DELTA DENTAL

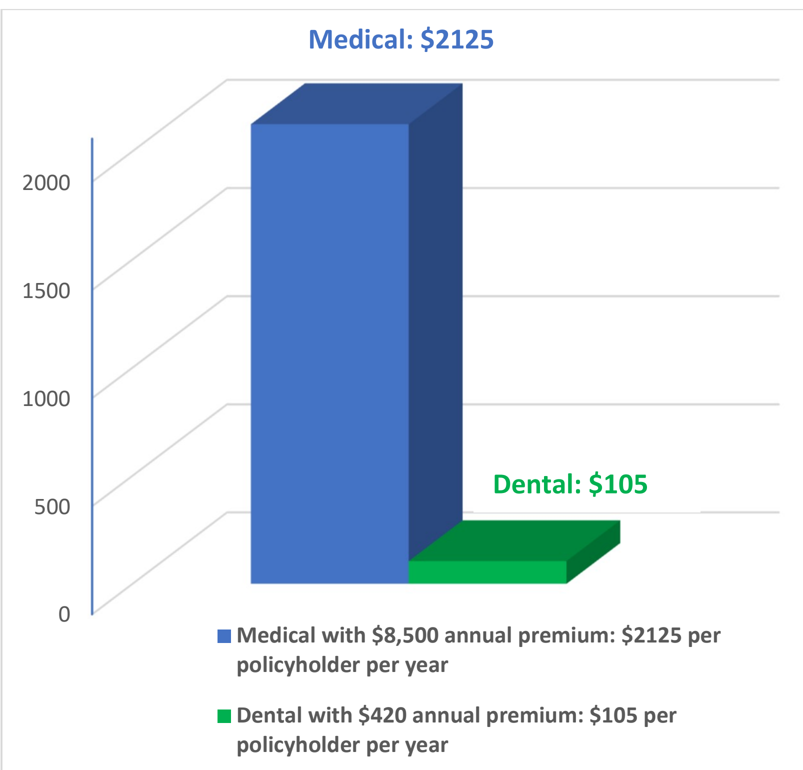
HB1481 (THE 75% DENTAL LOSS RATIO BILL) IS WRONG FOR NORTH DAKOTA

The Bill Is Unnecessary Because North Dakota Already Regulates Dental Premiums and Policies. Dental carriers already must file their premium rates and policy forms with the North Dakota Insurance Department before use in North Dakota. The Insurance Department may disapprove rates or forms if the benefits provided are not reasonable in relation to the premiums charged, or are unfair or inequitable.[1] As a result, under existing law, the Insurance Department already determines that dental premiums are reasonable for the benefits provided and supported by sound actuarial data. HB1481 is unnecessary.

The Bill Is Impractical Because Dental Coverage is Different Than Medical Coverage. The dental loss ratio legislation in HB1481 is based on medical loss ratio provisions in the Affordable Care Act. As noted below, dental coverage is much different than medical coverage, resulting in far different loss ratio expectations. For this reason, Congress rejected mandating dental loss ratios in the ACA.

The fixed costs of administering dental plans require disproportionately larger portions of revenue than medical plans (i.e., a lower loss ratio). Dental premiums are often about 1/20th the cost of medical premiums, but dental carriers have many of the same fixed costs for operations.

75% Loss Ratio Medical v. Dental—Available Funds to Operate Insurer (Per Policyholder):



Examples of Fixed Costs:

- Claims processing
- Customer service
- IT and data security
- Actuarial, underwriting, finance, accounting
- Provider credentialing & enrollment
- Member enrollment & eligibility
- Policy issuance, member ID cards
- Broker commissions
- Insurance (cyber security, property, workers' comp, etc.)
- Government rate & policy filings & compliance
- Philanthropic & community spending
- Building and office space
- Personnel & administrative costs

[1] *See e.g* NDCC 1.26-30

As the above figure illustrates, a medical plan with a $708 monthly premium and 75% loss ratio has $2,125 per year ($177.08 per month) for benefit administration and operations, but a dental plan with a $35 monthly premium and 75% loss ratio only has $105 per year ($8.75 per month) for benefit administration and operations—even though medical and dental plans have similar types of fixed operational costs.

The Bill's Unintended Consequences Are Bad for Patients. Massachusetts recently adopted a ballot initiative requiring an 83% dental loss ratio. The standard went into effect in 2024. **No state has adopted the Massachusetts dental loss ratio standard**—but at least 20 states have rejected it. Unintended consequences from HB1481 include:

- **Premiums increases.** Insurance experts predict that dental carriers will have to raise premiums to meet a loss ratio mandate. In 2024, the State of California studied *proposed* legislation similar to HB1481 and found that an 85% dental loss ratio would increase individual and small group premiums by 78-266%. The California Legislature rejected the dental loss ratio proposal. If dental premiums increase beyond purchasers' budgets, people and employers will stop buying dental coverage and employers will shift more costs to employees.
- **Fewer people receiving treatment**. According to one study, individuals with dental insurance were 49% more likely to have visited the dentist for check-ups or cleanings in the last 6-months.[2] If purchasers are forced to drop dental coverage due to increased premiums caused by this legislation, fewer people will receive oral health care—and their oral health will suffer.
- **Dental plan participation**. While it is still too early for the impacts of the Massachusetts dental loss ratio law on dental markets to be fully realized, **at least seven (7) insurance companies have already exited at least one market in Massachusetts** since the dental loss ratio standard took effect. More may follow suit. No carriers have entered the market to fill this vacuum.

A 75% Threshold Would Eliminate Most Individual and Small Group Plans from the Market. Based on the publicly available data on the Systems for Electronic Rates and Forms Filing (SERFF) over the last 5 years in North Dakota, 63 out of 67, or 94% of the plans filed in the individual market (off-exchange) would have been *rejected* at a 75% mandate. Similarly, 27 out of 33, or 82% of the plans filed in the small group market would have been *rejected* at 75% mandate. As currently drafted, the bill requires the Insurance Department to separately review the loss ratios of each separate *product* offered by a dental insurance company and reject products of insurers subject to the mandate that do not meet a 75% loss ratio. In other words, as currently drafted, the bill does not permit the Insurance Department to approve a product of an insurer subject to the law with a loss ratio of less than 75% even if the aggregate combined loss ratio of all products offered by the insurer are greater than 75%. As a result, if a dental insurer subject to the law has an aggregate loss ratio of 80% achieved through its higher loss ratio for its large group plans, but all of its individual and small employer group products have loss ratios under 75%, the individual and small employer group products would be rejected and not permitted to be sold in North Dakota.

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[2] National Association of Dental Plans Consumer Survey