Summary of Delta Dental’s New Premier Reimbursement Methodology
By Charles River Associates (CRA)
March 4, 2019

In order to contain costs and better standardize reimbursement amounts paid to dentists, the Dental Service of Massachusetts d/b/a Delta Dental of Massachusetts (“Delta Dental”) has proposed a new provider fee reimbursement methodology (“Fee Methodology”) to be used when determining fees to be paid to dental providers who participate in the Delta Dental Premier and/or Delta Dental PPO networks offered by Delta Dental. On January 22, 2019, Delta Dental refiled its proposed Fee Methodology with the Massachusetts Division of Insurance. Delta Dental describes the intent of the new Fee Methodology as threefold: “(1) to bring Delta Dental’s fees back in line with its competitors; (2) to reduce out of pocket dental costs for Massachusetts consumers; and (3) to create long-term cost predictability and market stability for employers and dentists.”

Delta Dental’s latest proposed fee methodology is the same as the methodology proposed in 2018, which we have previously discussed. However, in its latest filing, Delta Dental has included a more extensive cover letter describing the Fee Methodology, a document describing the Proposed Fee Methodology, and an actuarial expert report from Ruth Ann Woodley, FSA, MAAA. The filing totals thirty-three pages.

CRA was asked to discuss the following issues with regard to Delta Dental’s filing:

1. Is there any material or significant change from the first submission to the second submission?
2. Is there sufficient information to ascertain how much of a rebasing is needed?
3. Did the Delta Dental expert provide a reasonable interpretation of the salary data?

1. Was There Any Material Change?
As mentioned above, we have not found any material differences in Delta Dental’s current proposed Fee Methodology in relation to the methodology outlined in 2018.

2. How Much Rebasing Is Needed?
Delta Dental explains that under the existing fee methodology (approved in 2010), “Delta Dental provider fees have increased at a significantly higher rate than the rest of the market. At the same time, employers in Massachusetts and nationally have been shifting coverage to more cost-effective PPO plans and demanding more affordable options. This has created an unsustainable trend and raised serious concerns for the long-term competitiveness of the Delta Dental Premier and PPO networks.” The proposed Fee Methodology would be implemented in a two-step process: “an initial rebasing of fees (the “Initial Rebasing”) to take effect no less than 60 days after the Division’s approval, and a protocol for annually adjusting fees (the “Fee Adjustment Protocol”), to take effect on January 1, 2020.”

Delta Dental’s actuary estimates that in the absence of the proposed Initial Rebasing, the average allowable fees that would be paid by Delta Dental to participants in its Premier plan during 2019 would be 37% higher.

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1 DSM letter to Gary D. Anderson, Commissioner of Insurance, Division of Insurance, Commonwealth of Massachusetts, January 22, 2019 (“Delta Dental Letter (January 22, 2019”).
2 CRA, Summary of Delta Dental’s New Reimbursement Methodology, April 6, 2018; CRA, Executive Summary of Delta Dental’s New Premier Reimbursement Methodology, April 6, 2018.

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Prepared at the Request of Counsel
than that of the median competitor network. Similarly, Delta Dental’s 2019 PPO average allowable fees would be 5% higher than those of the median competitor network.\(^3\)

While Delta Dental proposes a 10% Initial Rebasing (i.e. a 10% across-the-board reduction) for fees paid under both its Premier and PPO plans, it did not provide an actuarial analysis to support that specific figure or explain how much rebasing would be necessary for Delta Dental Premier and PPO to remain viable options in the marketplace. For example, it is unclear how much of the 37% difference between Premier and competitors’ average allowable fees are due to Premier being a more attractive product to employers versus it being priced higher than competitors’ plans after controlling for all other factors. (It appears that Premier is compared mainly to competitors’ PPO plans.) Also, if Delta Dental PPO allowable fees are 5% higher than those of competitors, it is unclear why a 10% Initial Rebasing is needed to maintain the competitiveness of the Delta Dental PPO plan.

We have explored the effects of Initial Rebasing under several scenarios (see Exhibit 1):

(a) An across-the-board “10% reduction” for Delta Dental PPO and Premier fees as reported in Ms. Woodley’s report (shown as a point of reference).

(b) Since the Delta Dental PPO’s allowable amount is only 5% greater than that of the median competitor, this scenario uses an initial rebasing of 5% for PPO and calculates that an 11% rebasing of Premier would be required to achieve the same overall effect of the 10% across-the-board rebasing for Premier and PPO.

