

February 16, 2022

G&B Benefits Update

2022 Dental Fee Guide Adjustments: Considerations for Plan Sponsors

Background

Each year, dental associations for each province and territory publish their respective dental fee guides for reference by dentists, insurers and the general public. The updates to the fees each year typically reflect some level of trend adjustment, which varies by province. Given these fee guides have a direct impact on dental spend under group benefit plans for the coming year, we have provided some commentary on the 2022 fee guide increases.

About Dental Fee Guides

Dental fee guides specify fees for various dental services available, as identified by the corresponding 5-digit procedure codes.

With the exception of Alberta, all provinces and territories have had fee guides in place for a number of years. Alberta eliminated its provincial fee guide in 1997, but then reintroduced it in 2018. These fee guides serve purely as guidance for dentists (i.e., they are not mandatory), although most dentists do follow reasonably in line with them (again, with the exception of Alberta, where it will still take some time for dental fees to converge to the reintroduced fee guide).

Most insurers will establish their reasonable and customary (R&C) reimbursement rates based on these fee guides such that the guides will have a direct impact to group dental plan costs.

While most provinces and territories release their updated fee guides in January, some make the update in February and some either release it later in the year or do not necessarily have a fixed timeframe each year. Further, the majority of provinces and territories do not explicitly share their fee guides online for the general public to access.

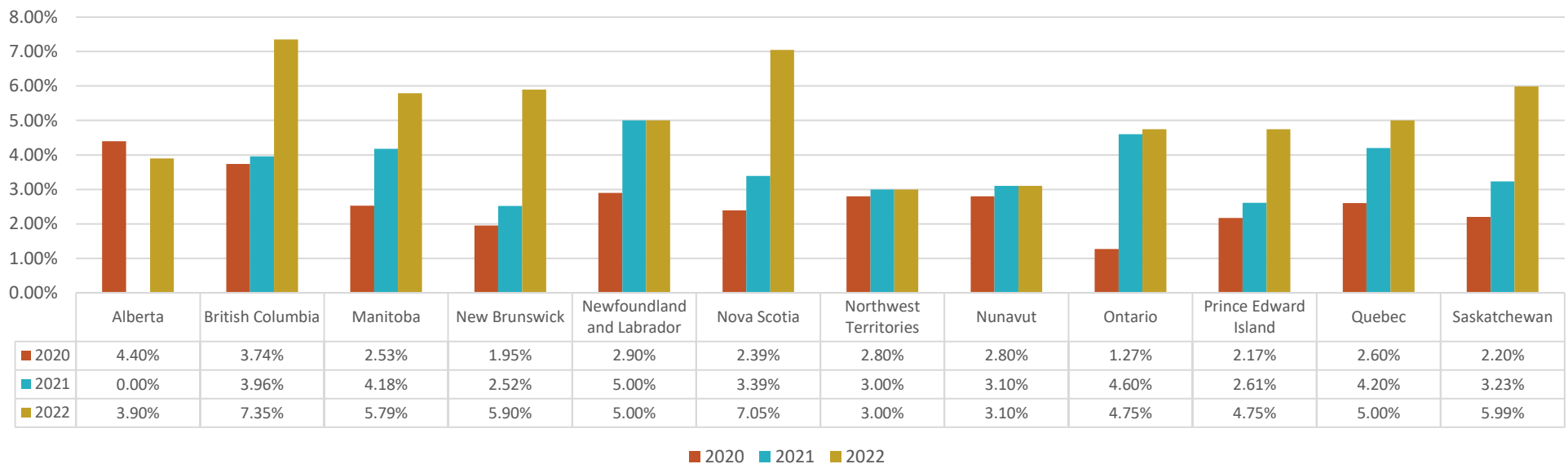
2022 Fee Guide Increases

Based on the information we have been able to ascertain, the fee guide increases for each province are summarized below. These increases represent the weighted increase across all procedure codes. As noted earlier, aside from a few provinces, the fee guides are not made available to the general public so this information has been compiled from reputable sources but we are unable to validate the figures.

Please note that fee guide increases for Yukon Territories were not available based on the information reviewed.

