



Protect Access to  
Quality Dental Care

**NO** on **2**



## **Analysis of Proposed Medical Loss Ratios for Dental Insurance**

## ACKNOWLEDGMENTS

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BW Research Partnership is a full-service applied research firm specializing in economic and workforce research, customer and community research, strategic planning, and evaluation services, with clients across the world. BW Research is a recognized leader in employment research, regularly producing official employment estimates for federal and state agencies, nonprofit organizations, academic institutions, and private industry. BW Research has offices in Massachusetts and California.

## EXECUTIVE SUMMARY

A 2022 study released by Milliman finds that implementing Initiative Petition 21-13 for medical loss ratios for dental insurance would lead to increased costs for members, as insurance carriers would need to increase premiums by nearly 38%, and increase claims by more than 60%, to “meet the DLR (dental loss ratio) threshold while retaining enough revenue to administer the business.” BW Research Partnership, a non-partisan, independent research firm, conducted representative surveys of residents and businesses in Massachusetts to determine the impacts. The report finds:

- 1 Approximately 80% of respondents between 18 and 64 have dental coverage, with about 80% of those respondents receiving the benefit through their employers.
- 2 Residents and businesses report high levels of satisfaction with their current plans, though both groups are sensitive to price increases.
- 3 About half of individuals with dental insurance report they would drop coverage if prices increased as expected.
- 4 The most likely outcome resulting from dropping coverage is forgoing care, and unexpected dental bills would have significant negative impacts on households in Massachusetts.
- 5 Lower-income and ethnic and racial minorities will be disproportionately negatively impacted by the cost increases across the board.
- 6 Employers are quite cost sensitive, and likely to make changes to their dental coverage benefits if costs increase as expected.
- 7 The most likely outcomes will be reduction in benefits, reduced coverage, and dropping employee coverage altogether.

## I. INTRODUCTION - MEDICAL LOSS RATIO

The Committee to Protect Access to Quality Dental Care commissioned BW Research Partnership to research the impact on residents and businesses by the cost increases that would result from the current ballot initiative regarding medical loss ratios for dental insurers. This proposal (Initiative Petition 21-13) is on the November 2022 ballot in Massachusetts and proposes a law that would “require that a dental insurance carrier meet an annual aggregate medical loss ratio for its covered dental benefit plans of 83 percent.” The 83 percent loss ratio refers to the amount of premium dollars that the carrier pays for provider costs. The remaining 17 percent of premium dollars can be put towards administrative expenses such as network maintenance, fraud waste and abuse and customer service.

Under the proposed law, any insurance carrier that fails to meet a loss ratio of at least 83 percent is required, at the end of the year, to distribute the remainder of excess premium funds to its covered individuals and groups. Additional tasks would be required of insurance carriers in the Commonwealth, including working with the Commissioner of the Massachusetts Division of Insurance to approve rates of dental benefit plans. Insurance carriers would also be required to submit proposed changes to base rates for the following year on July 1st of each preceding year. If passed, the law would apply to “all dental benefit plans issued, made effective, delivered, or renewed on or after January 1, 2024.”

A report released in June 2022 by Milliman found that implementing Initiative Petition 21-13 would lead to increased costs for members, as insurance carriers would need to increase premiums by nearly 38%, and increase claims by more than 60%, to “meet the DLR (dental loss ratio) threshold while retaining enough revenue to administer the business.”<sup>1</sup> Claims would need to be increased by either offering more benefits as part of dental plans or by increasing reimbursement to providers. The authors note that simply adding benefits may make plans attractive to some consumers, but it more likely will limit the availability of affordable plans, decreasing consumer choice. Furthermore, simply increasing reimbursement could lessen the overall benefit of dental plans to consumers.

