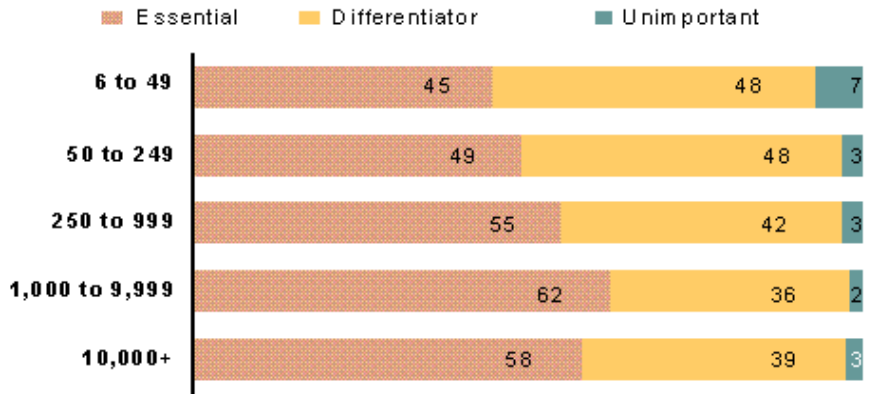


Employers

Coverage

How many employers offer dental coverage?

NADP's 2005 Purchaser Behavior Study shows that 71 percent of all employers offer dental benefits. This ranges from 40 percent of the smallest employers (6-24) to 96 percent of the largest employers (10,000 or more employees). Some 97 percent of employers of 25 or more employees consider dental benefits to be an "essential" or a "differentiating" factor in attracting and maintaining talent.

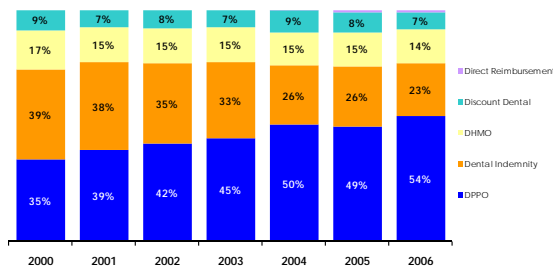


In groups with more than 250 employees, over 90 percent of all employers contribute toward the cost of these benefits for their employees. In smaller groups, the percentage of employers contributing ranges from 84 to 88 percent.

What types of dental benefits are common in the market?

There are four key types of dental benefit products in the market today, i.e. Dental HMOs, Dental PPOs, Dental Indemnity (or traditional) Insurance, and Discount Dental Plans. The first three are insurance products. All four plan types can be offered to your employees on a voluntary basis, i.e. where the employee pays the entire premium.

More than 95% of all dental benefits are provided under group contracts through employers, associations or other organizations. This chart shows group coverage by product from the 2005 and 2006 NADP/DDPA Enrollment Report. About 50% of the commercial dental benefits market is in DPPO products, a tenfold increase over the 2 million lives covered by DPPO products in



1995.

NOTE: Public benefits are almost equally divided between indemnity and DHMO products. Therefore, the DHMO and dental indemnity segments are largely unchanged from 2004 to 2005.

Direct reimbursement is a type of employer self-funded program which allows beneficiaries to seek treatment from the dentist of their choice without network limitations and provides reimbursement directly from the employer based on a percentage of dollars spent for dental care provided. DR is similar to an (ASO) contract. Over 56 million dental enrollees are covered by dental benefit products written on an

ASO basis. About 13 million enrollees are in dental Indemnity ASO products and 43.6 million are in DPPO ASO products.

What are the distinguishing characteristics of dental benefit products that are available?

Here are a few points to help you distinguish how these products will impact your employees:

DPPOs are the most commonly offered dental benefit at 53 percent of the today's dental benefits market. With premiums in the mid-range among dental plans, DPPOs keep out-of-pocket costs lower by negotiating discounts with dentists in their network. But your employees and their families received some payment for care obtained from dentists that are not in their networks. Typical deductibles have remained at \$50 for some time and annual maximums typically range from \$500 to \$3000.