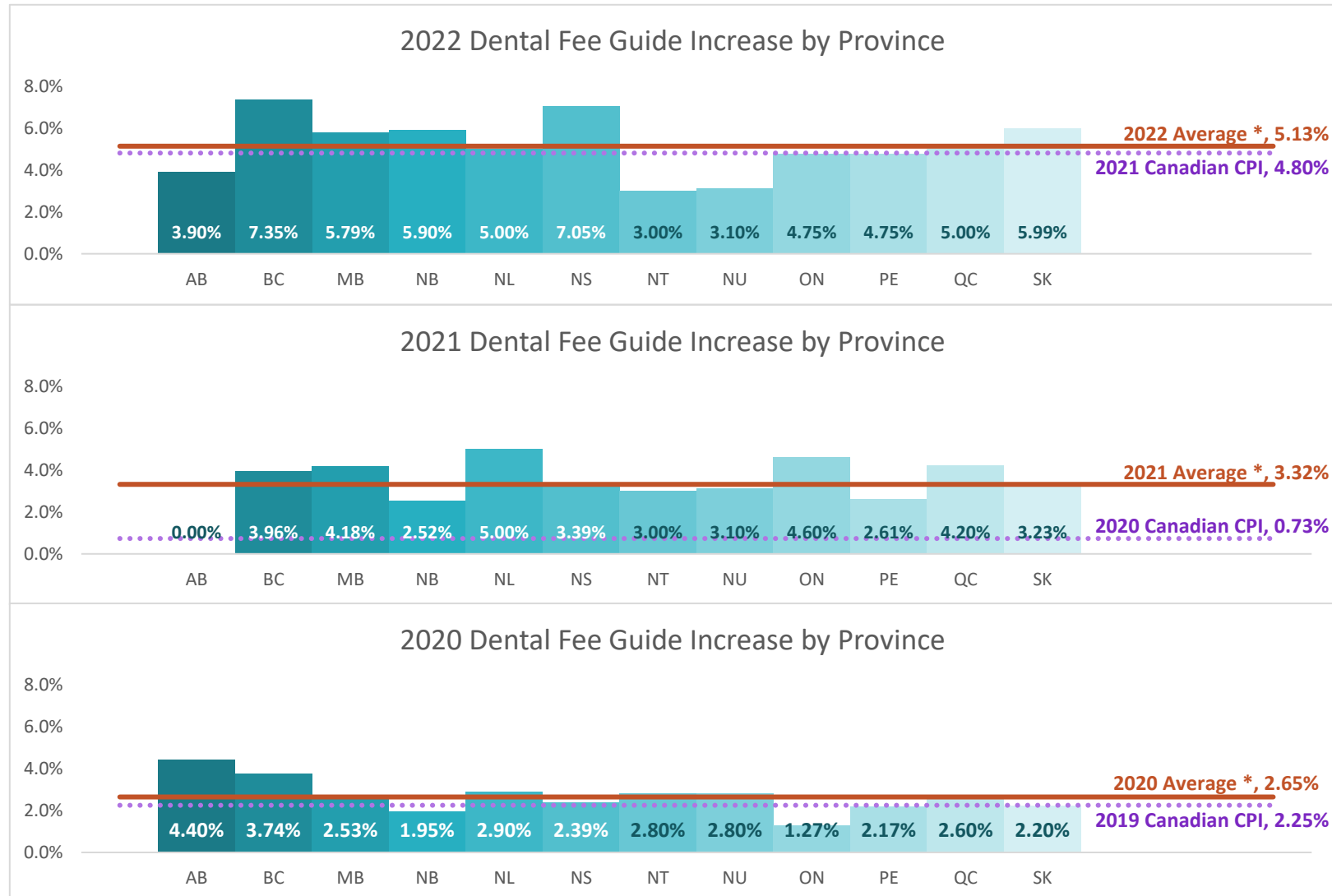
Increases By Province – 3-Year Comparison

Dental Fee Guide Increases



* Historical fee guide increase information, as shared by various insurers and various provincial government websites.

Increases By Province – Comparison to the Average



* Note: the average increases denoted above refer to the arithmetic averages of the fee guide increases across all provinces and territories for that year.

As we can see, the fee guide increases implemented by each province vary substantially from one another and can be quite different from year to year. We have also included the Canada Consumer Price Index (CPI) annual increase as another interesting comparator. We have included the prior calendar year's CPI since this would be the most relevant in setting rates at January of the applicable year.