(c) If Delta Dental were to discontinue the Premier plan and not rebase (and assuming former Premier enrollees become Delta Dental PPO enrollees), the effect would be equivalent to a 20% rebasing.

(d) If Delta Dental were to discontinue the Premier plan and apply a 10% rebasing (and assuming former Premier enrollees become Delta Dental PPO enrollees), the effect would be equivalent to a 28% rebasing.

3. **Did Delta Dental’s Actuary Provide a Reasonable Interpretation of the Effects on Dentists’ Salaries?**

A second part of Ms. Woodley’s analysis estimates the effect of Delta Dental’s proposed 10% Initial Rebasing on the average dentist’s revenues. Ms. Woodley reports statistics for general dentists from Rosen & Associates for 2014, 2015, 2016 and 2017, then estimates figures for 2018 and 2019 using the smallest annual growth rate over the years 2014-2017. She estimates that the 10% rebasing would reduce general dentists’ average annual revenues by $20,454. Ms. Woodley does not compare the Rosen & Associates figures to other available sources.

We note that Ms. Woodley’s analysis assumes that all dentists are general dentists, whereas in Massachusetts approximately 70% of dentists are general dentists.\(^4\) The effect of Delta Dental’s proposed 10% Initial Rebasing would likely be lower or higher on average for some specialties. Further, by using the minimum average annual historical growth rate in projections, Ms. Woodley’s methodology may somewhat underestimate the impact on the average dentist’s revenues. We have extended Ms. Woodley’s analysis to

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\(^3\) Ms. Woodley used figures from the Dental Actuarial Analytics PPO Network Study, which is conducted annually using more than 75% of the national market. The average allowable fee figures in her report reflect Massachusetts network dentists.

\(^4\) Kaiser Family Foundation Survey of Professionally Active Dentists by Specialty Field - Massachusetts, October 2018.
other specialties identified in Delta Dental’s proposed Fee Methodology, using three different estimates of the annual growth in fees for 2018 and 2019:

(a) Revenue from 2017-18 and 2018-19 grows annually at the minimum change observed over 2014-15, 2015-16 and 2016-17 (as was done by Ms. Woodley). The 10% Initial Rebasing would cause annual revenue reductions by specialty that range from $17.3K to $32.0K on average. Ms. Woodley estimated the annual impact would be $20.4K for general dentists. (See Exhibit 2.)

(b) Revenue from 2017-18 and 2018-19 grows annually at the maximum change observed over 2014-15, 2015-16 and 2016-17. The annual revenue reductions by specialty would range from $19.6K to $38.3K on average. (See Exhibit 3.)

(c) Revenue from 2017-18 and 2018-19 grows annually at the average change observed over 2014-15, 2015-16 and 2016-17. The annual revenue reductions by specialty would range from $18.3K to $34.7K on average. (See Exhibit 4.)

Rosen & Associates provide Massachusetts figures for general dentists and New England figures for other specialties. They do not provide figures for Prosthodontics.
Exhibit 1. Comparison of Allowed Amounts Under Various Rebasing Scenarios
Based on Delta Dental 2019 Projection

<table>
<thead>
<tr>
<th>Plan</th>
<th>2019 Projection</th>
<th>10% Reduction</th>
<th>Parity to 10% Reduction</th>
<th>No Premier</th>
<th>No Premier &amp; 10% Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Allowed Amount</td>
<td>% Change</td>
<td>Allowed Amount</td>
<td>% Change</td>
<td>Allowed Amount</td>
</tr>
<tr>
<td>PPO</td>
<td>$98.00</td>
<td>10%</td>
<td>$88.20</td>
<td>5%</td>
<td>$93.10</td>
</tr>
<tr>
<td>Premier</td>
<td>$128.00</td>
<td>10%</td>
<td>$115.20</td>
<td>11%</td>
<td>$114.05</td>
</tr>
<tr>
<td></td>
<td>Average</td>
<td>10%</td>
<td>$110.07</td>
<td>10%</td>
<td>$110.07</td>
</tr>
</tbody>
</table>

Notes
[2] The "Average" is a weighted average of Delta PPO and Delta Premier based on Delta Dental's estimate that 81% of claims are Premier and 19% are PPO.

