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More Premiums Spent on Patient Care?

A Great Idea That Should Apply to Dental Insurance

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On November 8, 2022, 72% of Massachusetts voters said ‘yes’ to a ballot measure known as Question 2, setting the stage for changing how dental insurance operates in the United States. So, what is Question 2?

Question 2 establishes a minimum Medical Loss Ratio (MLR) requirement for dental insurers and enacts a number of reporting and oversight laws in Massachusetts. MLR is the percentage of premium revenue insurers take in, compared to how much they spend on actual health care services. MLR has been an insurance measuring method for decades, but it gained real traction when the Affordable Care Act (ACA) became law. It requires health plans to calculate their MLR to ensure they spend no less than 80-85% of premium revenue on health care services, but dental insurers are not included in this law. Massachusetts’ Question 2 mirrors what the ACA accomplished by requiring dental insurance companies to spend at least 83% of premium revenue on dental services as opposed to executive salaries or other administrative costs. Like the ACA, dental insurers spending less than 83% must refund the difference to patients.

MLR puts patients at the forefront of the health care system, where they should be. For patients enrolled in dental plans, MLR ensures the investment of their premium dollars is maximized in the form of actual dental care services. It is designed not only to show insurers’ investment in actual care, it also incentivizes insurers to “be better” because they must refund the difference in premium if they don’t meet the 83% MLR. And that is why a large majority of voters in Massachusetts asked for this accountability and value.

The potential benefits of this public policy become even more important when we consider how dental insurance is designed. Unlike health insurance, dental plans are similar to gift cards with an annual maximum the plans pay on behalf of patients; once the annual benefit maximum in the plans is reached, the insurer is done paying for care. Because of this, insurers are motivated to dissuade patients from seeking dental care since unused dental benefit premiums revert back to the insurer as profit. MLR flips that incentive on its head. Under minimum MLR requirement model, insurers will seek ways to encourage patient care so that they can avoid having to issue rebates for not spending enough on actual dental care. MLR laws give patients an assurance that their investment in dental insurance has real value.

In the wake of the landslide decision in Massachusetts, at least eleven states are pursuing MLR legislation for dental plans. Legislators in many states are taking note of the bipartisan and overwhelming voter support in Massachusetts. It is clear that voters are ready to have their insurance companies held accountable. While opponents to MLR try to question the importance of MLR, their testimony so far has shown they are only interested in protecting the status quo. In particular, they want to maintain the incentive structure where premiums not paid out in care mean a better bottom line for insurers. It’s rather simple; patients having more spent on their care will improve their oral health and overall health. The MLR requirement for major medical plans enacted in 2010 has a proven track record of helping health insurance customers. It is about time dental insurance companies provide this consumer protection and be incentivized to spend a greater percentage of the premium dollars they collect on actual patient care.

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