

The Anatomy of Ancillary Sales: A Simple Lesson



Small Group Dental 101: Why Thinking Small Could Yield Big Results

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The benefit marketplace is ultra-competitive. Considering the state of the economy and the fact that groups are closely scrutinizing their benefit expenses (actually, all their expenses), brokers are looking for ways to branch out to new and current clients without taking away too much time from their core business specialties.

The perfect opportunity exists in the small group dental market. If you haven't expanded your business to include small group dental among your product offerings, you're missing out on an additional revenue stream that could provide a solid return for nominal effort. In fact, dental benefits rank among the most frequently requested and used employee benefits -- right up there with medical coverage and the retirement plan. Here's what you need to know to get started:

Small Group Dental Products

Dental insurance isn't meant to cover every conceivable procedure, but to provide financial assistance for a wide range of services with a strong incentive for employees to get the critical preventive care they need.

For example, a standard comprehensive

plan design, the 100-80-50 plan, is structured as follows:

- 100% coverage for check-ups, X-rays and cleanings, encouraging people to visit the dentist regularly to prevent larger, more expensive problems from occurring.
- Other services, like simple extractions and fillings, fall into a basic services category covered at 80%.
- More complicated procedures, such as bridges, dentures and root canals, are covered as complex or major services at 50%.
- Depending on the type of plan, orthodontic coverage can be built into the plan, offered as an additional option for a higher plan premium, or not available.

In the above example, it's worth noting that members don't have to be sick or experience a catastrophic accident to benefit from dental insurance.

Plans can be funded as employer-paid or even voluntary, where employees pay most or all of the costs. This means your clients have a lot of flexibility in offering a plan that meets their budget objectives. There are hundreds of off-the-shelf plan designs in the market; plenty of solutions are out there to balance coverage versus cost. And innovative plan features have been introduced

to provide enhanced value for groups, such as plans with annual maximums that carry over or escalate each year.

Carriers mitigate financial risk through calendar-year or lifetime deductibles, waiting periods for basic or major services, and annual plan maximums. A dental plan's annual maximum doesn't mean the same thing that it does for a medical plan. A dental plan's annual maximum is the total dollar amount the plan will pay in a calendar year. For a medical plan, the annual maximum is the member's out-of-pocket maximum for covered services.

Along the same lines, participation requirements also protect carriers against the risk of anti-selection. Many plans require a percentage of employees and/or dependents to enroll, which spreads the risk of high plan utilization by a few members who need advanced dental care across premiums paid by a larger subset of plan participants.

Carriers offer credit to groups that have had similar, continuous dental coverage before joining their plan. For prior comparable coverage, carriers often waive waiting periods and offer lower premiums.

Commercial Dental Benefit Plan Types: PPO Versus Indemnity

PPO plans feature a network of dentists who contractually agree to discounted fees to participate in the network. Benefits are usually stronger in-network (except in the case of passive PPOs, which have the same benefits in-network or out-of-network). When visiting a network dentist, the patient is only responsible for their applicable deductible and coinsurance. The patient isn't responsible for any portion of their bill that exceeds the dentist's negotiated fees.

PPO plans make sense for groups that have easy access to network dentists where their employees live and work. In addition to negotiated, discounted dental service fees, plan members don't have to worry about balance billing in-network.

Indemnity plans allow members to receive the same benefits at any licensed dentist. There's no contract between the carrier and the dentist. Instead, the dentist is reimbursed according to a schedule of fees or allowable charges. If a dentist charges more than the allowable fee, the patient is responsible for the difference.

Indemnity plans make sense for groups that value the simplicity of having the same benefits at any dentist and where access to a PPO network isn't particularly strong, often in rural areas.

Other types of plan, including DHMOs, direct reimbursement, and even analytically derived network plans based on dentist practice patterns, comprise a smaller percentage of the market.

Selecting a Carrier

Going back to a previous statement: There are hundreds of off-the-shelf plan designs in the market with plenty of solutions to balance coverage versus cost. If you're not familiar with the small group dental market, it's somewhat easy to get lost. The following characteristics distinguish the best carriers from the rest of the pack:

- **Personal service** – Ideally, your carrier should have a team of sales support experts focused exclusively on the small group market. They can recommend specific plans, answer questions about participation requirements and underwriting guidelines, quickly run quotes and generate proposals, assist with new

business implementation and facilitate renewals. Keeping in mind that dental is a smaller portion of your business, personal service might be the most important aspect to consider, freeing up your time to concentrate on your core business and sales.

- **Flexible products and guidelines** – Look for a carrier that provides a full complement of options for coinsurance, deductibles, waiting periods, annual maximums and orthodontics coverage. Products should be available on an

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employer-paid or voluntary basis with various PPO and indemnity options at your disposal. Check out the participation requirements and underwriting guidelines. Does the carrier offer coverage for groups of fewer than five employees? What percentage of employees and dependents need to enroll? Here again, personal service matters because you want an expert who will walk you through the process and make it seamless for you and your clients.

- **Business made easy** – Online tools can really simplify your life and simplify plan management for your groups and their employees. A Web-based rate calculator gives you the flexibility to run your own quotes whenever you want. Commission reporting gives you real-time access to your commission information. Online enrollment can help your groups manage the day-to-day additions, changes, and terminations in their plan. Claims inquiry, coverage summary, and dentist search tools help members make the most of their benefits.

- **Plan administration** – The service a dental benefits partner delivers is also a reflection on you. To protect the reputation you've worked so hard to achieve, it makes sense to place clients with a carrier that is committed to excellent service. It's reasonable to expect your carrier to pay most claims within three business days with a high degree of accuracy. You should also expect the carrier to answer phone calls quickly with live representatives who truly understand dental benefits. Check out the carrier's track record of working with agents and brokers. A great way to do this is to ask for their broker satisfaction survey results; any good carrier measures their performance to make improvements.

- **Financial strength and stability** – Now is not the time to go out on a limb with a cut-rate dental benefits provider. It only leads to surprises and cancellations at renewal time. The best carriers have a proven history of working with small groups as well as large, Fortune 500 organizations. Check out your carrier's A.M. Best rating to get a better sense of their financial capacity. If you're a broker who's new to small group dental, but not new to employee benefits, you may be pleasantly surprised by the potential to grow your business easily. From a marketing perspective, you're in a unique position to tap your current clients for cross-sales opportunities. By partnering with a dental benefits provider that keeps things simple, the time you invest to reach new and existing clients could yield impressive results! □

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