

Self-Funded Dental: A Win for Everyone

Self-funding dental can create winners for everyone- employers, brokers and consultants. For employers, it can provide you much needed cash savings for other projects, hiring additional employees or an offset to the continuously rising medical costs. For brokers and consultants, it can help you obtain new business. Most employers would be very happy for you to find the money needed for them to purchase your services!

How Does Self-Funding Your Dental Save Money?

Let me start out by asking you a question. Have you looked at your dental claims history over the last three years? You may be surprised to find that the actual increase in usage from year to year varies from less than one percent to three percent per year, in most cases. Since that is true, let me ask you one more question.

Why are you purchasing insurance for something that varies so little? Believe it or not, most people do not ask themselves this question and remain fully insured giving the profit to the insurance company.

Why is the Risk So Small?

Your dental plan usually has a cap placed on the dental. It may be \$1000, \$1250, \$1500 or \$2000 depending upon your benefit program; but large claims

are capped at that point. In addition to the cap, there are several other factors and these are listed below:

- 40% of the participants in a dental plan don't use the benefit every 12 months
- 5% or fewer participants hit their annual max
- \$400 per person per year is the average cost of dental care
- About 80% of dental claims come from low cost preventive care

What Can the Employer Expect in Terms of Savings?

If you compare dental premiums to your actual cost, a 100-member group could be saving \$10,000 to \$15,000 per year after paying their administrative cost to a qualified Third Party Administrator (TPA). This means if your company has as many as 600 employees and their dependents are also covered, your savings could be as much as \$60,000 to \$100,000.

How Can Employers Project Savings, if They Do Not Have Claims?

Well, here is a rule of thumb:

Put your actual projected premium for the coming year on a sheet of paper.

Your actual claims will most likely be between 75% and 78% of the above number (conservatively, multiply by .78) The calculation of the numbers above should give your projected claims for the coming year.

Add the cost for administration only.

Estimate \$3.50 per employee (includes dependents) for 12 months.

Now, subtract this from the original projected premium. You have your projected savings for the year.

How Does the Consultant and Broker Benefit?

On many occasions, an employer is hesitant about purchasing your services for the health care program because of the additional money for fees or commissions or maybe it is because you have some very strong competition. Now, ask your client if their dental plan is fully insured. If so, here is your next question. If I could find the money for you to pay my fees, would you consider using my services? Most employers find this difficult to turn down.

Now, you have the edge on getting the business because you have already provided most, all or more than enough money to the client for paying your fees. Advantage you!

The next advantage to the employer or your client involves the dreaded "Cadillac Tax" due to occur in 2018. Under the current proposed regulations, if their dental is included with their medical program the cost of both will go towards meeting the penalty limits. Don't let that happen. Keep your dental plan separate and self-fund it. If you are still a little unsure, let me share with you the following. Should you switch to self-funding and still use your fully insured program's projected cost for the coming year, it is likely you will not need to raise your premiums for the next three to five years, especially if you are moving the surplus forward. This will be a pleasant surprise for the employer and employee if they share in the cost. Don't be surprised if you never leave self-funding especially, if you have a good TPA to administer your program.

Now, let's take a look at what a good dental TPA should look like.

A good dental TPA should be able to provide the employer with on-going information about their

claims, as well as provide total flexibility in plan design. Employers need to have instant on-going access to premiums paid, administrative costs and claims incurred and paid. Initially, the employer may still be a little apprehensive about self-funding. Letting employers know what those claims really are versus premiums they have set aside helps decision makers realize the big advantage they do have. It is just as important to know where those claims are incurring, the number of employees meeting their deductible and those exceeding the maximum. If a network is being used, it is also good to know how many of the claims are being incurred in network as well as out of network. This allows the employer to project the cost of changes in the benefit structure should they decide to improve or change their dental program.

The Dental TPA should provide other services as listed below:

1. A call center to help answer questions about benefits and quickly estimate costs for procedures.
2. A web portal with self-service capabilities.
3. Business informatics for both client and member analytics with a suite of reports to support the management of expenses and the overall program.
4. Viable networks appropriate for your location or UCRs, which are usually more appropriate in rural settings.
5. The ability to detect fraud and abuse.
6. Capabilities of assisting you in projecting costs for the coming year.

In summary, you can now see that it is a win for the employer and



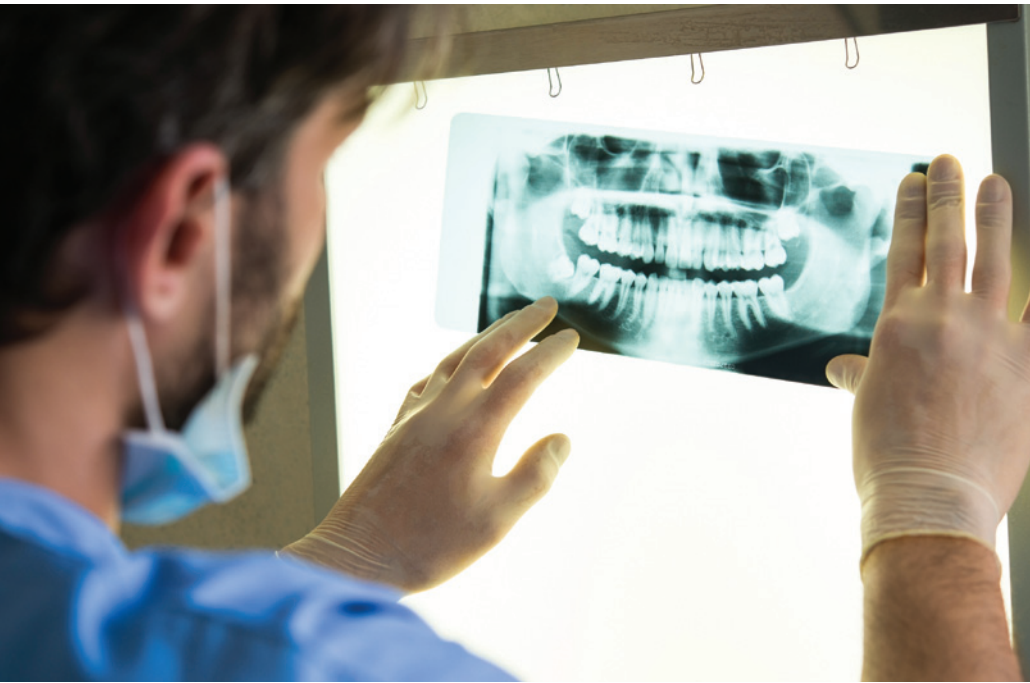
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Employers want to help improve the dental health for their employees and do it as economical as possible. This means controlling costs while improving the employee experience.

Most importantly, success occurs when you have a deep understanding of each and every aspect of claims, benefit administration, communication and control. All of this is provided to you by a well-chosen dental specific TPA that can help you manage your desired plan, contain costs and reduce expenses. Employers begin saving money while successful consultants and brokers begin adding to their business portfolios. Self-funding Dental: It is a win for everyone. ■

a win for the consultant or broker who choose to use the strategy of moving their dental benefits to self-funded plans. More and more employers are deciding to self-fund their dental benefits, while consultants and brokers are not only recommending this change, but also helping their clients get there.

Alan Bayse, Independent Consultant has been helping companies self-fund their dental benefits for more than 25 years. Contact Alan at (540) 521-7711 or alanbayse@comcast.net.

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