Testimony of Delta Dental of New Jersey, Inc.
In Opposition to SB 393
(An Act Concerning Standards in Health Care Provider Contracts)

Delta Dental of New Jersey, Inc. ("Delta Dental") is a dental service corporation of the State of New Jersey. Delta Dental Insurance Company is licensed as a health insurer in Connecticut and writes dental insurance coverage in this state. Delta Dental is actively engaged in providing dental benefits administration and claims processing as well as actively managing two cost-effective dental networks in Connecticut: the "Premier" network which includes over 80% of the dentists who practice in this state and its "PPO" network which includes over 30% of the dentists who practice in this state. Delta Dental also administers dental benefits for approximately 500,000 residents of this state.

Delta Dental urges the Committee to amend SB 393 to remove Section 6 which would prohibit insurers (and perhaps other third parties) from contracting with dentists to protect their covered persons (also referred to herein as "members") from being charged more for services not covered under their dental benefits program than the member could be charged if the services were covered under that program. We respectfully submit that this prohibition is anti-consumer and will have unintended adverse consequences for patients and their carriers.

1. Dentists Currently Agree to Price Protection

Dentists join networks because it is in their economic interest to do so. It increases their ability to gain patients. This is not only because dentists joining networks affiliated with leading dental benefits providers like Delta Dental, but also because those dentists' names are published to the persons who have the dental coverage. The insurer or dental network has a corresponding interest in creating and retaining a robust network to protect its members . This protection includes the imposition of cost containment measures. These cost containment measures include fee ceilings,

not only for services which are covered benefits, but also for services which are not covered.

In fact, there are networks of dentists in this state which exist apart from any insurance or dental coverage. They are essentially discount networks where the patient pays a membership fee to the entity managing the network, the manager enlists dentists who agree to limit their fees in return for patient steerage, and the patients who have no insurance pay membership fees to enjoy discounts on their dental services.

Delta Dental companies have had price protection relating to non-covered services in place for many years in many states throughout the United States. We have had it in New Jersey and in Connecticut for our PPO Plan for over ten years and in Connecticut for our Premier Plan for over three years. It is attractive to patients and group purchasers. They know that if the covered person chooses to visit a dentist in the Delta Dental network that the member will receive the benefit of the fee limitations which that dentist has agreed to provide for Delta Dental.

2. Delta Dental Patients' Legitimate Interest in Price Protection

Very few dental plans (insured or self-funded) cover every dental service because the purchaser of the coverage either cannot or will not pay the premium which would have to be charged. Consequently, dental plans often exclude certain types of services (e.g. orthodonture). They also generally limit the frequency within which a service will be benefitted – a classic example is two cleanings per calendar year. In addition, there are often deductibles and annual maximum limitations (often $1,000 or $1,500 in benefit payments per person per benefit year). Each of these features serves to contain the cost of the coverage, making it more affordable to the purchaser. In turn, they transfer the non-covered costs to the patient who pays for those services directly to the treating dentist.

Delta Dental patients who visit Delta Dental network dentists often enjoy savings – particularly in the "PPO" or "Preferred" program. Delta Dental patients who have two cleanings per year at Dr. A's office at $90 per cleaning do not expect to pay $120 (or whatever additional sum Dr. A chooses to charge) if the patient happens to need a third cleaning in a particular calendar year. In fact, a patient who experiences an increased charge for the non-covered service might complain that there was something in the nature of a "bait and switch" where the patient is charged more for the same dental service once his or her benefits have been exhausted.

The same problem will occur when a patient exhausts his or her dental benefits in a given year. Assume that Patient B needs crowns on two teeth. Dr. B under SB 393 could charge $1,400 for the first crown (which was paid in whole or in part by Delta Dental) and charge the patient $1,750 for the second crown - - which the patient would have to pay entirely out of his or her own pocket. This will not only financially disadvantage the patient, but it may well cause the patient to question the value and/or propriety of the Delta Dental coverage. That patient may also question whether he or she received true value under the Delta Dental coverage; indeed, that patient may conclude that Delta Dental's coverage led the patient to a dentist who was going to charge the patient higher fees to "make up for" the lower fees which Delta Dental paid. Or, the patient may well ask why, when paying for the service, Delta Dental received the benefit of the lower fees whereas the patient was left to pay "full freight" when Delta Dental was not paying the service. We hope this Committee will appreciate the seeming unfairness of an arrangement where the carrier is perceived to receive all or virtually all of the price protection and the patient consumer does not. There may be products that operate this way. However, government should not encourage it, let alone expressly approve it.

3. The Impact on Networks

Dentists are the sole beneficiaries of this proposed change. They may assert that this bill is necessary to preserve dental networks in this state, essentially implying that

dentists will not join networks and/or will leave networks which limit the fees they charge for services not covered by the respective dental benefit plan. We do not believe that will be the case. First, it has not been a problem in the past as demonstrated by our three-year Premier and PPO network growth in CT (2.9% and 6.9% respectively) and in fact has not ever been an issue until the recent push of the American Dental Association to advance bills such as SB 393 throughout the United States. Second, carriers can and would adjust to that if it took place because carriers have the greatest interest in the vitality of their networks. We appreciate that the bill will benefit some dentists (those who wish to charge patients more when benefits are not available). However, it will not benefit their covered patients.

4. Conclusion

For all of the reasons set forth above, we respectfully submit that a network contract which requires that the dentists who participate in the network give covered patients the same price protections as they give the insurer is not only valid and legitimate, but it is also a significant benefit to the consumer and is designed to avoid consumer dissatisfaction with the insurer and its network. Delta Dental has this practice, it is consumer friendly, and it should be encouraged. We urge the Committee to remove Section 6 from the bill.

Respectfully submitted,

Delta Dental of New Jersey, Inc.