DHMOs have the lowest premium costs and keep out-of-pocket costs predictable with co-payments usually stated in specific dollar amounts. DHMOs normally cover treatment only when provided by a network dentist but some may offer a provision that allows the patient to opt out of the network at the "Point of Service" with a reduction in coverage. These products generally have no annual maximums or deductibles.

Discount Dental Plans have low monthly fees instead of premiums. These plans simply provide discounts to patients seeking care from dentists in their networks. Your employees will pay the full cost of care out of pocket at the discounted rate. Procedures that may not be covered by insurance programs, cosmetic and implants for example, are often included under Discount Plans.

Dental Indemnity Insurance is the traditional, benefit-rich dental benefit plan. These plans are a declining segment of the dental market as they have the highest premium costs. Any dentist is reimbursed for covered services. Typical deductibles remain at \$50 and annual maximums commonly ranging from \$1000 to \$3000.

What do dental plans normally cover?

There are seven basic areas of dental care that policies cover. Orthodontics is often a rider that can be added for your group if needed.

1. preventative care, i.e. cleaning, routine oral exams, x-rays, fluoride & sealants;
2. restorative care, i.e. fillings and crowns;
3. endodontics, i.e. root canals;
4. oral surgery - tooth removal and minor surgical procedures such as tissue biopsy and drainage of minor oral infections;
5. orthodontics--retainers, braces, etc.
6. periodontics – gum disease treated by scaling, root planning and management of acute infections or lesions; and
7. prosthodontics—implants, dentures and bridges.

Most plans cover 100% of preventative care and apply co-payments, either as a dollar amount (DHMOs) or as a percentage (DPPOs and Dental Indemnity/Traditional Insurance) to other levels of care. Often policies will classify procedures as "Basic" and "Major." Basic procedures, i.e. office visits, extractions, fillings, root canals, and treatment for gum disease, are often covered at a higher percentage amount, for instance 80%, or with lower dollar co-payments in the case of a DHMO. Major procedures, i.e. crowns, bridges, inlays, and dentures are usually covered at a lower percentage, such as 50% or a higher dollar co-payment in the case of a DHMO. Root canals may be covered in the Major category in some plans. Implants have also been offered under the Major Category in recent years.

Cost

How much do benefits cost under a group policy?

Depending on the type of dental benefit—DHMO, DPPO or Dental Indemnity, the employee's premium is about the cost of having dinner out once a month—ranging from \$16.10 to \$32.90 monthly or \$193 to \$395 on an annual basis in 2007. Even at the high end of that range—dental benefits cost annually what medical premiums cost an individual on a monthly basis. Estimated annual dental premiums for 2007 are outlined below as national averages for typical group coverage¹:

Employee Only (including orthodontia):

DHMO --	\$16.10 a month--\$193 annually
DPPO --	\$29.42 a month--\$353 annually
Indemnity --	\$32.90 a month--\$395 annually

Employee only (without orthodontia):

DHMO --	\$15.60 a month--\$187 annually
DPPO --	\$28.93 a month--\$347 annually
Indemnity --	\$32.04 a month--\$385 annually

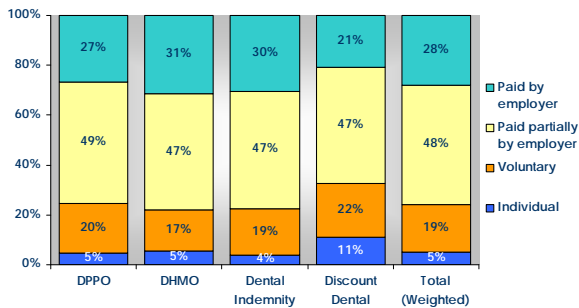
Employee & Family (including orthodontia)²:

DHMO --	\$49.92 a month--\$599 annually
DPPO --	\$94.90 a month--\$1139 annually
Indemnity --	\$104.13 a month--\$1250 annually

Discount Dental Plan fees can range from a few dollars a month to \$10 or \$12 dollars a month for an individual or \$20 to 30 a month for a family.

