



Questions? Contact the ADA:

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Direct Reimbursement

A guide for

Brokers & Benefits Consultants

THE DENTAL BENEFITS PLAN
FOR SMART COMPANIES



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benefits made simple



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Over the years I've seen dozens of brokers recommend and implement DR dental plans for employers with ten to thousands of employees. These plans remain in effect year after year and the employers are very appreciative of the innovation and simplicity brought to them by their broker.

In my opinion, it is a great opportunity for a broker to differentiate themselves in the marketplace.

ROGER S. SCHULTZ, CLU

SENIOR VICE PRESIDENT, J. SMITH LANIER & Co.

What are your clients really looking for in a dental plan?

- Cost-effectiveness
- Comprehensive care
- Alternatives
- Simplicity
- Freedom to visit any dentist (including their current dentist)

Direct Reimbursement (DR[®]) is an innovative approach to self-funding employee dental plans that offers the above benefits and more— and brokers across the country are finding DR to be a valuable asset to their portfolios.



How can Brokers generate income with DR®?

- By charging a one-time fee to an employer for setting up a self-administered DR plan
- By receiving commissions from a third-party administrator (TPA) for referring clients for TPA services.
- By using DR as a “door opener” with new business clients and prospects.

Over 4,000 employers, large and small, currently use DR plans, and thousands more are responding to the ADA’s print, online and direct-mail advertising efforts. This brochure is intended to educate brokers and consultants like you, so that when clients approach you with questions about DR, you’ll have answers they need or you can initiate contact and provide a creative solution. You’ll be able to explain how DR can save companies time and money and you’ll know how DR can generate income for you.

Remember—if you don’t have the answers, you may be surprised to find your clients seeking other professionals for this information. So read on with interest. At the end, you’ll learn how to receive more information about DR and selling opportunities for you.

WHAT WORKS FOR YOUR CLIENT CAN WORK FOR YOU.

Direct Reimbursement is a self-funded dental plan, and some smaller companies may even opt to self-administer. So how can a broker generate income from such a plan?

Selling DR plans offers brokers the following revenue-generating incentives:

Incentive 1:

One-time fee for setting up self-administered DR plan

When an employer chooses to self-administer a DR plan, the client pays a fee to the broker who has designed and implemented the plan for the company. The broker determines this fee based on market value. In addition, an on-going annual consulting fee can be charged to clients who wish to have their plan assessed yearly, and potentially re-designed based on utilization and growth of the company.

Incentive 2:

Commissions from a third-party administrator

When a company chooses to outsource the administration of its DR plan, part of the monthly administration fee can be paid to the broker—thus generating regular cash flow. Most companies that implement these types of self-funded plans retain them. With no renewals to negotiate or quotes to be obtained on a periodic basis, DR can provide a simple, reliable source of income for years to come.

Incentive 3:

DR is a “door opener” with client/prospect

DR is an innovative concept many employers have never heard about. Introducing DR to clients quickly separates you from your competition. Even if you receive no direct financial compensation by implementing a client’s DR plan, you can attain credibility and win the client’s trust; a satisfied client may offer an opportunity for you to present proposals for the company’s other benefits business.

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BROKERS MAY RECEIVE LEADS AND MATERIALS— AT NO CHARGE!

Annually, the ADA generates thousands of leads from its print advertising and direct-mail efforts. These leads are followed up by dental society staff, and many are given to an independent national network of brokers who sell Direct Reimbursement plans to employers.

Also, some of the most valuable leads come from ADA member dentists themselves, who talk with patients about dental benefits options. The ADA and numerous state dental societies regularly receive leads from dentists whose patients are employee benefits decision makers and have requested information about DR. When appropriate, these leads are passed on to brokers like you to ensure that their questions are answered and needs are met.

Plan designs vary widely among companies, but in all cases, reimbursement is based on a percentage of dollars spent, not on the type or category of treatment received.

How does Direct Reimbursement work?

The simplicity of DR is one of the benefits that make it so attractive. Here's how it works:

- The employee (or covered dependent) visits the dentist of his or her choice, receives needed treatment and arranges for payment.
- Employee then presents either a paid receipt or proof of treatment to the employer or TPA.
- Employee is reimbursed for all or part of the expense, according to the plan design. If a TPA is involved benefits may be paid directly to the dental office.