Sources
## Exhibit 2. Estimated Minimum Revenue Impact of Delta Dental's Proposed 10% Rebasing

2014-2019, By Specialty

<table>
<thead>
<tr>
<th>Specialty</th>
<th>2014</th>
<th>2015</th>
<th>% Change</th>
<th>2016</th>
<th>2017</th>
<th>% Change</th>
<th>2018 (est.)</th>
<th>2019 (est.)</th>
<th>2019 Revenue Per Dentist After Rebasing</th>
<th>Revenue Reduction Per Dentist</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$808,744</td>
<td>$820,532</td>
<td>1.5%</td>
<td>$859,033</td>
<td>$869,814</td>
<td>1.3%</td>
<td>$880,730</td>
<td>$891,784</td>
<td>$871,330</td>
<td>$20,454</td>
</tr>
<tr>
<td>Endodontics</td>
<td>$826,759</td>
<td>$800,333</td>
<td>-3.2%</td>
<td>$786,889</td>
<td>$808,883</td>
<td>2.8%</td>
<td>$783,028</td>
<td>$758,000</td>
<td>$740,615</td>
<td>$17,386</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>$770,699</td>
<td>$755,605</td>
<td>-2.0%</td>
<td>$779,581</td>
<td>$849,114</td>
<td>8.9%</td>
<td>$832,484</td>
<td>$816,180</td>
<td>$797,420</td>
<td>$18,720</td>
</tr>
<tr>
<td>Periodontics</td>
<td>$1,226,817</td>
<td>$1,292,185</td>
<td>5.3%</td>
<td>$1,236,285</td>
<td>$1,292,185</td>
<td>4.3%</td>
<td>$1,129,120</td>
<td>$1,131,476</td>
<td>$1,105,525</td>
<td>$25,952</td>
</tr>
<tr>
<td>Oral Surgery</td>
<td>$1,323,356</td>
<td>$1,428,256</td>
<td>7.9%</td>
<td>$1,434,890</td>
<td>$1,438,900</td>
<td>1.3%</td>
<td>$1,416,471</td>
<td>$1,398,287</td>
<td>$1,366,216</td>
<td>$32,071</td>
</tr>
<tr>
<td>Orthodontics</td>
<td>$1,075,631</td>
<td>$1,095,289</td>
<td>1.8%</td>
<td>$1,097,575</td>
<td>$1,126,768</td>
<td>2.7%</td>
<td>$1,129,120</td>
<td>$1,131,476</td>
<td>$1,105,525</td>
<td>$25,952</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>$858,863</td>
<td>$874,962</td>
<td></td>
<td>$904,495</td>
<td>$914,759</td>
<td></td>
<td>$918,895</td>
<td>$923,304</td>
<td>$902,127</td>
<td>$21,177</td>
</tr>
</tbody>
</table>

### Notes

1. I follow a variant of the methodology that Ruth Ann Woodley, FSA, MAAA used when estimating the effects of rebasing on general dentists, which includes her estimate based on the NADP 2018 Enrollment Report that Delta Dental accounts for 22.9% of the Massachusetts population with dental benefits.

2. 2018 and 2019 are minimum estimates in that I assume the smallest annual growth rate during the 2014-2017 period, as did Ms. Woodley.

3. Ms. Woodley’s general dentistry estimates are derived from data provided by Rosen & Associates, LLP. Rosen & Associates provide Massachusetts-specific data only for general dentistry; I use the New England area estimates for other specialties. Rosen & Associates do not provide information on Prosthodontics.

4. The average is weighted by the October 2018 share of Massachusetts dentists within each specialty for which data are available.

5. These estimates assume a 10% rebasing for both Delta Dental’s Premier and PPO plans.

### Sources


Exhibit 3. Estimated Maximum Revenue Impact of Delta Dental’s Proposed 10% Rebasing
2014-2019, By Specialty

