

The Dental Landscape



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Welcome Remarks & Introduction

Carl Seitz, LVBCH President

Dental Landscape

Dr. Quinn Dufurrena, CDO

April 3, 2019

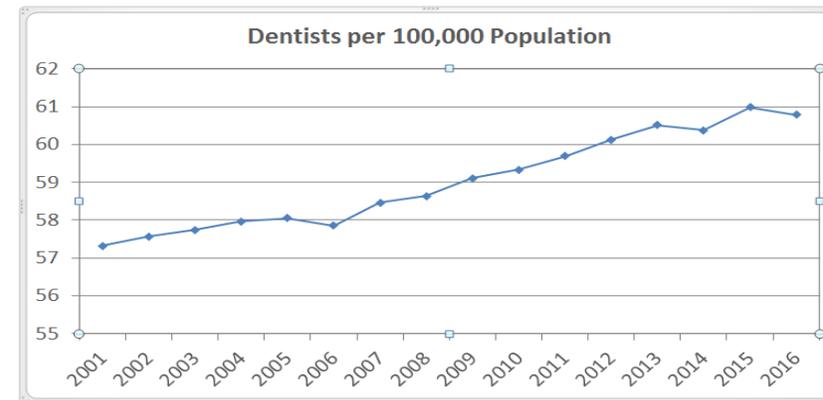
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Dentists

Macro Economic Supply of Dentists and Dental Services

- Net 9 new Dental Schools since 1997
 - Since 2005, ~1,400 annual DDS increase
- Dentists and Hygienists/100,000 population is up 5.2% since 2001
 - Schools are increasing class size due, in part, to lack of public funding
 - # grads growing at ~ twice rate of population
- 34% DDS grads have debt levels above \$300K (~ \$4,000/mo. student debt payment)

More Dental Graduates



Source: American Dental Association, Health Policy Institute analysis of ADA Masterfile. Copyright © 2017 American Dental Association

Supply of Dental Services

- Dentist retirement age is increasing – practicing longer
 - Phased out retirements, partial practice
- Capacity (open chair time)
 - Studies show dentists working at ~70% capacity
- Productivity (# patients or # services)
 - Less Intensive services are quicker to perform
 - More efficient delivery models

Conclusion: *There appears to be increasing supply of dentists and dental support staff resulting in continued “excess” capacity within the delivery system for dental services.*

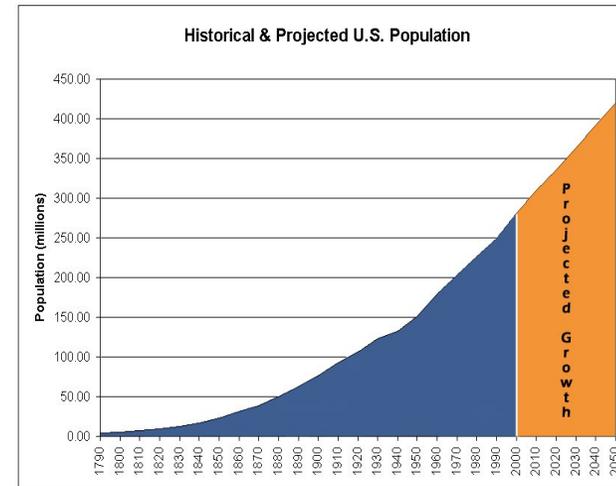
Changing Demand and Mix of Services

- Generations with:
 - Fewer intensive services (lower business/profit margins)
 - Fluoride and disease prevention
- Overall more claims for Diagnostic and Preventive; less Restorative
 - 75-80% are diagnostic and preventive
- Technology
 - Better/longer lasting materials
 - Remote supervision possibilities in hub and spoke delivery systems



Other Factors in Demand for Dental Services

- Population is increasing, but...
 - Most growth in low income groups without dental benefit coverage
 - ACA grew children benefits primarily - Medicaid



Conclusion: *Less dental disease on a stable patient base. Absent a significant growth in public financing and benefit coverage for new groups, demand looks to be steady or probably lower in the future. Financially, dental offices need all the patients they can get.*

Changing Industry Dynamic: Dental Service Organization Growth is Expected to Continue