This study addresses the impacts on Massachusetts residents and businesses of these expected premium increases. The results are based on two surveys administered by BW Research Partnership. BW Research Partnership administered a resident survey to 697 Massachusetts residents via email, phone, online panel, and SMS messaging. Respondents were representative by age and gender for the 18- to 64-year-old cohort in the Commonwealth. Only individuals that were not currently covered by MassHealth and/or Medicaid were eligible to participate in the study. MassHealth and Medicaid recipients were excluded because the proposed measure will not apply to them. The resident survey was fielded between August 5th and September 7th, 2022 and averaged ten minutes in length. The margin of error for respondents that answered all questions is +/-3.71 percent at the 95 percent confidence interval.

A survey of 500 Massachusetts businesses was also conducted via phone, online panel, and email. Respondents to the survey were required to be involved in staffing, planning, or employee benefit decisions at their firm. The business survey was conducted between August 17th and August 30th, 2022

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<sup>1</sup> <https://www.nadp.org/docs/default-source/default-document-library/massachusetts-dlr-report-final.pdf>

and averaged eleven minutes in length. The margin of error for businesses that responded to all questions is +/-4.38 percent at the 95 percent confidence interval.

## II. IMPACTS TO RESIDENTS

BW Research conducted a representative survey of residents aged 18-64 in Massachusetts. The effort excluded respondents under the age of 18 and over 65 years of age and excluded residents enrolled in Medicaid, including MassHealth.

### A. OVERALL COVERAGE

**Four-in-five (81%) respondents report having dental insurance. Uninsured respondents cite coverage or out-of-pocket costs as the primary reason for not having dental insurance.** When uninsured respondents were asked their primary reason for not having dental insurance, half of the respondents (50%) indicate that dental coverage or out-of-pocket costs are too expensive.

**Employer-sponsored dental insurance is the norm.** Of the individuals who have dental insurance, 82% have it sponsored through their employer. More than four-in-five (84%) respondents with dental insurance report that they are satisfied with their dental insurance coverage.

**Respondents have a favorable impression of their current dental insurance coverage.** When insured respondents were asked about their impression of certain aspects of their dental coverage, just under three-quarters (74%) of respondents cite that their monthly premium or monthly dental insurance costs are favorable. More than four-in-five respondents report that the quality of dentists available (84%), and the quantity of dentists to choose from (82%) as favorable. Two-in-five (41%) respondents view their out-of-pocket expenses or out-of-pocket costs as unfavorable. (Table 1).