<table>
<thead>
<tr>
<th>Specialty</th>
<th>2014</th>
<th>2015</th>
<th>% Change</th>
<th>2016</th>
<th>2017</th>
<th>% Change</th>
<th>2018 (est.)</th>
<th>2019 (est.)</th>
<th>2019 Revenue Per Dentist After Rebasing</th>
<th>Revenue Reduction Per Dentist</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$808,744</td>
<td>$820,532</td>
<td>1.5%</td>
<td>$859,033</td>
<td>$869,814</td>
<td>1.3%</td>
<td>$910,627</td>
<td>$953,356</td>
<td>$931,490</td>
<td>$21,866</td>
</tr>
<tr>
<td>Endodontics</td>
<td>$826,759</td>
<td>$800,333</td>
<td>-3.2%</td>
<td>$786,889</td>
<td>$808,883</td>
<td>2.8%</td>
<td>$831,492</td>
<td>$854,732</td>
<td>$835,128</td>
<td>$19,604</td>
</tr>
<tr>
<td>Pediatrics</td>
<td>$770,699</td>
<td>$755,605</td>
<td>-2.0%</td>
<td>$779,581</td>
<td>$849,114</td>
<td>8.9%</td>
<td>$924,849</td>
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<td>$984,234</td>
<td>$23,104</td>
</tr>
<tr>
<td>Periodontics</td>
<td>$1,226,817</td>
<td>$1,292,185</td>
<td>5.3%</td>
<td>$1,236,288</td>
<td>$1,199,757</td>
<td>-3.0%</td>
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<td>$1,331,015</td>
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</tr>
<tr>
<td>Oral Surgery</td>
<td>$1,323,356</td>
<td>$1,428,256</td>
<td>7.9%</td>
<td>$1,453,549</td>
<td>$1,434,890</td>
<td>-1.3%</td>
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<td>$38,335</td>
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<tr>
<td>Orthodontics</td>
<td>$1,075,631</td>
<td>$1,095,289</td>
<td>1.8%</td>
<td>$1,097,575</td>
<td>$1,126,768</td>
<td>2.7%</td>
<td>$1,156,737</td>
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<td>$27,237</td>
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<tr>
<td>Average</td>
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<td>$874,962</td>
<td></td>
<td>$904,495</td>
<td>$914,759</td>
<td></td>
<td>$959,538</td>
<td>$1,006,640</td>
<td>$983,551</td>
<td>$23,088</td>
</tr>
</tbody>
</table>

Notes
[1] I follow a variant of the methodology that Ruth Ann Woodley, FSA, MAAA used when estimating the effects of rebasing on general dentists, which includes her estimate based on the NADP 2018 Enrollment Report that Delta Dental accounts for 22.9% of the Massachusetts population with dental benefits.
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[4] The average is weighted by the October 2018 share of Massachusetts dentists within each specialty for which data are available.
[5] These estimates assume a 10% rebasing for both Delta Dental’s Premier and PPO plans.

Sources
### Exhibit 4. Estimated Average Revenue Impact of Delta Dental's Proposed 10% Rebasing

**2014-2019, By Specialty**

<table>
<thead>
<tr>
<th>Specialty</th>
<th>2014</th>
<th>2015</th>
<th>% Change</th>
<th>2016</th>
<th>2017</th>
<th>% Change</th>
<th>2018 (est.)</th>
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<th>2019 Revenue Per Dentist After Rebasing</th>
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</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>$808,744</td>
<td>$820,532</td>
<td>1.5%</td>
<td>$859,033</td>
<td>$869,814</td>
<td>1.3%</td>
<td>$891,283</td>
<td>$913,282</td>
<td>$914,759</td>
<td></td>
</tr>
<tr>
<td>Endodontics</td>
<td>$826,759</td>
<td>$800,333</td>
<td>-3.2%</td>
<td>$786,889</td>
<td>$808,883</td>
<td>2.8%</td>
<td>$803,272</td>
<td>$797,700</td>
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<td>$18,296</td>
</tr>
<tr>
<td>Pediatrics</td>
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<td>$755,605</td>
<td>-2.0%</td>
<td>$779,581</td>
<td>$849,114</td>
<td>8.9%</td>
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<td>$869,814</td>
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<tr>
<td>Periodontics</td>
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<td>$1,292,185</td>
<td>5.3%</td>
<td>$1,236,288</td>
<td>$1,199,757</td>
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<tr>
<td>Oral Surgery</td>
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<td>$1,428,256</td>
<td>7.9%</td>
<td>$1,453,549</td>
<td>$1,434,890</td>
<td>-1.3%</td>
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<td>Orthodontics</td>
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<td>1.8%</td>
<td>$1,097,575</td>
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<td>$18,296</td>
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<tr>
<td><strong>Average</strong></td>
<td>$858,863</td>
<td>$874,962</td>
<td>1.8%</td>
<td>$904,495</td>
<td>$914,759</td>
<td>2.7%</td>
<td>$934,581</td>
<td>$954,918</td>
<td>$933,016</td>
<td>$21,902</td>
</tr>
</tbody>
</table>

**Notes**

1. I follow a variant of the methodology that Ruth Ann Woodley, FSA, MAAA used when estimating the effects of rebasing on general dentists, which includes her estimate based on the NADP 2018 Enrollment Report that Delta Dental accounts for 22.9% of the Massachusetts population with dental benefits.

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**Sources**