

Employer-paid *or* voluntary dental:

WHAT'S RIGHT FOR YOUR CLIENT?

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There's a lot of talk these days about the growing trend toward voluntary benefits, including in the dental marketplace. Especially in today's economy where companies don't just want — but need — to consider every expense wisely, anything that helps an employer save money will get a closer look.

The flip side of the coin is that employees are watching their own pocketbooks closely and are drawn to employers that deliver the greatest benefit value.

So, what type of dental plan makes sense for your clients: Employer-paid or voluntary?

"First and foremost, it's important to remember that a dental plan makes sense — the need for affordable dental care is there no matter the economy," says Cindy Kamimae, a licensed agent and owner of Matrix Insurance Marketing in Seattle. "Employer-paid and voluntary are essentially different funding mechanisms, but what really counts when it's all said and done is that the employer is able to offer — and the employee is able to receive — solid dental benefits."

Kamimae's comment rings true in the context of surveys that show dental coverage to be one of the benefits employees value most. The National Association of Dental Plans (NADP) recently released its 2008 Group Purchaser Behavior Study which shows "almost two-

thirds of employees, 62%, view dental coverage as essential to their benefits packages."

Her comment also rings true in the context of oral health science. People who receive regular preventive dental care are less likely to develop more serious (and costly) oral health issues down the line.

NADP's survey also cited that in order to keep dental in the benefits portfolio, employers are now offering a wider range of options. According to the survey, 15% are likely to transition to voluntary dental benefits and 28% are likely to increase the premiums paid by employees.

Trends notwithstanding, each employer will look at the costs and benefits for its own organization. And once the decision to provide this valuable benefit is made, the question for your client remains: Employer-paid or voluntary?

Defining the terms

While different carriers define the terms in different ways, the basic idea is that with an employer-paid plan, the employer generally carries a larger share of the cost than with a voluntary plan.

However, it's a relative term rather than black and white. Few employers pay the full freight on an employer-paid plan and many voluntary plans also include an employer contribution.

Furthermore, some plans are defined

as employer-paid or voluntary based on employee participation levels, since this is a key factor in the overall claims experience (and thus cost) of a dental plan.

Because there is no one-size-fits-all definition, you'll want to be sure you understand how the terms are defined by the dental plans you're quoting.

Benefits may differ

"While dental benefit plan designs tend to follow a similar overall formula, with coverage for preventive, basic, major and sometimes orthodontic care, there are often differences between comparable employer-paid and voluntary plans," says Kamimae.

For example, employer-paid and voluntary plans may both cover preventive care at 100%, basic services at 80% and major services at 50%, but the voluntary plan may include a waiting period for certain categories of care. This is to protect the financial integrity, and thus cost stability, of the plan for all the groups and employees that purchase into the same pool.

The reason waiting periods are useful is that they help reduce the effects of anti-selection. Because a smaller percentage of employees generally participate in voluntary plans, and those employees pay a higher share of their premiums than on an employer-paid plan, the risk of anti-selection increases on a voluntary plan.

"Without waiting periods, for example, you're more likely to have employees on a voluntary plan sign up because they need significant major dental work — and then drop the plan once they've had the work done," says Kamimae. "This would then increase costs for the people who purchase the plan for its intended use: To make ongoing preventive care affordable and also offer financial assistance for more complex treatments when needed."

It's important to find a carrier with plans that are simultaneously straightforward (so employees can understand and use them) but also give employers flexibility to choose the options that meet their company-

specific benefit package objectives.

Variables that let employers do this include a selection of coinsurance percentages, deductibles, annual maximums and the option to include or exclude waiting periods.

Pros and cons

"The advantage of a dental plan where the employer pays the lion's share of the cost is simple. The employee receives a financially valuable benefit that is also essential to their health," says Kamimae. "But even when the employer simply makes the plan available on a voluntary or employee-paid basis, the employee is still receiving valuable coverage. Plus, the employee trusts their company has done the work ahead of time to choose a solid, cost-effective plan from a reliable carrier."

In the employment marketplace, the share an organization pays of its employee benefits can put the company at a distinct advantage over other employers going after the same labor pool. While this may not be as large an issue in times of high unemployment, two facts remain: The economy will eventually turn around, and even in a tight economy competition for the best employees can be fierce.

"I would recommend offering an employer-paid plan if you can afford it," says Kamimae. "But a voluntary plan is certainly nothing to sneeze at."

Advising your client

"The key is to help your client understand the pros and cons," says Kamimae. "That's always the best approach, and they're turning to you for advice."

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Talk your client through the facts about employer-paid and voluntary plans, including any benefit differences, such as waiting periods, that may be relevant to their choice of otherwise comparable plans.

The most responsive carriers have experienced broker support teams that can answer your questions on any given case. They can talk through the advantages or disadvantages regarding your prospect and may be able to recommend a plan design that fits the prospect to a tee.

Web-based rate calculators also make it easy for you to quote and compare varying scenarios, including employer-paid vs. voluntary, in a matter of minutes.

"In the end it's about meeting your particular client's particular needs," says Kamimae. "Employer-paid benefits are awesome. But what matters is that the employees get the coverage they need to protect their oral health, regardless of the funding mechanism."



Renae Styve-Krmpotich manages the SecurianConnect Broker and Small Group Services Team for Securian Dental plans. Securian Dental plans, avail-

able in 46 states, are underwritten by Securian Life Insurance Co. and administered by DeCare Dental Health International, (DDHI). In California, Securian Dental is underwritten by Securian Life Insurance Co., offered through DeCare Dental Insurance Services, and administered by DDHI Administrators. DDHI is an affiliate of DeCare Dental, which manages dental benefits for 4 million people in 22,000 employer groups.