Table 1. Overall Impression with Current Dental Insurance Coverage

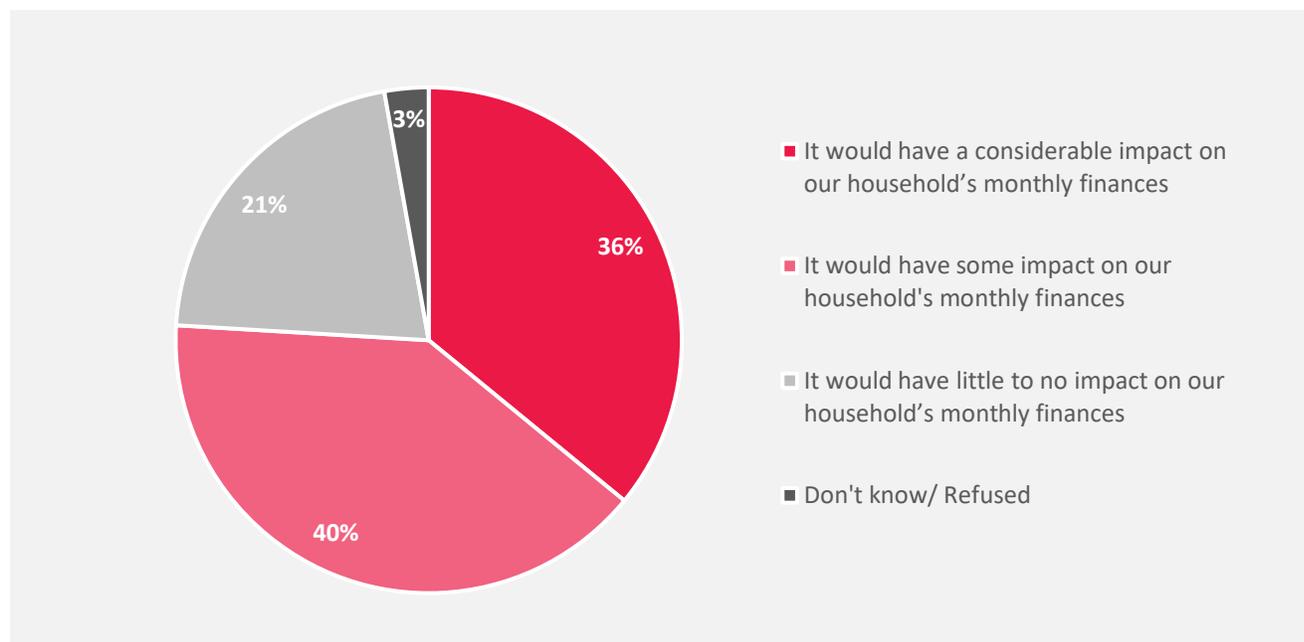
	Favorable	Unfavorable	No Impression	Don't know/ Refused
Monthly premium or monthly dental insurance cost	74.2%	19.9%	3.7%	2.2%
Out-of-pocket expenses or costs when you visit (including co-pays)	54.9%	40.7%	2.7%	1.7%
Quality of dentists available to you	84.2%	12.1%	2.0%	1.6%
Range of dental services covered	71.6%	25.0%	1.3%	2.1%
Quantity of dentists to choose from	81.8%	13.7%	2.1%	2.3%

**Limited coverage and high out-of-pocket costs are the biggest concerns with current dental coverage.** Of the respondents who have an unfavorable impression of their dental insurance coverage, three-in-

five (62%) cite limited coverage (number of procedures covered) as their biggest concern, followed by just over a quarter (27%) reporting high out-of-pocket costs or out-of-pocket costs.

**Insured respondents would likely drop insurance or forego care if monthly premiums or out-of-pocket costs increased.** Nearly half (48%) of insured respondents report that they would likely drop their dental insurance if the monthly premium went up by 40%. When asked if respondents would delay or forego care if the out-of-pocket costs or out-of-pocket costs went up by 20%, just over half (52%) indicate that they would likely forego care. Of the respondents who would forego care if out-of-pocket costs increased by 20%, three-in-five (62%) would likely forego care if out-of-pocket costs increased by 10%. More than half (54%) of respondents suggest that they would likely drop their dental insurance if both their monthly premium and out-of-pocket costs increased.

Figure 1. Impact of an Unexpected Dental bill on Household Finances



**Unexpected dental bills would have significant impact on households.** About three quarters of respondents indicate that an unexpected dental bill would have an impact on their household’s monthly finances (36% considerable impact), with a smaller one-in-five (21%) reporting that it would have little to no impact. (Figure 1)

## B. IMPACTED POPULATIONS

Lower-income and non-white respondents are more likely to be impacted by increased premiums. Specifically:

**Lower income and non-white respondents are less likely to have dental insurance.** One-in-three (33%) respondents who earn \$50,000 or below do not have dental insurance, compared to only 15% of respondents who earn more than \$50,000. Individuals earning more than \$50,000 are also more likely to have their dental insurance sponsored by their employer (86%) as opposed to three-in-five (61%) of

respondents who earn \$50,000 or below. One-quarter (26%) of non-white respondents report that they did not have dental insurance as opposed to only 16% of white respondents. When asked for the primary reason for not having dental insurance, more than two-in-five (45%) non-white respondents cite that coverage or out-of-pocket costs were too expensive.

