HEALTH CARE REFORM
DENTAL AND VISION PLANS
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Health Care Reform
Dental and Vision Plans Summary

• Standalone dental and vision plans are exempt from many aspects of health care reform.
  – Bundled plans will be subject to provisions such as: dependent coverage up to age 26, removal of lifetime and annual limits, individual mandate, automatic enrollment, elimination of preexisting condition limitations, and waiting period limits.

• Pediatric dental and vision coverage is included in essential benefits that will be offered by exchanges in 2014.

• Dental and vision vendors are planning on increasing insured premiums to account for the health insurer assessment fee.

• Self-funded plans may be considered part of the excise tax calculation.

• Employers may wish to evaluate their plan design and funding strategy.
Do Health Care Reform Regulations Apply?
Dental and Vision (Limited Scope Benefit Plans)

<table>
<thead>
<tr>
<th>Test #1</th>
<th>Is the dental or vision plan <strong>insured</strong> under a separate policy?</th>
<th>Yes</th>
<th>The dental and vision plans are considered standalone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>Proceed to test #2 below</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Test #2</th>
<th>Do employees make a separate election for dental or vision coverage <strong>AND</strong> make a contribution to the coverage cost?</th>
<th>Yes to both conditions</th>
<th>The dental and vision plans are considered standalone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No to either condition</td>
<td>The dental and vision plans are not considered standalone and will be subject to HCR</td>
</tr>
</tbody>
</table>
### What if the plan is NOT standalone?

### What are impacts of HCR?

<table>
<thead>
<tr>
<th>Timing</th>
<th>Impact</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Now</strong></td>
<td>SBC Required</td>
<td>Plans may be out of compliance</td>
</tr>
<tr>
<td></td>
<td>Comparative effectiveness fees (PCORI)</td>
<td>Must count people covered by the dental/vision plan but not the medical; if both plans are self-funded and share the same plan year, only need count person once</td>
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<td></td>
<td>Included in W-2 reporting</td>
<td>Requires updates to payroll</td>
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<tr>
<td></td>
<td>Coverage offered to dependents to age 26</td>
<td>Many employers have already made this amendment</td>
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<tr>
<td></td>
<td>No pre-existing conditions or waiting periods allowed</td>
<td>Could impact provisions such as missing tooth exclusions and waiting periods for major services on dental plans</td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td>Pediatric dental and vision must be covered without annual or lifetime maximums</td>
<td>Pediatric is defined as up to age 19 and required benefits are determined by the state benchmark plan (generally either CHIP or FEDVIP)</td>
</tr>
<tr>
<td></td>
<td>Reinsurance fee (estimated $63 per-covered life) applies for individuals with major medical plan coverage</td>
<td>Fee doesn't apply for individuals covered under the dental or vision plan but not the medical plan (as presumably the aggregated plan coverage doesn't constitute major medical coverage)</td>
</tr>
<tr>
<td></td>
<td>Pediatric dental and vision coverage factored into aggregate OOP maximum calculation; adult dental or vision may also be factored in if covered by plan's EHB benchmark</td>
<td>For 2014, can use a separate OOP maximum that does not exceed HCR limits</td>
</tr>
<tr>
<td></td>
<td>For 2015, requires OOP integration of the dental/vision plan with the medical and Rx vendors</td>
<td>Bundled plans will be included in the cost calculation for the excise tax</td>
</tr>
</tbody>
</table>
| **2018** | Dental and vision plans are subject to excise tax calculation | }
Self-funded Dental & Vision Benefits

**Excepted benefits today**
Self-funded dental/vision benefits are excepted benefits only if:
- Separate election.
- Separate employee payment.

**The problem**
Ban on annual dollar limits for pediatric dental/vision benefits.

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**Anticipated extension of excepted benefit status**

Per Treasury official, relief coming but timing and scope unclear.

- Perhaps borrowing EAP insignificant benefit concept.
  - EAPs are excepted benefits if they don’t provide significant benefits in the nature of medical care or treatment. Until more guidance, use reasonable good faith interpretation.
  - May require opt out.
  - Expected not to require separate payment.
Standalone Dental and Vision Plans
Exempt From Many Aspects of Health Care Reform

• No requirement to cover dependent children to age 26.
  – However, many clients have expanded dependent eligibility anyway:
    - Common eligibility requirement for enrollment and administration.
    - Some carriers have expanded eligibility for dependents to age 26 as part of their “standard” offering.

• Coverage is not required as part of the individual coverage mandate.

• Design is not subject to the restrictions on annual and lifetime maximums.

• Insured plans not included in determining exposure to the excise tax in 2018 and beyond.
  – Self-funded plan guidance is not as clear, but more on that in a bit…
Direct Impact of Health Care Reform
Dental and Vision Implications

- Pediatric dental and vision coverage is included in **essential benefits** that will be offered by exchanges in 2014.

- The **health insurer assessment fee** will apply to dental and vision carriers (insured plans only).

- Self-insured plans may be included in determining exposure to the **excise tax** in 2018 and beyond based on language in the legislation.

- Filed premium rates and rate increase requests for individual and small group standalone dental plans will be subject to oversight by HHS in conjunction with the states.
Direct Impact of Health Care Reform
Essential Health Benefits – Pediatric Dental and Vision

• Primary impact is for individuals and small groups (under 100 lives) whether they purchase benefits through the exchange or not:
  – Pediatric coverage is defined to age 19.
  – Benchmark plans generally based on CHIP or FEDVIP offerings.
  – Specific to dental:
    - Standalone dental plans are permitted on the exchange.
    - For plans offered within an exchange, medical plans do not need to provide dental benefits, provided consumers have a standalone option.
    - Plans offered outside the exchange must provide all EHB, including dental and vision.

• Implications to the dental industry could be significant:
  – 22.9 million children are currently covered under small group standalone dental plans.
  – NADP estimates that half of parents (11 million covered adults) may drop dental coverage if their children are covered under a medical plan.
Direct Impact of Health Care Reform
Health Insurance Assessment Fees

• Mercer’s 2012 dental RFI results suggest that all dental vendors are planning on increasing insured premiums to account for the health insurer assessment:
  – Estimated impact in 2014 varies from 1–3% of premium, with the overwhelming majority estimating 2% in 2014.
  – Indications that fees could increase to as high as 3–4% of premium in later years.

• Vision vendors have also indicated that the fees will be built into insured rates beginning in 2014.

• Employers may wish to evaluate their funding strategy:
  – Addition of insurer fees to existing premium taxes and risk/margin charges further widens the gap in cost between self-funding and insurance.
  – ASO dental fees may increase as carriers look to replace lost revenue from clients migrating from insured plans to self funded.
Direct Impact of Health Care Reform
2018 Excise tax

• ACA regulations state the following are exempt from the excise tax calculation:
  – “any coverage under a separate policy, certificate, or contract of insurance which provides benefits, substantially all of which are for treatment of the mouth (including any organ or structure within the mouth) or for treatment of the eye”

• Taken literally, this language implies self-funded plans may be considered part of the excise tax calculation.

• We anticipate additional clarification from regulators as 2018 approaches.

• If HHS determines that self-insured plans are included in the calculation:
  – Some financial benefits associated with self-funded plans would diminish.
  – Employers may migrate to insured plans to avoid the excise tax.
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