

Dental Insurer Cuts Reimbursement

By Rick Jurgens

Valley News Staff Writer

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Norwich — Northeast Delta Dental, faced with growing competition and the prospect of losing premium-sensitive individual consumers, this year implemented a 4 percent cut in the fee schedule it uses to reimburse most dentists in New Hampshire and Vermont.

“Our prices stopped being competitive,” said Tom Raffio, chief executive of the family of nonprofit companies that insure oral health care in New Hampshire, Vermont and Maine. Insurance prices, or premiums, are largely driven by the costs of care.

But concern that Northeast Delta’s lower reimbursement schedule and other recent efforts to rein in costs would hurt the quality of services prompted Toby Kravitz, a Norwich dentist, to drop out of the Delta network.

“This was a decision that was not taken lightly,” Kravitz said. “I don’t want to compromise care.”

A dentist’s withdrawal from the Northeast Delta network can affect patients and cause confusion. Northeast Delta compensates a lower percentage of the costs of patients who get care outside the Delta network. Patients must pay upfront for dental services, and await reimbursement from Delta. And dentists no longer are bound to limit their charges to those contracted with Delta, leaving some patients to pay the difference themselves.

Not many dentists withdrew after Northeast Delta announced its cuts, according to Raffio. Among the dentists in the Northeast Delta Premier network last year, 98 percent of those in New Hampshire and 96 percent in Vermont re-upped this year, he said: “If we were being unreasonable, I don’t think we would get 96 percent or 98 percent.”

Raffio also pointed out that the dentists are well-represented on the governing boards of local Delta companies. Delta of New Hampshire has a 15-member board of directors that includes seven dentists, he said. Five of those dentists owned practices that, as a group, collected \$817,000 in revenue from the company, according to its 2013 tax return.

Delta of Vermont's 12-member board of trustees includes six dentists, Raffio said. Six dentists on that board owned or were employed by practices that collected \$1.2 million in revenue from Delta in 2013.

Kravitz announced his decision to leave the Delta network in a letter that he sent to patients and posted on his website. He wrote that Northeast Delta's "new fee schedule simply does not take into account the reality of current costs." Kravitz, who opened his private practice in 1989 and was on the dental staff at Dartmouth-Hitchcock for 15 years, said he wasn't seeking to "make a statement."

Some who stayed in the Northeast Delta network also had some misgivings about the cuts. John Munsey, a Lebanon dentist, said that the dentists in his practice had decided to remain in the network "right now" but that it was "something we're going to need to look at every year."

The Northeast Delta Dental banner flies over three separate nonprofit companies with combined annual revenue of nearly \$450 million that operate out of what Raffio described as the corporate "mother ship" in Concord. Delta Dental Plan of New Hampshire Inc. posted revenue of \$297.3 million in the fiscal year that ended June 30, 2013, while Delta Dental Plan of Vermont Inc. had \$63.1 million of revenue in the same period. Maine Dental Service Corp. posted 2013 revenue of \$88.3 million.

Northeast Delta's first corporate ancestor was founded in 1961, and began operating a dental benefit program for the Teamsters union in 1966, according to the company website. By 1976, its reach extended across the three states of northern New England.

About half of the residents of the Twin States have dental insurance, and Northeast Delta's share of that market is about 50 percent, Raffio said. Dentists affiliated with Northeast Delta are part of the long-standing Premier network or the smaller, less-well compensated preferred provider organization, or PPO. Some participate in both.

The difference, according to Raffio, is that the fees paid for services through the Premier network are higher than those paid for PPO services. The differential was 15 percent, but shrank to 12 percent this year after Premier network rates were cut and the already low PPO rates were left intact, he said.

Currently, the monthly premium paid by individuals who buy PPO coverage is about \$35, while a policy that gives that same individual price-advantaged access to dentists in the Premier network costs \$100, Raffio said.

About 92 percent of New Hampshire's dentists, or 840, are in Northeast Delta's Premier network, while only 297 are in its PPO, according to Raffio. Vermont dentists' participation in the Premier network is almost as high — 87 percent, or 325 in all, but only 105 are in the PPO.

Raffio said the Premier business model satisfies employers' preference to provide their employees with access to a wider network of dentists. But after other insurers began offering

narrower and less expensive networks — PPOs — Northeast Delta eventually had to respond, Raffio said.

