

Oral Testimony – October 30, 2017

Massachusetts Legislature Joint Committee on Financial Services

Dr. Howard Zolot, President-Elect, Massachusetts Dental Society

In Support of S.505, “An Act Relative to Medical Loss Ratio for Insurance Corporations” (2017)

Introduction

Good Morning member of the Committee on Financial Services. Thank you Chairmen Michlewitz and Eldridge for the opportunity to testify on this important piece of legislation. My name is Dr. Howard Zolot and I am President-elect of the Massachusetts Dental Society. The MDS represents approximately 5,000 or 80% of dentists in the Commonwealth. This legislation, if passed, would ensure dental benefits companies are transparent and held accountable. Let’s put the patient and consumer ahead of the large dental benefits corporations.

Discussion

Health care cost control continues to be a major issue in this State. It has always been a top priority for Massachusetts, especially since the passage of Chapter 224 in 2012, which created an array of tools to reign in health care costs. Among these was a section that mirrored one of the key components of the Affordable Care Act, a provision requiring the reporting of medical loss ratios (MLR) by health insurance plans, and an adherence to a minimum medical loss ratio. Medical loss ratio is the proportion of an insurer’s premiums that are spent on medical care or quality improvement expenses to what they spend on

administrative costs. Establishing a benchmark MLR forces insurers to operate more efficiently, and helps to keep premium costs low for consumers. Insurers who cannot maintain the MLR required by law are required to refund the difference to their policy-holders.

This legislation will bring increased transparency and accountability to dental plans in Massachusetts. This bill creates standardized requirements for dental plans to annually disclose how they spend patient premium revenue and brings dental plan reporting requirements to the same level that currently exists for medical plans. Furthermore, the legislation adopts a minimum percentage of patient premium dollars that dental plans must spend on patient care, as opposed to administrative overhead costs, marketing and profits. Under current law, all medical plans must spend at least 80 percent of patient premium revenue directly on patient care or quality improvement. However, no MLR standard exists for dental plans. Per a 2015 study by Virginia Commonwealth University, the MLR requirement for medical plans saved patients over \$5 billion since taking effect in 2011, and dental patients deserve the same protections from their dental plans.

Several states have already adopted some form of MLR requirement for dental plans, such as California and Colorado, and have seen positive results for consumers, with no corresponding instability in the dental insurance market. Enhancing transparency allows consumers the ability to see where their premium

dollars are spent, which in turn allows them to make informed decisions when shopping for a dental plan. At the market level, MLR reporting forces insurers into greater competition to lower prices for consumers. The complexity of medical and dental insurance products, along with the unpredictability inherent in utilization of these services, often make it difficult for the average consumer to discern the differences between products. Establishing a MLR requirement creates a baseline standard of efficiency for the public.

Conclusion

This legislation requires that dental benefits corporations meet the same standard that medical insurance corporations have had to meet for several years. The Massachusetts Dental Society respectfully urges this committee to vote favorably on this legislation and for the Legislature to enact *An Act Relative to Medical Loss Ratio for Insurance Corporations*. Every day that MLR does not exist in the dental benefits industry, we are siding with corporate profits instead of protecting consumers.