

*RE-THINKING DENTAL PPO PLANS AS A  
CLIENT RETENTION AND CROSS-SELLING TOOL*

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FOCUS  
REPORT

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*As a trusted advisor, you want to do what is best for your clients. When it comes to dental insurance, if your client is not capitalizing on the cost-savings of incentive PPO plans, you are in a unique position to educate them. By giving them the tools they need to motivate their employees, you can help modify their dental insurance-buying behavior.*

## Part I Incentive PPO Dental Serves as a Retention and Cross-Selling Tool for Brokers

Dental plans are a historically popular benefit with both employers and employees. Employers value these plans because they keep employees productive and healthy. According to the National Association of Dental Plans, the percentage of employers with dental benefits rating them as “essential” increased from 53 percent to 62 percent between 2005 and 2008.<sup>1</sup> Employees value them because they are a benefit they know they will use. Even in an environment where employers are considering cutting some benefits, LIMRA data finds that just 10 percent of employers consider cutting dental, and dental is cited most frequently by employers as the benefit they plan on adding in the next 12 months.<sup>2</sup>

While employers use dental as an employee retention tool, producers sometimes overlook dental as a client retention tool of their own. If their client is satisfied with the dental plan they have in place, producers may be hesitant to introduce a new one. This is especially true of low-cost, network-based Participating Provider Organization (PPO) plans, which must be effectively communicated to employees. A common concern among employers who want to introduce these plans is convincing employees whose dentist may not be in-network to participate in them. Yet producers who understand these plans, and the inherent savings they can offer, can overcome these employer concerns and gain client loyalty and recognition.

The first step in this process is recognizing that not all PPO plans are alike. The value clients derive from them can hinge on their design. Passive PPO plans, in which co-insurance percentages and calendar year maximum amounts are the same regardless of whether an employee visits an in- or out-of-network dentist, do not deliver the same value as a properly utilized incentive PPO plan. With incentive plans, premium and service costs are reduced when the insured visits an in-network dental provider. The savings are even more dramatic when these plans are paired with a Maximum Allowable Charge (MAC) plan.

When utilized properly, an incentive PPO plan can result in annual employer and employee savings of up to 35 percent. At a time when discretionary dollars for benefits are few, the extra money saved can be applied towards other benefits like life, disability or supplemental medical insurance products. Producers can realize tremendous cross-selling opportunities after implementing these plans. In the employee benefits market, savvy producers have historically leveraged products like incentive PPO dental to draw employee attention to other products.

This Focus Report will address some of the common misconceptions around incentive PPO dental plans and offer best practices for helping your clients make the most of their plans. It will discuss incentive PPO plan designs, as well as subtle differences between PPO networks, e.g., number of provider locations versus access points. Most importantly, the report will provide you with practical ways you can help employers make the case for incentive PPO dental to their employees.

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## Part II Incentive PPO Plan Designs Help Employees and Employers Do More with Less

By their design, PPO plans help employees do more with less — an overarching theme in today’s difficult economic environment. Employees who elect to participate in an employer-sponsored incentive PPO plan essentially pool their resources to gain access to credentialed dentists who provide preventive and routine care at no cost. Under these plans, nearly all employees are eligible for coverage and, if they elect coverage, will have ample access to a number of participating dentists. If their current dentist is non-participating, employees customarily have the opportunity to ask their dentist to join the network, giving the employee the same flexibility in choosing providers they would have under more expensive types of insurance, such as indemnity plans.

Research shows employees who utilize incentive PPO plans are motivated to seek preventive care early because it is customarily paid at 100 percent. Workers with employer-sponsored dental benefits are more likely to see their dentists for checkups than other workers — 83 percent of participants with dental benefits visit the dentist twice or more a year, compared to 63 percent of workers who pay out-of-pocket for their dental benefits or dental care.<sup>3</sup>

When they see the dentist regularly, employees actually save money as preventive treatment is less costly than treating more serious conditions. Some studies indicate that for every \$1 spent on prevention, \$4 is saved in treatment.<sup>4</sup> Because incentive PPO plans are network-based, employees pay nothing out-of-pocket for regular check-ups, provided they see an in-network provider. Compared to indemnity plans, which are priced higher, or Dental Health Maintenance Organization (DHMO) plans, which, because procedures and services are restricted, can leave employees with huge out-of-pocket costs, incentive PPO plans offer a “happy medium” and an affordable way for employees to maintain their oral health.

Employers like incentive PPO plans for the money they save in premiums, as well as for their contribution to worker oral health and productivity. Statistics from the National Association of Dental Plans show a shift towards PPO plans by employers as they strive for more cost-effective benefit solutions. In 2008, the National Association of Dental Plans (NADP) reported that “dental PPOs continued to gain ground as the primary product in the marketplace — offered by 60 percent of the reporting employers — with both DHMOs and indemnity plans losing market share.”<sup>3</sup> Incentive PPO plans, with an extensive PPO network, can generate additional plans savings, without sacrificing employee satisfaction.

Indeed, the employer shift towards incentive PPO plans is natural in an increasingly uncertain economic environment where both employers and employees are eager to cut costs where they can to maintain the profitability of their firms and keep jobs secure. In this climate, employees will likely be more receptive than normal to a switch in plan design as they are keenly aware of the impact benefits and other expenses have on their company’s bottom line.