Northeast Delta initially tried to persuade dentists who were already in Delta's Premier network and in a rival PPO to also join the Delta PPO, Raffio said. But that threatened to substantially reduce their revenue, so, understandably, few made that move, he added.

So in 2012, Northeast Delta began requiring all dentists seeking admission to its network to agree to offer lower priced services to participants in the PPO. "It's something that as a new provider I had to do," said Munsey, who received his New Hampshire dental license in June 2013.

Munsey said that the PPO fees were nominally 20 percent lower than the fee schedule that his practice uses for uninsured patients, but in practice the discount seemed closer to 30 percent. Providing care at the lower price "is a little bit difficult for us to manage" although the lower-cost network seemed to have boosted the practice's volume of business, he said.

Mandatory PPO participation sidetracked plans to expand his practice, according to Kravitz. "The requirement that any new dentist entering their program must accept even lower PPO fees makes it virtually impossible for me to bring on an associate without having two different fee schedules in my office," he wrote. "I am not willing to accept this and I feel that it is somewhat unethical, assuming lower quality by an associate."

Raffio dismissed concerns that the fee cut might make it hard to attract dentists to northern New England or retain them, pointing to U.S. Bureau of Labor Statistics data that showed New Hampshire dentists with the highest average annual salary in the nation, at \$229,000, and Vermont dentists ranked third, at \$215,000. The average salary nationwide was \$165,000.

Rebekah Lucier-Pryles, a White River Junction dentist, moved here after she graduated from Tufts University School of Dental Medicine in 2013: "My husband and I were thrilled at the chance of moving to northern New England."

But after Delta refused to allow her into the Premier network, she and the other dentists in her practice, worried about the impact of juggling multiple fee and coverage issues, decided that she should not join the PPO either. "We made the decision to keep me out of the network for the sake of simplicity," Lucier-Pryles said.

Northeast Delta also reimburses Vermont dentists at a lower rate than their New Hampshire counterparts, Kravitz said.

Raffio confirmed that. As an example, he said, Northeast Delta pays a dentist \$97 for an adult tooth cleaning in New Hampshire, but only \$89 for a Vermont provider of the same service. Overall, the fee schedule for Vermont dentists is about 7 percent below that in New Hampshire, Raffio said. And with fees lower in the Green Mountain state, Northeast Delta's Vermont affiliate spends a lower proportion of its revenue on professional expenses than does its New Hampshire cousin. In 2013, Delta Dental Plan of Vermont paid out 85.7 percent of its revenue

for dental services, while Delta of New Hampshire paid out 89.3 percent to dentists, according to the companies' financial statements.

Profit margins were also higher west of the Connecticut River: 1.6 percent for the Vermont company in 2013, compared with 0.3 percent for the New Hampshire company. Raffio said the lower profits in New Hampshire reflected the fact that about 80 percent of the employers Delta serves there are self-insured and pay it to administer coverage, and that is a lower-margin business. Only about half of the Vermont employers served by Northeast Delta are self-insured, he said.

There is also more price competition in New Hampshire, Raffio said. Northeast Delta is one of 18 companies listed on the New Hampshire Insurance Department website as licensed to sell group dental insurance and one of eight companies that can sell individual plans. Northeast Delta's main competitors in Vermont are the CBA Blue unit of Blue Cross Blue Shield of Vermont and Cigna, Raffio said.

In addition to cutting reimbursement rates, Northeast Delta this year stopped giving dentists the opportunity to submit proposed fees. Instead, the insurance company published a fee schedule that in-network dentists must accept.

While Northeast Delta was the last of the 29 nationally licensed Delta operating companies to begin unilaterally setting fees, the move left some dentists feeling a loss of control, Raffio acknowledged.

In the past, Kravitz said, "there was some wiggle room."

Kravitz said that his withdrawal from the Delta network had confused some patients with Delta insurance, who wonder whether his care for them is still covered by Delta (it is), whether they have to submit their own paperwork (they don't) and whether they now have to pay up front for services and await reimbursement from Delta (they do).

Meanwhile, Northeast Delta continues to do well. In 2013, seven Northeast Delta executives had pay packages above \$200,000, including Raffio, whose total compensation package as reported in the company tax returns was \$908,000.

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Rick Jurgens can be reached at rjurgens@vnews.com or 603-727-3229