UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION WASHINGTON.D.C X5W

Peter PI. Sfikas
Peterson, Ross, Schloerb C Seidel
200 East Randolph Drive
Suite 9300
Chicago, Illinois 60601-6969 usual, customary the and reasonable
(@UCRm) rates that are established by dental insurers,

Dental indemnity benefit plans commonly will pay for a given dental service the amount that the insurer determines to be "usual, customary and rea~onable.~ The patient is responsible for any portion of the dentist's charge over the UCR amount.

Because different insurers use varying methodologies to calculate

UCR levels, patients insured under different plans, but receiving identical services from the same dentist, may receive different

UCR benefits. Differing reimbursement levels may result from
varying definitions of the term UCR (including the use of different percentiles to establish the customary fee screen), as well as from the use of different charge data to calculate usual or customary fee levels. ADA wishes to increase its understanding of why different fee screens are established and how these different fee screens affect consumers.

The ADA proposes to conduct, through an actuarial firm, a

study of the various ways in which UCR rates are established by insurers and the effects of different UCR dental insurance plans

on the out-of-pocket costs paid by consumers. In particular, the study will focus on the effects on consumers resulting from varied definitions of what constitutes a UCR plan, different procedures for manipulating charge data, use of differing data on

which UCR fee 8creens are based, and the designation of varying percentiles of the accumulated fee data as the UCR screen. During the course of the study, an actuarial firm employed by ADA would collect from a number of insurance companies data

concerning the charges submitted for a specified number of dental procedures over a six-month period. This information would be used to analyze the distribution of, and variations in, dental

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fee level. between, and within, various geographic rugfan., According to your letter, ADA Lntendr to take prsc~utionr to

ensure that the raw fee data eupplied to the actuarial firnr will not be available to ADA or its members. The report issued at the end of the study will not enable any dentist to determine the UCRhe

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enable dentists to deternine the UCR fee screens that particular insurere use. As a result, there does not appear to Be a serious

danger that ADA members will use the survey to facilitate an agreement on prices. is With respect to the establishent of standards for VCR
dental hnefLt contracts, you have stated that ADA does not

intend to recornend that insurers adopt any spcldic preentile rate for the determination of the UCR mount, and that it will
not establish its own standards. Therefore, there does not appar to b an imediate danger thae ADA will orchestrate or engage In collective negotiation between dentlets and insurers ursement levels or other terns of sale of dental
services,

Your letter states that AIDA anticipates thae Zt mag be In
the public interest to rvtandardize certain tems used in UCR

dental insurance plans, and that ADA intends to participate, along with the insurance industry, in the process of attempting to develop such standards. Voluntary standards can be procompetitive by providing consumers with useful infomation and @ making it easier for them to compare competing products. ADA's

discussions with insurers about the possibility of standardizing terms, and its study and recommendations regarding problems faced

by consumers with UCR dental benefit plans, do not inherently raise antitrust concerns. Of course, an organization of
competing sellers may not engage in collective negotiations over
price, or organize a concerted refusal to deal designed to coerce buyers into accepting terms of trade desired by those sellers. Serious antitrust issues would arise if ADA, acting as a combination of its members, exerted collective pressure on insurers to adopt particular standards or entered into negotiations with insurers to establish dental prices or other terms of service.

As I am sure you are aware, this opinion is that of staff of the Bureau of Competition only. Under the Commission's Rules of Practice S 1.3(c), the Commission is not bound by this advice and reserves the right to rescind it at a later time and take such action as the public interest may require. This office retains the right to reconsider the questions involved and, with notice to the requesting party, to rescind or revoke its opinion if implementation of the proposed program results in 8ubstantial

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anticompeeLtive effects, if the prsgrm is ussd for other

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Assistant Director