

Testimony before the Senate Insurance Committee on HB 4934

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Chairman Hune and Committee Members:

Thank you for this opportunity to present a request from Delta Dental for an amendment to HB 4934.

Our request pertains to an option used by some of our customers in calculating claims payments when benefits are coordinated among two or more dental plans.

As you can imagine, some dental plan enrollees have coverage through more than one plan. For example, an individual may have primary coverage through their own employer and secondary coverage through a spouse's employer.

Using the traditional approach to coordination of benefits, the primary plan would make its claim payment, and then the secondary plan would determine its liability for any remaining balance and then make its claim payment. Typically, the entire cost of the claim would be covered by the two dental plan payments and the enrollee would not have any out-of-pocket expense.

Under an alternative coordination of benefits (COB) method, called "carve-out COB" or sometimes referred to as "non-duplication of benefits," the secondary plan pays up to the amount payable under its plan, minus the amount paid by the primary carrier. The combined payments from both the primary and secondary carriers will cover up to the amount that the secondary carrier would pay if it were the only carrier. Carve-out COB is an option that has been available to employer group customers for many years.

Example: A dental plan enrollee receives a dental service and incurs a claim is for \$100. The primary benefits carrier covers that service at 75 percent, so it pays \$75. The secondary carrier covers that service at 80 percent. Using the carve-out COB method, the secondary carrier's payment would have been \$80 if no other coverage existed, so it pays \$5. Between the primary carrier's payment of \$75 and the secondary carrier's payment of \$5, the total payment between the two carriers is \$80, which is the amount that the secondary carrier would have paid if no other coverage existed. The enrollee is responsible for the \$20 balance.

Some of Delta Dental's employer group customers utilize the carve-out COB method as a cost-savings measure to reduce their dental plan premium. Those customers obviously want to provide a dental benefit for their employees, but sometimes need to implement a cost-savings measure like carve-out COB to make their dental plan affordable and fit within an overall employee benefits budget.

In its present form, HB 4934 would prohibit the carve-out COB method of coordinating benefits. We respectfully request that the HB 4934 be amended to allow health and dental carriers to continue to offer carve-out COB as a cost-savings option to employer group customers. Our amendment would simply allow for a continuation of existing practices.

Again, thank you for this opportunity to present our request for this change.