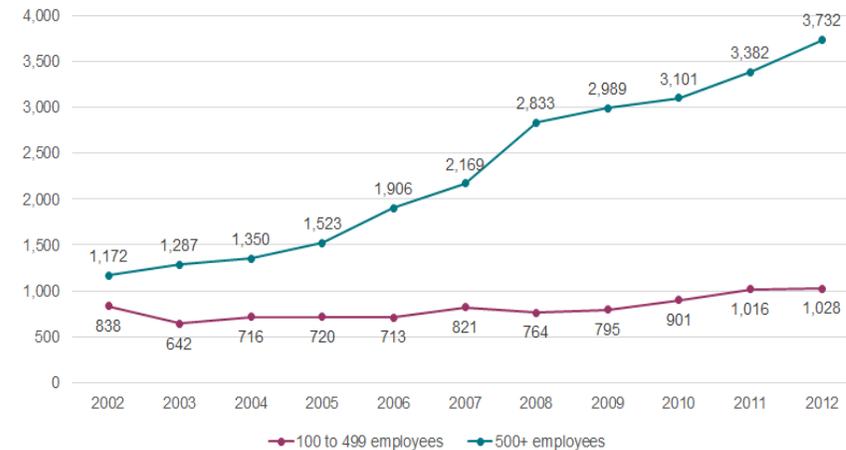
- Standardized Efficiencies
- Economies of Scale
- Financial Resources



“The trend toward larger, consolidated multi-site practices is expected to continue, driven by changes in practice patterns of new dentists, a drive for efficiency, and increased competition for patients.”

– Marko Vujicic, PhD

TOTAL NUMBER OF ESTABLISHMENTS BY DENTAL FIRM SIZE CATEGORY

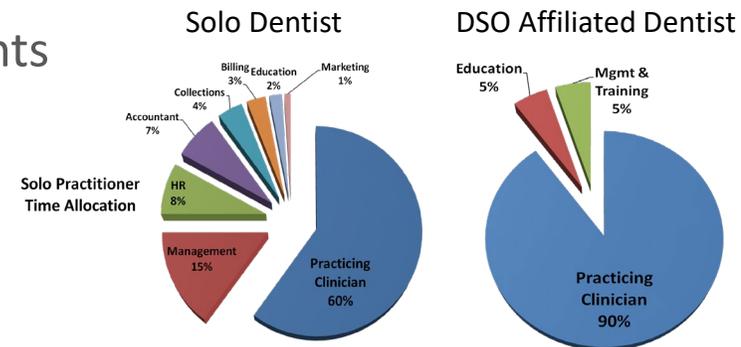


2015 American Dental Association

Source: Marko Vujicic, PhD, et. al, *A Profession in Transition*, JADA (August 2013)

Attractiveness of a DSO for a Dentist?

- Peer to Peer Collegiality; internal referrals and continuing education
- Millennials want Collaboration not isolated solo practice
- Compensation – may be equal or higher
- Work Life Balance – often employee relationship
 - Graduates are nearly 50% female now
- May help with dental school Debt Payments
- Equity Opportunities
- Less Administrative Burden
- Benefits and further Graduate Education
- Less Risk and Capital Costs



Gaming the System

The Effect of Fraud

Dental Expenditures:

- Total over \$113.5 Billion
- Fraud accounts for 3%-10% of expenditures

Estimated Dollars Lost to Fraud:

- Dental Fraud = \$3 - \$10 Billion

Source: Blue Cross Blue Shield – Michigan 2016



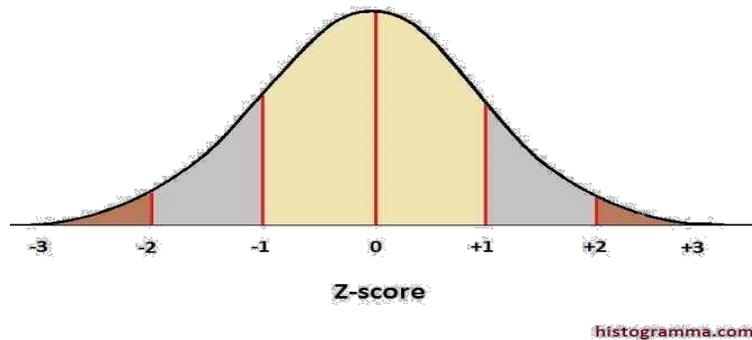
Types of Dental Fraud

- Overtreatment
- Service Not Rendered
- Misreporting
- Unbundling
- Identity Theft
- Benefit Manipulation
- Duplicate Billings



