Revolutionizing the Dental Payer Market by Using Data-Driven Analytics

Herschel Reich

As with many industries, 2009 was a difficult year for the dental payer market. The higher rates of utilization and cost trends caught many payers off-guard and overall profitability is several percentage points lower than in previous years. Claim trends, which had been less than five percent for several years, began creeping back into the high single digits (ranging from seven to nine percent). In addition, growth in both market penetration and revenue was minimal.

As dental payers try to recover, they are frequently turning to data-driven analytics to power their decision making and enhanced profiling tools are quickly emerging as one of the industry's hottest trends. Although dental payers have previously incorporated data into pricing and underwriting, profiling tools that utilize provider-specific trend data are revolutionizing the decision-making process as payers look for effective ways to manage overall spending.

These enhanced profiling tools offer a better way to understand utilization and cost differences by identifying the most costly providers (with respect to utilization patterns, fee levels or both). The information resulting from these tools allows payers to:

- Improve their recruitment and contracting processes
- Tier providers and offer benefit incentives to members utilizing a preferred group of dentists
- Adjust claim utilization review and adjudication processing workflows at the dentist level instead of the more typical procedure code level

CONSTRUCTION OF PROFILING TOOLS

Before examining the benefits of utilizing profiling tools in detail, let's take a deeper look at how the dental industry's profiling tools have previously been constructed.

Historic Methods

Historically, those plans that have engaged in profiling have done so by using their own limited data, with no attempt to normalize this data for patient, provider or plan-specific variables. The use of single payer data severely limits the statistical significance of such tools. The reason for this is that outside of MetLife and Delta Dental's affiliated companies, no dental payer has more than a ten percent market share. In fact, most top-ten payers are only in the range of two to five percent of market share.

Given these small percentages, it is virtually impossible for a plan to have credible data if they limit profiling to their own population. Additionally, when defining peer groups for an outlier analysis, plans typically compare all dentists against one another regardless of specialty and, sometimes, independent of location. This results in an "apples and oranges" comparison since a dentist with an office in a retirement community is going to have a different practice pattern than a dentist with an office in a neighborhood heavily populated with young families.

Best Practices

Normalizing the data or constructing benchmarks that minimize the potential for bias produces more accurate and robust results, which allows for better, more informed payer decisions. The inclusion of fee data is the latest enhancement for best practice dental profiling tools.

Best practice tools include scores for each dentist across both the utilization and fee dimension. Fees are reviewed on a “submitted and allowed” basis across the full spectrum of dental procedure codes.

The following reports, which are from the Ingenix Consulting Dentist Compare and Dentist Fee Profile product set, show the components of a best practice profile:

Report 1 - DDS Snapshot Utilization Report
Data Period: **7/1/08-6/30/09**

TIN	999999999	**First Name**	First Name	**Select A Dentist:**	
NPI	XXXXXXXXXX	**Middle Name**			
DEA	XXXXXXXXX	**Last Name**	Dentist0914		
Address 1	Address0914	**City**	City Name	**Geozip Selected:**	
Address 2		**State**	MA	MA-BOSTON,CAMBRIDGE	
Specialty	General	**Zip**	99999	**Includes the Following 3-Digit Zip Codes:**	021-022

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Ratio #	Definition	All Payor Numerator	All Payor Denominator	All Payor Ratio	Region/ Peer Numerator	Region/ Peer Denominator	Region/ Peer Ratio (Mean)	Dentist Rank	Dentist Score
01G	[Periodic Oral Evaluations]/[# of Patients]	95	94	1.011	52,091	59,264	0.879	479 of 687	0.671
03G	[Periodontal Exams]/[# of Patients]	1	94	0.011	174	6,980	0.025	16 of 58	0.394
05G	[Problem Exams]/[All Exams]	5	118	0.042	6,274	71,501	0.088	241 of 698	0.358
06G	[Emergency Treatment & Problem Exams]/[# of Pa	10	94	0.106	6,851	57,163	0.120	295 of 617	0.451
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11G	[Periapical X-Rays]/[Fillings]	20	35	0.571	22,309	35,353	0.631	371 of 619	0.480
12G	[Preventive Treatment Codes]/[All Other Treatment	108	99	1.091	90,654	58,889	1.539	283 of 703	0.410
18G	[Fillings]/[# of Patients]	35	94	0.372	27,152	57,765	0.470	253 of 637	0.402
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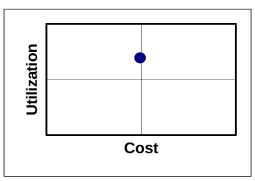
68G	[Major Treatments (50%covered) (Crowns, Fixed, F	31	395	0.078	8,532	281,215	0.03	722 of 803	0.934
69G	Billable Per Hour	83,347	283	294.512	34,913,203	145,997	239.14	704 of 877	0.706
73G	[Total Procedures]/[# of Patients]	440	94	4.681	237,649	60,318	3.94	573 of 722	0.737
74G	[# of Procedures Denied or Reduced]/[# of Procedu	21	28	0.750	2,934	8,857	0.33	395 of 415	0.981
75G	[Total RVUs]/[# of Visits]	16,991	218	77.940	8,699,288	110,536	78.70	405 of 767	0.495
	Totals						Weighted Sum Rank	974 of 1211	71.5%

