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Dental Discount Plans Beat Insurance



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I write about how to build, manage and enjoy your family's wealth.

With drug costs now (mostly) covered by Medicare, dental care is the largest out-of-pocket medical expense for many a retiree. Count on spending some significant bucks if you like the idea of using your own teeth. Whereas a cheap set of dentures costs \$395, saving a single diseased molar can run \$2,000 (\$1,000 for a root canal plus \$1,000 for a crown).

Insurers see an opportunity here. Only 30% of old people are now covered by a dental plan, compared with 54% of working age adults and 80% of children. "Aging boomers are accustomed to having coverage," points out Evelyn Ireland, executive director of the National Association of Dental Plans.

During the past two years UnitedHealthcare has rolled out individual dental plans in 30 states and Aetna in 4. Cigna plans to jump in next year. AARP, the old people's lobby, took its dental plan nationwide in 2007. (The plan is run for AARP by Delta Dental Insurance Co., which covers a quarter of the 176 million Americans with dental insurance.)

Should you buy individual dental insurance? Probably not, unless you need insurance as a spur to get yourself to the dentist for regular checkups and cleanings.

Instead, consider a dental discount plan, if you can find a good one in your area. For about \$100 a year you get access to a network of dentists who have agreed to work for the sort of reduced fees they accept when they sign up for an insurance plan's preferred provider network. Cigna says 82% of the dentists in its group

dental network also participate in its discount plans and accept the same rate for both. In its Miami plan an exam might be \$36 instead of \$69; a crown \$535 instead of \$981.

Discount plans may not be an option if you live in the boondocks. You can find out the story in your state by searching at INeedDentalBenefits.com, maintained by the dental plans' trade association. Searching Florida, we found 19 discount plans serving Miami, including Aetna and Cigna plans offered through Dentalplans.com. The plans cost \$80 to \$140 a year for a single person. Picking one can be tricky, since each has different providers and discounts. But you can switch plans every year if the discounts don't add up as advertised or your otherwise pricey periodontist switches plans.

The same Florida search found 21 insurance plans for a Miami resident. One problem is that stand-alone dental insurance has a surprisingly low annual limit on benefits--typically \$1,200, not counting preventive care. A Miami resident pays \$478 a year for AARP's basic plan with a \$1,000 cap or \$664 for a plan with a \$1,350 cap.

Nor is AARP unusual. The average individual dental insurance plan costs \$554--and that's for a limited network of providers, meaning full coverage at only certain dentists. The premium will vary depending on where you live but not based on your age. Even using one of the plan's chosen (i.e., cheapie) dentists, you'll have a 20% copay for routine fillings and a 50% copay for crowns and bridges.

Benefit: You typically get free twice-a-year cleanings and exams, and these don't count toward the coverage limit. So what you're doing is prepaying preventive dental expenses and buying a little bit of insurance for other ones. That little bit of insurance, however, comes with annoying gotchas. You may find that some big-dollar items--implants under certain conditions--aren't covered at all. (Read the fine print.) Plus, there are usually waiting periods--as long as 18 months--before you're covered beyond a basic exam, X-rays and extractions.

Still, some financial advisors favor insurance as a way to manage continuing high dental costs. Thomas Rogers, a financial planner in Portland, Me., helped his own mother pick a plan that costs \$588 a year, with a \$1,500 cap. So far in 2009 she's had \$2,056 in dental expenses, with \$1,104 paid by insurance. "I realize now that anything at all can happen, even to those who think they have great teeth," says Rogers' mom, Ann Carman, a 71-year-old retired professor of Japanese language and literature.

Another approach to cutting dental bills: a tax deduction. One of Rogers' clients, a 64-year-old retiree in Florida without insurance, was hit by \$30,000 in dental bills over four years. She was able to knock \$3,000 off her taxes over that period by taking the dental work as a medical-expense deduction.

Note that you can deduct dental and other medical expenses only to the extent that they exceed 7.5% of your adjusted gross income. That means that if you are going to claim a tax break, you want to get all your expensive work done in a calendar year; if you're relying on insurance, you'll want to spread the work out, if possible, to get the maximum covered over several years.

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