There could be a variety of reasons that the 2022 increases are substantially higher than prior years, but a few potential drivers are as follows:

- Upward inflationary pressures, as are being seen across the country, more generally
- A reduction in revenue to dental offices due to Covid-19 restrictions, which would also have been a factor in 2021
- Irregularities in data in 2020 and 2021 due to Covid-19 restrictions, which could have made the fee guide increases implemented in 2021 insufficient
- A reduction in revenue to dental offices due to the increased time and efforts involved in maintaining proper Covid-19 protocols (i.e., more time required per patient resulting in less patients per day)
- A better understanding of the true costs of Covid-19 PPE enhancements, which were incorporated for many provinces in 2021

Aside from the first bullet regarding inflationary pressures, several of the possible reasons identified are short-term in nature, which would have an impact on short-range planning, but less so on longer-term projections.

In addition, it is important to note that fee guide increases are a substantial portion of your annual dental trend, but not the whole thing. Utilization also is considered in establishing a reasonable trend level, such that the trend assumption plans utilize in setting rates would potentially be in excess of those illustrated above.

What This Means for Plan Sponsors

We see that the fee guide increases for 2022 are notably higher than those implemented in 2021, in particular for several provinces in Western Canada and the Atlantic Region. Further, these increases are higher than previous market expectations.

In any event, we would like to take this opportunity to help you understand how this could impact your plan.

Impact to Actual Reimbursement

Because insurers establish their R&C levels based on the fee guides, a notable lift in the fee guides will inherently increase the dollar levels covered through the plan.

Some plan sponsors will address this by utilizing alternate fee guides (e.g., freezing with the 2021 fee guide or applying 90% of the 2022 fee guide). While we note this option so that plan sponsors are aware of possible reactions, we do caution that this type of approach has a few major drawbacks:

- It would ultimately result in members paying the excess out-of-pocket, which can lead to a poor member experience (particularly without thorough communication) and negative feedback
- It would reduce the competitiveness of the benefit offering
- It would require updates to document wording to reflect the updated fee guide
- It would require constant revisiting in future years to determine if the plan remains under the alternate fee guide or elects to “catch up” to the current fee guide for that year

Rate/Budget Sufficiency for ASO Plans

If you have already set your rates or dental spend budget for 2022, the assumed lift in costs applied is likely understated versus actual. In this case, plans should anticipate that they may see deficits accrue during the year relative to budget and for plans with deposit rates there is likely to be upward pressure on rates in next year’s rate-setting.

If you have not yet set your budget or rates for 2022, you may wish to revisit trend assumptions to ensure they are consistent with this new information. Further, the resultant rates should be accompanied by informative employee communications highlighting the upward pressures facing the dental plan.

Reserve Sufficiency for ASO Plans

Typically, we encourage ASO plans to hold some level of fluctuation reserves (threshold varies depending on risk tolerances) in order to offset year-to-year volatility in claims experience. These reserves typically saw huge windfalls in 2020 due to significantly reduced uptake in claiming during Covid. In 2022, it could be expected that these reserves will be drawn upon to offset any shortfall in rates or budgets. We encourage plans to revisit their target reserve levels to ensure they remain sufficient to support stability and appropriately reflect your risk tolerances.

Rate Sufficiency for Insured Plans

For insured plans, these changes to fee guides will almost certainly lead insurers to take a more conservative approach to establishing their trend rates and will likely encourage them to hold more firmly to conservative trend levels (keeping in mind they might have taken losses on low trend rates set for 2022 up to the point of your renewal). This issue should be discussed as part of renewal negotiations to ensure a fair and reasonable position is agreed-upon.

Long-Term Trend Considerations

It is important to keep in mind that this is only a one-year adjustment and is not an indicator of long-term fee guide adjustments. Plans should stress test their reserve sufficiency for offsetting higher fee guide increases over an extended period of time, but should also plan for the realistic possibility that this is simply a short-term adjustment post-Covid. However, we also encourage educating employees that dental fees are negotiable and they should discuss fee increases with their dentists as benefit plans may not be able to sustain annual increases of this magnitude which could result in less coverage being available.

Closing Comments

In closing, we feel that this should certainly be a topic of conversation during your next annual rate-setting or renewal process and that plans should not be complacent in utilizing the same trend factor each year without a deeper discussion around the methodology and reasoning behind it. We would be happy to discuss this matter further with you and/or your insurer in the near term if it would be of assistance. Our contact information is provided below.

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Disclaimer: Please note that this document is not a legal opinion. The insights shared are based on our understanding of the insurance market from a benefit plan perspective. Plan sponsors may wish to seek advice from their legal resources before making any significant changes to their benefits programs.