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## Part III Overcoming Common Objections to Incentive PPO Plans

Even in a climate conducive to incentive PPO plans, there remains hesitation on the part of producers and employers to implement these plans. The most common objection employers have to incentive PPO plans is fear their employees will not sign up for the plans if their current dentist is not in-network and that the cost savings an incentive PPO plan will provide will not be evident to their employees. The most common objection producers have is that their client will not be satisfied with an incentive PPO plan if they are accustomed to a richer plan design. These fears are ungrounded for a number of reasons.

In incentive PPO plans, employees always have a choice of provider. While they are encouraged to visit in-network providers, they can still elect to see an out-of-network provider and pay more — it's their choice. Additionally, employees can nominate their dental provider to become part of the network. As any experienced benefit seller knows, one or two employees' special concerns over a network should not outweigh the greater cost savings that can be achieved for the majority of employees, as well as the employer, by electing an incentive PPO. Employers who shy away from incentive PPO plans because of the misgivings of a few are likely missing the opportunity to provide valuable dental services to the rest of their employee base.

When employees see an in-network dentist, savings to employees and employers can be realized at many levels. At the first level, both employers and employees enjoy lower premiums in incentive PPO plans. At the second level, employees realize reduced fees for common procedures, such as inserting crowns. In one typical example a crown costing as much as \$1,000 under a Reasonable and Customary (R&C) fee schedule, was reduced up to 50 percent when the employee saw an in-network PPO dentist. Best-in-class dental carriers should have multiple employee marketing materials to help illustrate the savings these plans provide.

Still, some employers remain unsure about how to motivate employees to enroll in incentive PPO plans, especially when their employees seem reluctant. In many cases, the employer elects a passive PPO plan, where co-insurance percentages and calendar-year maximum amounts remain the same whether an employee goes to an in- or out-of-network provider. Designing plans in this manner can often be short-sighted, especially in an environment where employees are eager to assist their employers in realizing greater cost savings.

Educating employees about incentive PPO dental and assisting them with changing their dental buying behavior should be top-of-mind for both producers and employers. Dental carriers themselves also have these issues in mind, realizing they need to design products to motivate employees to visit in-network providers. Innovations like MAC PPO plans are increasingly driving the market. Under these plans both premiums and fees are reduced when an employee visits an in-network provider. MAC plans can be up to 35 percent less than an R&C plan. Additionally, incentive MAC PPO plans customarily pay 100 percent for preventive care, encouraging employees to visit in-network dentists regularly and address potential problems before they escalate.

Moving to this plan design can be accomplished gradually, so employees have time to prepare and identify an in-network dentist they can feel comfortable seeing on a regular basis. When plan modifications are made gradually and premium savings are outlined and communicated to employees with each new change, employees have real incentives to use them.

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## Part IV Evaluating PPO Networks

In evaluating PPO providers, carriers will often promote the size of their network, citing their number of providers as indicative of their network's value. While a robust number of providers is an important network feature, there are other criteria that must be taken into account.

Since providers can practice at more than one location, a more useful measure of a network's value may be access points. Access points are the number of practicing dental providers at each office location. If a dentist practices at four different locations, he or she will be counted four times if a carrier uses access points to establish their network's size.

Using access points as opposed to number of providers may be more meaningful to employers and employees when evaluating potential carriers. If an employer in a typically under-served rural or remote area can be shown that a certain carrier has a larger-than-average number of access points in that area, they may be more inclined to take up benefits with that carrier. When evaluating potential carriers, you can ask them to perform an analysis of access points by geographic region. Additionally, most dental networks have online tools for employees to quickly find participating dentists in their area. With incentive PPO plans, it is important to promote the tools carriers have for helping employers and employees identify and visit participating, in-network providers as much as possible in order to derive the most value from their plans.

In addition to evaluating a given network's accessibility, evaluating their credentialing standards can be another way of differentiating one network from the next. It is standard for most networks to enforce rigorous credentialing and re-credentialing standards for practicing dentists. Carriers should be conversant with the basic features of their network's credentialing standards, which customarily include verification of malpractice insurance, no suits filed, and state insurance department confirmation that dentists are licensed.

Finally, another useful measure for evaluating potential providers is their reputation in the marketplace — primarily in regards to customer service and claims processing. Ask your carrier for examples of their commitment to demonstrated customer service, how they handle sensitive employee information around health conditions, and what reporting capabilities they may have to enhance efficiency and accuracy.

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<sup>1</sup> "Recession Puts Bite On Dental Coverage," *National Underwriter Life & Health*, April 20, 2009.

<sup>2</sup> "A Subtle Shift: Examining Employee Benefits In The Midst of Economic Uncertainty," LIMRA Technical Report, 2009.

<sup>3</sup> "Chipped Teeth: Long Believed To Be Immune to Economic Swings, the Current Recession May Be Chipping Away at Dental Offerings," *Employee Benefit News*, February 2009.

<sup>4</sup> "Dental Special Report," *Benefits Selling*, February 2009.

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