

### Modeling of Premiums and Rebates under Massachusetts Initiative Petition

- Under a representative scenario, a smaller carrier or small group and individual market focused carrier would need to increase premiums by almost 38%, from \$35 to over \$50, and increase claims by over 60%, to meet the DLR threshold while retaining enough revenue to administer the business. **Increasing premiums in order to comply could be particularly difficult under the proposal, which allows the state insurance commissioner to disapprove rate increases above particular thresholds.**
- Claims would need to be increased by either:
  1. Increasing the plan's benefits -- potentially beyond what is competitively offered and/or beyond what consumers desire or want to pay for. Consumers could derive value from increased benefits if they are interested in paying more for such plans, but otherwise the potential reduction in availability of more affordable plans could reduce consumer choice.
  2. Increasing reimbursement to providers. Paying higher fees to providers alone would increase provider revenue but dilute the overall value of the dental benefit to consumers due to the corresponding premium increase.
- Carriers may also eliminate lines of business, such as individual and small group, as administrative expenses as a percent of premium are higher in these segments, making it harder to meet minimum DLR thresholds. Another option would be for carriers to discontinue leaner benefit options with lower premiums if the administrative expenses cannot be funded. These leaner, lower premium options may be appealing to price-driven consumers who would potentially be left with fewer affordable options.
- Rebates associated with a DLR rule are likely to be small, in some cases below the \$20 de minimis threshold set for medical plans under the ACA. As a comparison, 2020 rebates associated with the commercial age <65 medical market averaged \$205 per person nationwide and \$117 per person in Massachusetts<sup>1</sup>.
- The cost of the process required to calculate, track, and distribute rebates could outweigh the value of the rebates themselves and could have the effect of pushing DLRs lower due to the increased administrative burden.

The remainder of this report discusses these findings in more detail and presents the methodologies and assumptions used in developing the results.

---

<sup>1</sup> <https://www.cms.gov/files/document/2020-rebates-state.pdf>