**Lower income and non-white respondents are more likely to forego care if out-of-pocket costs are increased.** When asked how likely they are to delay or forego care if out-of-pocket costs were increased, three-in-five (59%) respondents who earn \$50,000 or below and 62% of non-white respondents report that they would likely delay or forego care if out-of-pocket costs increased by 20%. In contrast, 40% of respondents making more than \$50,000 per year and two-in-five (41%) white respondents report that they are not likely to forego care with an increase of 20% to out-of-pocket costs.

**Those earning \$50,000 or below were more sensitive to an increase in expenses.** Half (51%) of the respondents earning \$50,000 or below report that an unexpected dental bill of \$500 would have a considerable impact on their household's monthly finances compared to just under one-third (32%) of individuals earning more than \$50,000. Additionally, more than two-in-five (43%) respondents earning more than \$50,000 report that an increase to monthly premiums of \$8 would have no effect on their decision to keep or drop coverage, compared to only three-in-ten (30%) individuals earning \$50,000 or below.

### III. IMPACT TO BUSINESSES

BW Research conducted a survey of 500 business establishments in Massachusetts, represented by size and industry. The findings demonstrate that employers are generally satisfied with the status quo and are highly sensitive to cost increases. Specifically, the survey finds:

**Most employers offer dental insurance.** Three-in-five (61%) businesses pay for some portion of their employees’ dental insurance. Large firms are more likely (81%) to sponsor employees’ dental insurance compared to small firms (55%). Small firms are more likely (43%) to indicate that they do not offer employer-sponsored dental insurance benefits than large firms (16%).

**Businesses report the cost of employee healthcare benefits as an important business consideration.** Fifty-five percent of businesses view cost of healthcare benefits as “extremely important”. Large firms are more likely (56%) than small firms (45%) to view “providing a competitive benefits package to attract and retain employees” as an “extremely important” consideration.

**Businesses report high levels of satisfaction with employee dental plans.** Nearly all (93%) businesses are at least satisfied with the dental insurance they provide to employees. Two-in-five (41%) indicate that they are “very satisfied” with their current dental insurance offering; comparatively, eight percent of businesses indicate some level of dissatisfaction with their current dental insurance.

Table 2. Importance of components of employer-sponsored insurance

	Extremely Important	Important	Not too important	Don't know/ Refused
Monthly premium or costs paid by business	46.1%	46.7%	6.9%	0.3%
Dentist quality within coverage	49.0%	45.1%	5.6%	0.3%
Covered dental services value	51.6%	42.1%	5.9%	0.3%
Dentist choice quantity	40.8%	47.7%	11.2%	0.3%

**Businesses are concerned about long-term costs of dental care.** The top three concerns about current business-sponsored dental coverage are long-term costs to the business (21%), inadequate number of procedures or dentists in service areas (15%), and employee satisfaction with dental plans (15%). About one-in-six businesses (16%) indicated that they had no concerns about the current dental insurance they offer to employees.

Table 3. Concerns About Current Insurance Coverage

Concern	Percentage of businesses
Long-term cost to business	21.4%
Inadequate number of procedures or dentists in service areas	15.1%
Employee satisfaction with dental plan	15.1%
Whether coverage is full or partial	13.2%
Increasing rates or premiums	6.3%
Cost-to-benefit ratio	3.0%
None	16.4%
Other	3.9%
Don't know/Refused	5.6%

**Nearly all businesses offering dental insurance will make changes if the costs increase as expected.** When asked about the likelihood to make changes to business-sponsored dental insurance should the monthly premium or cost to the business go up by 38%, about 90% of businesses indicated that they would be likely to make changes to coverage (35% “very likely”).

**Firms are likely to decrease contributions, decrease benefits, or drop plans altogether if costs increase.** Businesses ranked the different ways they are likely to respond to a 38% cost increase in the following manner:

1. Decrease employer contribution amount towards dental benefits (57.2% at least “somewhat likely”)
2. Decrease dental benefit for employees (52.3% at least “somewhat likely”)
3. Drop dental coverage paid by business for employees (41.1% at least “somewhat likely”)