Profiling in Dental

Identification of Behaviors Outside the Norm



- Standard ratios are the foundation of profiling
- Statistical deviation
- Higher than average utilization
- Higher than average fees

Research

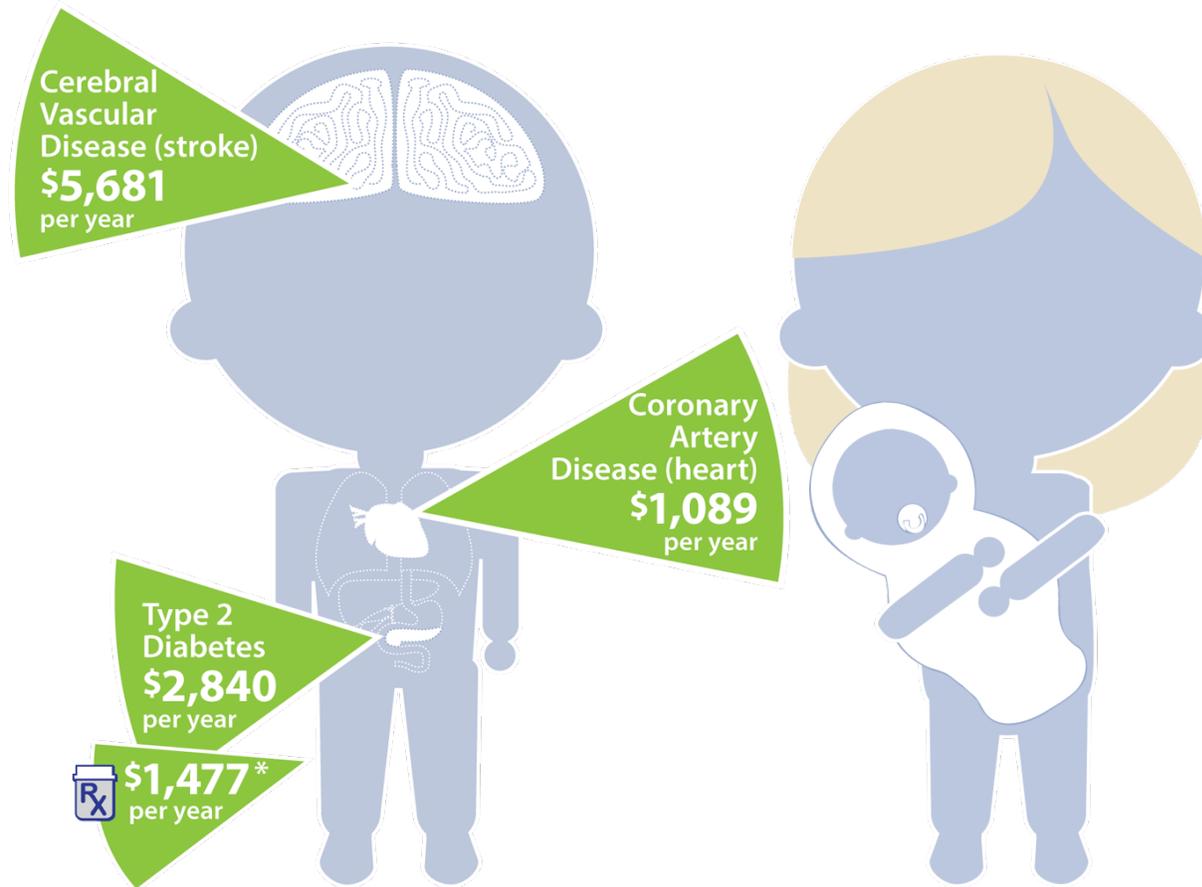
Oral Health Connection?

- Association ≠ Causation
- Link  Direct?
 - Indirect?
 - Coincidence?
- Behavioral = Physiological
(Flossing, smoking, exercise...)

