

Direct Reimbursement Dental Plans for Small Employers

Introduction:

Direct Reimbursement is an innovative approach to self-funding employee dental plans in small companies. DR is strongly supported by the American Dental Association as a cost effective way to provide a dental plan for employees that gives them freedom to choose their dentists.

How it works:

In addition to its cost effectiveness, one of the most attractive features of a DR dental plan is its simplicity of operation. Under a DR plan, the employee and covered dependents visit the dentist of their choice, receive the necessary treatment and usually pay the dentist's bill directly to the dentist office. The employee then presents a paid receipt or other proof of treatment to you the employer and is reimbursed for all or part of the expense, depending on the plan design. It's that easy!

Benefits are based solely on a percentage of dollars spent up to a maximum dollar limit per year rather than on treatment received. Unlike conventional plans, there are no exclusions, limitations or deductibles.

Flexibility:

The details of a DR plan may vary widely depending on the level of benefits the employer wishes to provide. Some of the options to be considered in designing the plan include:

- employees only or employees and dependents
- co-payment provisions
- annual benefit maximums
- immediate benefits or a waiting period for eligibility

The variations on the plan design are limited only by the degree of financial commitment the employer is prepared to make. We recommend being prepared to fully fund the cost of the benefit for all the employees. Or you can use a set annual dollar figure and divide that among the employees. You may begin the plan with a conservative benefit and after analyzing the claims data after a few years, the benefit level can be revised. The plan should be reviewed annually.

Several examples of possible DR benefit designs illustrate the flexibility of the concept:

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| Example A | 75% of \$1,000 of dental expenses \$750 annual max per employee |
| Example B | 100% of the first \$200 of dental expenses 80% of the next \$1,000 \$1,000 annual max per employee/per family |
| Example C | 100% of the first \$200 of dental expenses 80% of the next \$500 50% of the next \$1,800 \$1,500 annual maximum per person |

Administrative considerations:

By removing many of the complex administrative features associated with most dental plans, a DR plan is well suited to employer self administration.

The only routine administrative actions are:

1. Verifying patient eligibility
2. Calculating the benefit reimbursement
3. Issuing the reimbursement check
4. Maintaining records of amounts paid to each employee
5. Educating employee about DR

Both large and small employers have instituted DR programs to assist employees. Many companies have realized cost savings with this type of plan. With DR, the small employer can individualize the plan to suit the needs of the employees while creating the maximum benefit provisions to satisfy the company's constraints.

The role of Direct Reimbursement Dental Plans:

Our role is to supply small groups with the information needed to create a DR plan that suits the needs of the employer. DRDPNY will supply all the necessary paperwork for setting-up, administering and communicating the DR plan to the employees. The employer only needs to establish a procedure for paying the claims and tracking the outlay of dollars.

DRDPNY will provide the following:

- Assistance in determining the best plan design for your company
- The Plan Document
- Summary Plan Brochures for the employees
- Department of Labor filing
- Enrollment forms
- Claim forms
- Addition, termination, change forms
- A toll-free hotline for questions

Common Questions and concerns:

What are the advantages to my employees?

1. Employees can receive treatment from the dentists of their choice
2. Employees can easily calculate exactly what their benefit is
3. Employees receive benefits based on their total dental needs without insurance company restrictions

How do I pay for the benefits?

For companies with less than 100 employees, reimbursements can be written right out of the assets of the company using the regular checkbook. A separate account can be established if a company wishes.

Can I have employees contribute to the cost of the plan?

Since this will add to the complexity of the plan, we recommend that the employee contribution come in the form of co-payment built into the plan design. Employees are contributing by sharing the cost of treatment.

Do I need a Third Party Administrator?

Generally for companies of less than 20 employees it is more cost effective to administer the plan in-house. DRDPNY will provide you with all the necessary paperwork to set-up the plan.

How do we get started?

Just fill in the attached information sheet and return it along with a check. Everything you need to get started will be sent back to you soon after.

For additional information contact:

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