DDS Snapshot Fee Report
Data Period:
7/1/08-6/30/09



TIN	999999999	**First Name**	First Name	**Select A Dentist:**	
NPI	XXXXXXXXX)	**Middle Name**			
DEA	XXXXXXXXX	**Last Name**	Dentist2198		
Address 1	Address2198	**City**	City Name	**Geozip Selected:**	
Address 2		**State**	MA	MA-BOSTON,CAMBRIDGE	
Specialty	General	**Zip**	99999		
% In-Network	41.7%	**Includes the Following 3-Digit Zip Codes:**		021-022	

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Catg Number	Category Description	Compared to Mean			Average Percentile	Compared to Mean			Average Percentile
		Avg Fee	Lowest	Highest		Avg Fee	Low Fee	High Fee	
01	Diagnostic Evaluations	-2.0%	7.1%	13.6%	44.5	-43.0%	-47.7%	-31.8%	22.0
02	Diagnostic Imaging	3.1%	2.9%	7.1%	60.7	-33.4%	-38.2%	-30.2%	73.2
04	Preventive Services - Prophylaxis/Fluroide	-5.9%	-7.2%	-7.2%	37.5	-31.8%	-37.1%	-28.9%	60.4
06	Restorative - Amalgams/Composites	2.1%	-7.6%	9.4%	54.8	-37.6%	-42.7%	-28.9%	70.5
08	Restorative - Single Crowns	-11.7%	-11.7%	-11.7%	27.2	0.0%	0.0%	0.0%	0.0
09	Restorative - Other	-0.6%	-7.7%	37.6%	53.4	0.0%	0.0%	0.0%	0.0
11	Endodontics - Therapy/Retreatment	-11.1%	-15.3%	-7.0%	38.6	0.0%	0.0%	0.0%	0.0
22	Extractions - Surgical	-1.1%	-2.5%	0.7%	56.4	0.0%	0.0%	0.0%	0.0
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	Totals	**-2.8%**	**-0.1%**	**5.6%**	**49.5**	**-36.3%**	**-41.5%**	**-30.1%**	**54.5**

ADVANTAGES OF PROFILING

Dental profiling tools offer companies the opportunity to make significant advances in some of their key strategic objectives, including:

- More effective utilization and overall spending management
- Better results-oriented network recruiting
- Consumer pricing transparency
- More detailed budgeting and forecasting

More Effective Management

The dental consulting industry has defined a series of approximately 50 ratios that can be utilized in profiling tools to compare the practice patterns between dentists. These ratios are not reflective of quality, but rather focus on effective cost management. Since dental contracts define coverage around the least expensive alternate treatment (LEAT), most dental payers already review certain procedures for medical necessity and the potential application of a LEAT provision. However, by utilizing a profiling tool built on a multi-payer database rather than a single-payer database, they can now identify those providers with the best and worst cost management practices. This allows payers to make exceptions to the claim review process. For example, those providers identified as the most cost effective might be exempted from the need to submit x-ray documentation for specific types of claims, while those with the worst cost management profiles might require a higher degree of scrutiny for all claims. In addition, those with the worst profiles can be watched for potential fraud, waste and abuse recovery investigations.

Better Recruiting

Companies spend significant resources on recruiting and maintaining competitive dental networks. However, even the best networks are limited to fewer than 50 percent of the dentists in a market. Due to the competitive nature of these markets, dental providers often ask for and receive custom fee schedules in order to entice them to join a network. Data profiling allows a company to prioritize its resources and focus on those providers most willing to join a network. Additionally, by reviewing both the utilization and cost patterns of a dentist, a payer can more effectively target those dentists who will holistically reduce the overall claims cost of their membership base. This provides the business intelligence needed for successful fee negotiations, both initially and on an ongoing basis.
For example, a payer may choose to offer a slightly higher fee arrangement to a dentist with a favorable practice pattern, and conversely, more aggressively negotiate with a dentist with an unfavorable practice pattern.

Consumer Pricing Transparency

The consumer-driven health care movement is fueled by payers taking proactive steps to entice members into keeping cost trends to a minimum. This necessitates a greater amount of data transparency, which can be provided by dental profiling tools. In order for payers to “win” the cost equation, members need access to provider-specific utilization, fee profiles and expected overall treatment of out-of-pocket claims. Traditionally, the ability to steer members away from out-of-network providers has met with modest results. Only with improved data transparency and education pertaining to cost-to-member differentials will payers achieve the desired level of redirection. Ultimately, both members and employers will select dental providers based upon a combination of factors, including cost.

More Detailed Budgeting and Forecasting

With the greater transparency around fees and utilization provided by well-constructed tools, dental payers can be more precise in their trend forecasting and ability to pinpoint future problem areas before they fully materialize. Additionally, by following reimbursement trends, payers can more readily identify the range of fees being accepted within the provider community to more accurately forecast claims trend on a market and provider level.

RESULTS

What separated the strong and weak performers in the dental industry in 2009? The speed at which the strong performers were able to spot a utilization uptick and their subsequent ability to drill down to the data that showed which providers were "dragging" new and existing patients into their offices based on economic and business considerations as opposed to clinical reasons.

The use of well-constructed profiling tools allowed for this quick response. A simple and inexpensive investment in profiling tools will aid dental payers significantly, both now and in the future.