Example: Periodontitis + Pneumonia

- Bacteria – Blood Vessels – Inflammation
- Oral Pathogens directly aspirated into lungs
- Salivary enzymes (associated with periodontitis) modify respiratory tract
- Large variety of cytokines alter respiratory epithelium
- Bodies immune response → **inflammation**
- No connection – 3rd factor – risk for both
- Keep Teeth = Reason Enough

Chronic Disease Savings



Medical Dental Research Studies

Carrier, Year	Condition	Annual Medical Savings	Other Results	Carrier, Year	Condition	Annual Medical Savings	Other Results
Aetna, 2006	Diabetes, CAD, & CVD (Stroke)	12% reduction		Cigna, 2009	CVD (Stroke)	\$10,142	
Cigna, 2009	Diabetes	\$1,418		Cigna, 2013	CVD (Stroke)	\$2,831	
Cigna, 2013	Diabetes	\$1,292		UCD, 2012	CVD (Stroke)	\$1,029	
UCD, 2012	Diabetes	\$1,814		UCD, 2014	CVD (Stroke)	\$5,681	21.2% ↓ in inpatient hospital stays
UCD, 2014	Diabetes	\$2,840	39.4% ↓ in inpatient hospital stays	Aetna, 2011	Pregnancy		<ul style="list-style-type: none"> • 25% ↓ preterm birth incidence • 34% ↓ low birth weight incidence
UHC, 2013	Diabetes	\$1,750	When comorbid with CAD: \$3,981	UCD, 2012	Pregnancy	\$2,430	
Cigna, 2009	CAD	\$647		UCD, 2014	Pregnancy	\$2,433	
Cigna, 2013	CAD	\$2,183					
UCD, 2012	CAD	\$2,956					
UCD, 2014	CAD	\$1,090	28.6% ↓ in inpatient hospital stays				

Benefit Integration

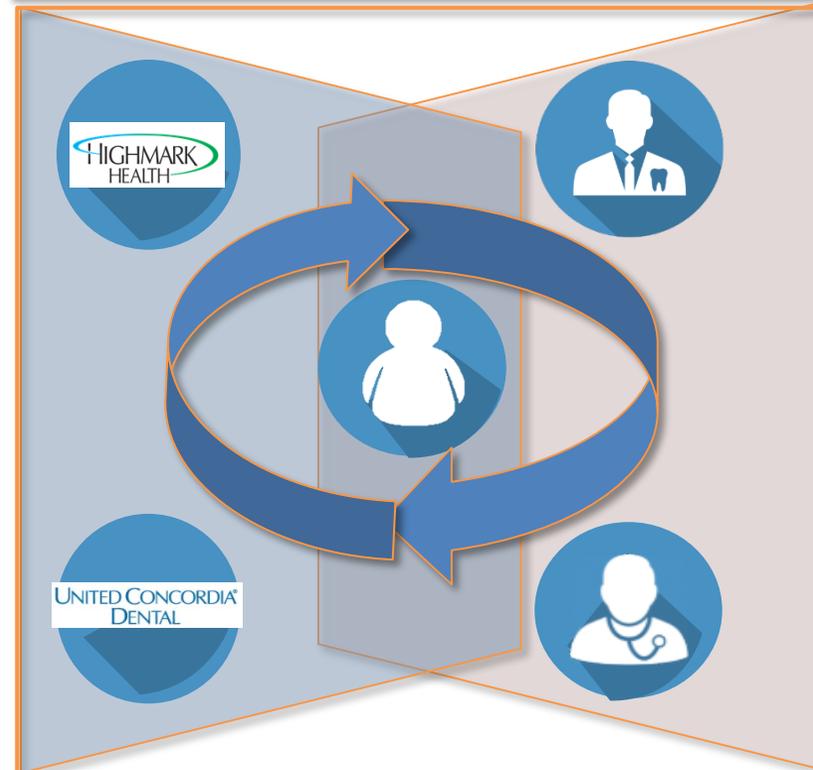
Objectives Medical-Dental Benefit Integration

As demonstrated by multiple marketplace studies, MDI has the ability to improve member health outcomes and reduce medical costs.

Objectives

- Improve overall member health
- Decrease medical cost
- Create differentiated products
- Increase group retention
- Create a 360 degree view of a member's health

Future Model



Smile for Health®– Wellness

100% coverage for periodontal services for members with:
diabetes, heart disease, stroke, lupus, oral cancer, organ transplant,
rheumatoid arthritis, pregnancy*

Service	Coverage
Periodontal Maintenance	1 additional per year and all at 100%
Scaling & Root Planing	100%
Periodontal Surgery	4 procedures, all at 100%