Plan designs vary widely among companies, but in all cases, reimbursement is based on a percentage of *dollars spent*, not on the type or category of treatment received. Two sample plan designs are provided below:

- One company may reimburse 100% of the first \$200 of dental expenses and 50% of the next \$1,600, resulting in a total annual maximum benefit of \$1,000 per individual.
- Another company might reimburse 60% of the dental expenses, until a total annual maximum benefit of \$1,000 per individual is paid.

The totals can be individual or family maximums.

The task of the plan administrator is simply to maintain employee eligibility and to reimburse employees according to the plan design. In this sense, the DR reimbursement process can be compared to the familiar Flexible Spending Account (FSA) reimbursement process for employees.

YOUR CLIENTS WILL THANK YOU!

By removing many of the complex administrative features associated with most dental plans, a DR plan offers ease in administrations as well as potential cost savings. It can virtually eliminate employees' complaints about exclusions and limitations on treatment. In addition, DR can offer clients the following significant advantages:

- Fewer hassles. Employers and benefits managers appreciate the simplicity of the DR concept, which allows for low overhead costs via ease of administration—either in-house or outsourced.
- Fewer surprises. Since DR reimburses patients based on dollars spent on dental care—not on the type of treatment received—employers (and employees) can easily calculate, in advance, what their share of the dental expense will be.
- No monthly insurance premiums. Instead, employers pay only when actual treatment is received. For that group of employees who never visit the dentist, employers pay virtually nothing.

A DR plan design, with its *total annual maximum* per covered employee, allows your clients to control their costs according to their budgets. At the same time, it offers flexibility that will make employees smile:

- DR frees patients to plan needed treatment with the dentists of their choice.
- DR covers virtually all procedures (except cosmetic)—from cleanings to orthodontics to prosthodontics—equally. (This aspect distinguishes DR from other types of plans, which may, in effect, discriminate based on age by covering *fully* the needs of young employees and covering only *partially* the needs of older employees.)

SELF-FUNDING A DENTAL BENEFITS PLAN MAKES SENSE

Some employers may express initial hesitation about self-funding a dental benefits plan. For this audience, it helps to underscore the basic differences between medical needs and dental needs. Unlike medical costs, which can be unpredictable and catastrophic—and therefore very appropriate for insuring—dental costs are predictable and non-catastrophic. Why insure a health care plan that is low risk and low cost? Remind employers of the following important facts about dental care:

- Dental disease is preventable.
- The public's need for dental care is highly predictable.
- Dental care involves relatively low costs and is easily manageable.
- People typically do not over-utilize dental benefits.

These simple differences between dental and medical care will help to reassure plan purchasers that self-funding their dental benefit plan may be the most sensible option.

IT'S A SIMPLER WAY TO MONITOR CLAIMS

Clients may ask: Without usual, customary and reasonable (UCR) fees and the participation of a third-party insurer, who's monitoring the claims and ensuring that dentists don't overcharge for services? What about the discounts that many insurance companies offer?

- Assure your clients that DR claims expenses may be tracked and monitored easily—and by the people who care the most: the employer and the employee. Employers (or their plan administrators) review employees' claims as part of the on-going reimbursement process.
- Moreover, the employees' direct participation in paying for dental treatment results in more knowledgeable consumers, who read their dental statements. Employees also have incentive to go to dentists whose fees are competitive
- Many dentists routinely offer discounts for patients who pay for treatment up-front. No matter what dental plan a company offers, the employer should always encourage their employees to seek dental care providers who work well with the company's plan, offering high-quality care at the most appropriate price.

UCR fees, exclusions and limitations on treatment and dentists networks—these have become part of many dental benefit plans as a way to control costs; however, they also may generate costs of their own, especially in the areas of administration and employee satisfaction. DR is an innovation that allows a company to limit costs completely within their budget without sacrificing freedom and flexibility.



How to take the next steps

Please contact the ADA at 800.232.1890 or dentalbenefits@ada.org with your questions about Direct Reimbursement. You can also find information on our website at www.ada.org/DRPLAN or we can provide you with additional written material. The ADA, as well as state and local dental societies, can give you information on how to appropriately market this innovative concept.

Once you learn more, we think you'll agree that Direct Reimbursement is the dental benefits plan for *smart* companies — and brokers.