Are employers changing the amount they pay for dental benefits?

More of the employer group dental benefits market is going voluntary and those employers that aren't going voluntary are decreasing contributions to employees' dental benefits premiums. (Voluntary means the employer arranged for the group coverage but the employee pays 100% of the premium.)



In a 2005 survey conducted by NADP of 1,279 consumers with dental benefits, about one-quarter of all beneficiaries pay for 100% of their dental benefit. Just over one-quarter of all beneficiaries have 100% of their dental benefit paid for by their employer. This data is comparable to data collected the same year in NADP's Purchaser Behavior Survey.

What is the trend in deductibles and annual maximums for dental benefits?

¹ The reported premiums are national averages for the most common coverage sold by the carriers that reported; premiums will vary in different parts of the country based on the coverage selected.

² Family coverage extends to the insured, spouse and dependents—no matter the number. There are usually separate, lower rates for an insured with a single dependent so family coverage is usually 3 or more individuals.

Deductibles and annual maximums for dental benefits have not changed dramatically over the past decade. The deductible for most plans is still about \$50 and the most commonly reported annual maximum is \$1200 according to Mercer. There is a trend to higher limits in DPPO and Dental Indemnity plans with about 1/3 of all plans reporting \$1500+ as the Annual Maximum. Some companies have introduced roll-overs of a portion of the unused annual maximum to provide greater flexibility for consumers.

	Dental Indemnity			DPPO		
	2004	2005	2006	2004	2005	2006
<\$500	0%	0%	0%	0%	0%	0%
\$501 to \$999	4%	6%	5%	3%	2%	3%
\$1,000 to \$1,499	57%	54%	53%	59%	57%	54%
\$1,500 to \$1,999	25%	28%	33%	26%	30%	31%
\$2,000 to \$2,999	12%	9%	7%	10%	11%	10%
\$3,000 +	1%	1%	0%	1%	0%	1%
No Maximum	2%	1%	1%	2%	0%	1%

SOURCE: 2004 -2006 NADP Dental Benefits Report on Premium Trends

How many individuals use the Annual Maximum?

Most dental benefit companies report that less than 6% of all covered individuals hit the annual maximum.

What is the impact of higher Annual Maximums?

NADP's 2007 Consumer Survey found that employees whose dental insurance includes higher benefit maximums are 18% more likely to consider their dental health to be very good or excellent, and are 12% more likely to have visited the dentist for a cleaning/exam within the past 6 months.

What is the value of dental benefits to an employer?

The US Chamber of Commerce annual *Employee Benefits Study* routinely shows that dental benefits rank third in the number of employers offering or providing the benefit—behind medical and pharmacy benefits.

Dental disease accounts for more than 164 million lost work hours annually, or an estimated 82,000 work years³. The *NADP 2007 Consumer Survey* found that individuals without dental coverage are 2.5 times

³ Oral Health in America: A Report of the Surgeon General, National Institutes of Health, 2000

more likely not to visit their dentist. The dentally uninsured are more likely to lose time from work due to untreated dental problems.

That survey found that consumers with dental benefits are far more likely to obtain needed services than those who lack coverage. For many employees, access to dental coverage encourages a diversity of healthy behaviors and preventive practices that forestall the onset of more serious and costly dental disease.

For more details on the impact of dental benefits on your employees and bottom line, get a copy of NADP's Employer White Paper ([link](#)).

Carriers

How do I find a dental benefits company?

Dental benefits are offered in all states. NADP's members provide over 80% of coverage for the 170 million Americans with dental coverage.

Ask your benefits broker to provide quotes on dental plans.