Dental insurance

Understanding the Massachusetts Medical Loss Ratios Ballot

The Massachusetts Medical Loss Ratios for Dental Insurance Plans Initiative will appear on the ballot as an indirect state statute on Nov. 8, 2022. It would require dental insurance carriers to submit plans for medical loss ratios (MLRs) to the insurance commissioner. If passed, it would establish the ratio at 83% and require insurers to refund excess premium to its covered individuals and groups.

Protecting what's at stake

If passed in November, imposing a dental MLR would create an expense shortfall for insurers that would lead to an increase in client premiums for dental insurance. That means the cost of dental care would likely go up and could also result in higher out-of-pocket costs for clients. Dental care providers, however, continue to push for the MLR since they would receive increased reimbursement for services provided. This document summarizes the implications of the upcoming Massachusetts ballot initiative ahead of the November election.

Impact of Massachusetts raising the MLR on dental plans

The following illustration demonstrates the potential effects of imposing a medical loss ratio on dental products and the impacts to the insured, carrier, and provider.

	Medical with 88% MLR	Avg. existing small-group dental with 67% MLR[1]	Dental with 83% MLR and no premium change	Dental with 83% MLR and no change to existing expenses	Dental with 83% MLR and 11% decrease to expenses
Monthly premium per employee	$621	$41[2]	$41	$80	$71
Amount for expenses	$75 (12%)	$14 (33%)	$7 (17%)	$14 (17%)	$12 (17%)
Amount to be paid in claims (provider reimbursement)	$546 (88%)	$27 (67%)	$34 (83%)	$66 (83%)	$59 (83%)
Impacts			Premium: — Expenses: ↓ Claim payments to dentists: ↑	Premium: ↑ Expenses: — Claim payments to dentists: ↑	Premium: ↑ Expenses: ↓ Claim payments to dentists: ↑
			(This scenario is not sustainable.)		

See explanation of each scenario.

First, let's look at the MLR for medical. You can see there's $75 allotted for administrative expenses from a $621 premium to meet the 88% loss ratio. Of course, dental premiums are much lower. But dental products require the same administrative functions as medical including enrollment, billing, contracts, premium collections, call centers, claim payment, compliance costs for filing and reporting, etc.

Dental with 67% MLR

Having an average 67% loss ratio on small-group dental plans (significantly lower than what's imposed on medical plans) still leaves dental plans with only $14 for expenses (just 19% of amount for medical expenses).

Dental with 83% MLR and no premium change

In this scenario, premiums stay the same, but you can see how that would leave even less to spend on expenses—only $7. That's a 49% decrease, but provider reimbursement goes up 24%. This would put carriers in a deficit, which is not sustainable over time.

Dental with 83% MLR and no change to existing expenses

In this scenario, the amount for expenses stays at $14 like the 67% MLR scenario, but for administrative expenses to remain the same and not decrease, premiums would have to go up 94% to $80. And the provider reimbursement would go up 140% ($66)—more than doubling from $27 in the 67% MLR scenario.

Dental with 83% MLR and 11% decrease to expenses

If we decrease administrative expenses by 11% to $12 versus $14 in the 67% MLR scenario, premiums would still have to significantly rise—by 72%. Meanwhile, provider reimbursement would go up by 113% from the 67% MLR scenario.

See the impact to client out-of-pocket expenses.

Impact to client out-of-pocket expenses

In addition to increased premiums as shown above, the following sample illustration shows how an employee/client could have greater out-of-pocket costs as a result of the MLR bill.

Crowns with 50% coinsurance and $1,000 maximum

	Today's example		With a 25% increase to providers	
	In network	Out of network	In network	Out of network
Dentist charge	$2,000	$2,000	$2,000	$2,000
Negotiated discount	**$600**	$0	**$450**	$0
Patient deductible	$50	$50	$50	$50
50% co-pay	$675	$975	$750	$975
Patient responsibility	$675	$975	$750	$975
Patient out-of-pocket charge	**$725**	$1,025	**$800**	$1,025

As you can see, an employee needs a $2,000 crown and has dental insurance through the employer. The plan requires the employee to pay a $50 deductible along with a 50% co-pay. The insurer has negotiated a $600 provider discount, so the employee is responsible for a $725 out-of-pocket payment ($50 deductible plus $675 co-pay).

If the MLR bill is passed, insurers will have to increase provider payments and can only negotiate a $450 discount. Now the employee will be responsible for a $800 out-of-pocket payment ($50 deductible plus $750 co-pay).

What do all the scenarios have in common?

The consumer is negatively affected—by either a raise in premium and/or reduced administration of their plan. And, with increased dental care costs, clients will see higher out-of-pocket costs. Meanwhile, the provider benefits by an increased reimbursement in each of the scenarios, and you can see why they lobby for the MLR.

In summary

Carriers remain focused on keeping premiums and out-of-pocket costs from rising and effectively managing expenses. If prices go up and clients decide to not offer coverage, employees will have less access to affordable insurance and may be subject to non-negotiated pricing from providers.

[1] Milliman Research Report, "Minimum Dental Loss Ratios: Considerations and Industry Analysis, June 2022, Page 9, Table 3.

[2] NADP Dental Benefits Report: 2021 Premium, July 2022.

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