Standard on UCD group products 2-150

** Services included along with an additional cleaning during pregnancy as part of our Pregnancy Benefit.*

Medicare Advantage

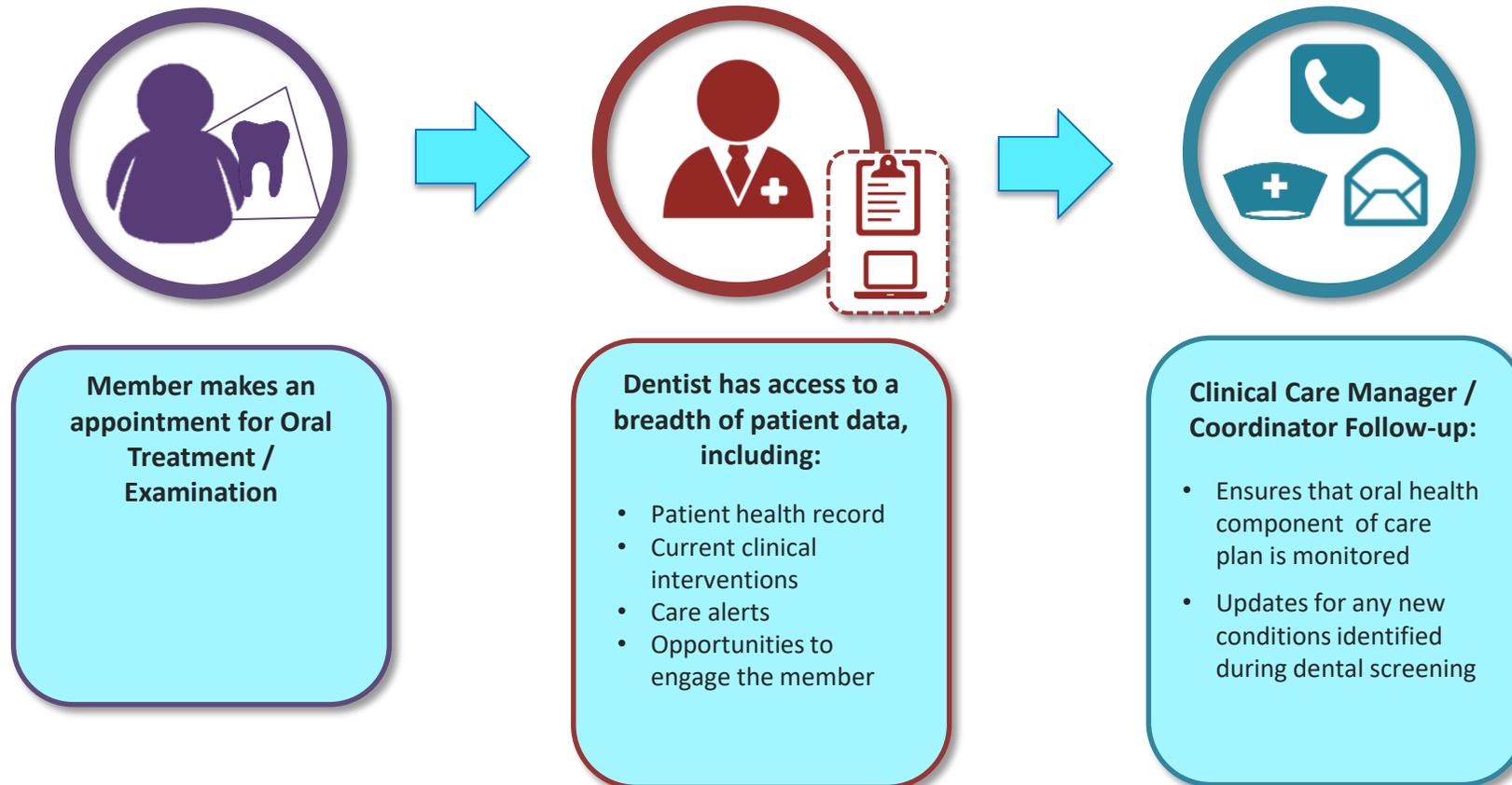
About 50% had 1 or more chronic conditions*
impacted by periodontitis but

Over 70% with benefit did not get an exam!

*diabetes, cardiovascular (heart) disease/congestive heart failure, cerebrovascular disease (stroke), lupus, rheumatoid arthritis, organ transplant, oral cancer, and pregnancy

Physical Integration

Treatment Pathway



Future?

Adaptation - Future

Traditional – Solo		DSO Supported
Provider Centric		Patient/Consumer Centric
In Office Focused		Work/Home/School
Dental		Medical/Dental Integration
Disease/Treatment		Health/Prevention

Questions?

Quinn Dufurrena, DDS, JD
Quinn.Dufurrena@ucci.com

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THANK YOU!



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