

Administrative Considerations

By removing the unnecessary administrative features associated with most dental plans such as detailed claim forms, treatment limits and exclusions, a Direct Reimbursement plan allows for simple administration by the employer or by its designated TPA.

The only routine administrative actions are:

- 1) verifying patient eligibility;
- 2) calculating the benefit payment;
- 3) issuing the benefit check;
- 4) maintaining records of amounts paid to each employee; and
- 5) educating employees.

As with all forms of benefit plans, it is suggested that an employer consider retaining the services of an experienced attorney, accountant or benefits consultant in order to establish an appropriate plan design and effective administrative procedures. The employer may also elect to have a TPA manage the Direct Reimbursement plan. The charges for these services are usually very reasonable.

Available to Groups of All Sizes

Both large and small employers have instituted Direct Reimbursement programs to assist the employees in meeting the costs of their dental care. Companies of all sizes have enjoyed cost savings with a DR plan. Even a small employer can design a DR plan to meet the needs of its employees while, at the same time, satisfying the company's financial and administrative concerns.

Contact Us

Choose one of these easy ways to find out how to set up a self-funded Direct Reimbursement dental plan for your own company or for your client:

1. Visit www.ada.org/goto/drplan or;
2. Call 800.621.8099

For More Information

One of the most important features of a Direct Reimbursement plan is the employees' freedom to choose their own dentists without restrictions. Because employees have this freedom to choose their own dentists and their own dental treatment, the employer's potential liability exposure can be greatly reduced.

This brochure was prepared to provide an overview of the Direct Reimbursement approach to providing dental care benefits. Many state and local dental societies, as well as a number of benefits consultants across the country, are knowledgeable in this area and may be of specific assistance to you.

You can also visit the ADA's DR Web site at www.ada.org/goto/drplan or email us at dentalbenefits@ada.org

In addition, the Council on Dental Benefit Programs offers a free kit which details a step-by-step process for implementing and administering a Direct Reimbursement plan. If you would like a copy of this kit, or if you have any questions not answered in this brochure, Council staff is available to assist you.

Direct Reimbursement



ADA American Dental Association®

America's leading advocate for oral health

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Direct Reimbursement (DR®) is an innovative approach to self-funding employee dental benefits. It is strongly supported by the American Dental Association as a cost-effective way to provide a dental plan for employees that gives them the freedom to choose their dentists.

How it Works

One of the most attractive features of Direct Reimbursement is its simplicity. Under a DR plan, an individual simply visits the dentist of their choice, pays the bill, turns in proof of payment, and gets paid, or benefits may be directly assigned to the dental office.

Benefits are stated as a maximum dollar limit per year per eligible individual, or a percentage thereof. Reimbursement is based on dollar expenditures rather than on the type of treatment received. Unlike conventional plans, there are typically few exclusions or limitations on specific treatments.

Direct Reimbursement allows employees to be responsible for the best use of the benefit dollars available. Additionally, employees are involved in the cost containment process through cost-sharing provisions such as annual maximums and co-payments.

Flexibility

The details of a Direct Reimbursement plan may vary widely depending on the level of benefits the employer wishes to provide. Some of the options to be considered in designing the plan include:

- Employees only or employees and dependents
- Co-payment provisions
- Annual benefit maximums (individual or family)

Several examples of possible Direct Reimbursement plan designs illustrate this flexibility:

Plan A

- 100% of the first \$200 of dental expenses
- 80% of next \$1,000

*Total annual maximum benefit of \$1,000 per individual**

Plan B

- 100% of the first \$100 of dental expenses
- 80% of the next \$250
- 50% of the next \$2,400

*Total annual maximum benefit of \$1,500 per individual**

Plan C

- 75% of \$1,000 of dental expenses

*Total annual maximum benefit of \$750 per individual**

Plan D

- 50% of \$1,000 of dental expenses

*Total annual maximum benefit of \$500 per individual**

The variations on the concept are limited only by the degree of financial commitment the employer is prepared to make. An employer may begin its plan by offering a conservative annual maximum. After analyzing a few years' experience with the plan, the employer may revise the benefit levels.

** Totals could be a family maximum*

Cost Considerations

A Direct Reimbursement dental plan gives the employer immediate control of the maximum level of benefits offered. By including cost-sharing measures in the plan design, the employer is protected against wide fluctuations in benefit costs.

Unlike conventional insured programs where the employer's premium rate frequently is determined by the pooled experience of many groups, the employer's expense for a Direct Reimbursement program is based only on its own employees' experience. In addition, employer funds that would typically be held in reserve by the third party payer can be invested by the employer or its agent to generate additional income which can be applied against the cost of the program.

Perhaps the most clearly discernible savings to the employer are in the administrative costs of a Direct Reimbursement plan. The simplification of claim forms and other extraneous paperwork reduces much of the transactional cost of administration. Also, since a Direct Reimbursement program is not considered "insurance," there is no premium tax liability. Finally, a decision to self-administer or use the services of a third party administrator (TPA) for the program can greatly reduce the charges usually made by a third party payer for administrative services, marketing costs and profit.

