final Thoughts



- Bear in mind: It's seldom about dental.
  - Most dental industry challenges in the government relations arena stem from laws and/or regulations that were not proposed with dental in mind.
  - Our challenges continue to be shaped by larger forces: the increasing cost of healthcare, the backlash against managed care, the influx of immigrants, widening economic disparities within the population, the aging of the population and the divided electorate, to name only a few.

# Jeff Album



Delta Dental of CA, NY, PA and Affiliates  
Director, Public & Government Affairs  
Ph (415) 972-8418  
[jalbum@delta.org](mailto:jalbum@delta.org)