

**TESTIMONY OF
DR. DAVID LUSTBADER, PRESIDENT-ELECT
MASSACHUSETTS DENTAL SOCIETY
BEFORE THE JOINT COMMITTEE ON FINANCIAL SERVICES
MAY 16, 2017**

**H.584/S.505 – AN ACT RELATIVE TO MEDICAL LOSS RATIO
FOR INSURANCE CORPORATIONS**

Good Morning Chairmen and committee members. Thank you for the opportunity to discuss this issue with you.

I am Dr. David Lustbader, President-elect of the Massachusetts Dental Society. The MDS represents approximately 5,200 or 80% of dentists in the Commonwealth. This legislation, if passed, would ensure dental benefits companies are transparent and held accountable. Let's put the patient and consumer ahead of the large dental benefits corporations. Health care cost control has been a top priority for Massachusetts, especially since the passage of Chapter 224 in 2012, which created an array of tools to reign in health care costs. Among these was a section that mirrored one of the key components of the Affordable Care Act, a provision requiring the reporting of medical loss ratios (MLR) by health insurance plans, and an adherence to a minimum medical loss ratio. Medical loss ratio is the proportion of an insurer's premiums that are spent on medical care or quality improvement expenses to what they spend on administrative costs. Establishing a benchmark MLR forces

insurers to operate more efficiently, and helps to keep premium costs low for consumers. Insurers who cannot maintain the MLR required by law are required to refund the difference to their policy-holders.

This legislation will bring increased transparency and accountability to dental plans in Massachusetts. This bill creates standardized requirements for dental plans to annually disclose how they spend patient premium revenue and brings dental plan reporting requirements to the same level that currently exists for medical plans. Furthermore, the legislation adopts a minimum percentage of patient premium dollars that dental plans must spend on patient care, as opposed to administrative overhead costs, marketing and profits. Under current law, all medical plans must spend at least 80 percent of patient premium revenue directly on patient care or quality improvement. However, no MLR standard exists for dental plans. Per a 2015 study by Virginia Commonwealth University, the MLR requirement for medical plans saved patients over \$5 billion since taking effect in 2011, and dental patients deserve the same protections from their dental plans. At the time of passage of the Affordable Care Act, insurance plans argued that its inclusion would destabilize state markets and cause insurers to flee. Seven years on, these concerns have yet to materialize. Dental insurers have argued that the differences between dental and health plans make applying the same MLR standard to be both inappropriate and unfair,

and would cause them to have to raise premiums. In our view, the differences between dental and medical insurance only bolster the case for passage of this bill. Dental plans have much fewer claims than medical plans on a per-customer basis, the variety and complexity of dental claims is significantly lower compared to medical claims, and the corresponding administrative costs for these plans are lower as well.

Several states have already adopted some form of MLR requirement for dental plans, such as California and Colorado, and have seen positive results for consumers, with no corresponding instability in the dental insurance market. Enhancing transparency allows consumers the ability to see where their premium dollars are spent, which in turn allows them to make informed decisions when shopping for a dental plan. At the market level, MLR reporting forces insurers into greater competition to lower prices for consumers. The complexity of medical and dental insurance products, along with the unpredictability inherent in utilization of these services, often make it difficult for the average consumer to discern the differences between products. Establishing a MLR requirement creates a baseline standard of efficiency for the public.

This legislation requires that dental benefits corporations meet the same standard that medical insurance corporations have had to meet for several years. The Massachusetts Dental Society respectfully urges this

committee to vote favorably on this legislation and for the Legislature to enact *An Act Relative to Medical Loss Ratio for Insurance Corporations*. This will send a message that Massachusetts will protect dental benefits consumers by bringing the same transparency and accountability to dental plans that already exists for medical plans in the Commonwealth.