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Finance in dental care

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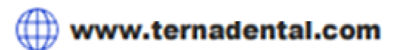

Objectives

- To help and enable the student to understand the concepts of financing in dentistry

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Content

- Introduction
- Private fee for service
- Post payment plans
- Private third party payment plans
- Salary
- Public programs

Lesson plan

- TOPIC- Finance in Dental care
- TARGET GROUP-Undergraduate students
- STRENGTH OF BATCH-100
- DURATION-45 minutes
- TEACHING AIDS- LCD projector,screen,board
- MODE-lecture and power point presentation

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INTRODUCTION

- In the most of the developed and developing countries, cost of the health care services are rising sharply. Dentists often puzzled, when patients and public complain of high cost of dental care. In response to the barriers faced as a result of not being able to afford the cost of health care, various concepts and mechanisms of financing are born.

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Mechanisms of payment for dental care

1. Private fee for service
2. postpayment plans
3. private third party payment plans

 a. commercial insurance companies

 b. Non- profit health service cooperation

 e.g. Delta dental plans

 Blue cross/blue shields

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c. prepaid group practice

d. capitation plans

4. salary

5. public programmes.

2.Postpayment plans

- It was first introduced in late 1930’s by local dental societies in Pennsylvania and Michigan. It is also known as budget payment plans.
- Under this plan patient borrows money from a bank or finance company to pay the dentists fee at the time that the agreement to receive care is made.
- After the application is approved by lending institutions, dentist is paid the entire fees. The patient then repays the loan to the bank in budgeted amount.

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3.Private third-party prepayment plans

- Third party payment for dental services is defined as “payment for services by some agency rather than directly by the beneficiary of those services”.
- The dentists and the patient are the first and second party and the administrator of the finance is the third party.
- The third party is also known as the carrier, insurer, underwriter or administrative agent.

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Insurance principle and dental care

- Earlier dental care was consider uninsurable it may be because dental need violated the basic principle of insurance. To be insurable, a risk must be

1. Be precisely definable
2. Be of sufficient magnitude that if it occurs, it constitutes a major loss
3. Be infrequent
4. Be of unwanted nature
5. Be beyond the control of the individual
6. Not constitute a “moral hazard”

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- Insurance carrier have found ways to get around these problems, by offering different types of payments like –

a. Deductible

b. Co-insurance

c. Group insurance

- **Deductible-**

  It is a stipulated flat sum that the patient must pay towards the cost of treatment before benefits of the program go into effect. It is sometime called as front end benefit.

- **Co-insurance**-

  it is also called co-payment. It means that patient pays a percentage of the total cost of treatment.

  It is defined as " an arrangement under which a carrier and beneficiary are each liable for a share of the cost of the dental services provided.

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- Group insurance-

In this health insurance offered to groups only.

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Reimbursement of dentists in prepayment plans

The major forms of reimbursement in third party are

- 1) usual, customary, and reasonable (UCR) fee,
- 2)table of allowance
- 3) fee schedules and
- 4) capitation

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1. UCR fee:- The ADA definition of UCR fees are-

Usual fee- the fee usually charged for given service by an individual dentist to private patients

Customary fee- when fee is in the range of the usual fee charged by dentist of similar training and experience for the same service within the specific and limited geographic area.

Reasonable – a fee is reasonable if it meets these two criteria.

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2. Table of allowance-

This is defined as list of covered services within an assigned amount that represent the total obligation of the plan with respect to payment for such service, but this does not represents dentists full fee for that service.

3. A fee schedule- this is defined as list of charges established or agreed upon by dentist for specific dental service.

Commercial insurance companies

- These carrier operate for profit.
- They have become competitive through variety of mechanisms like-

1. They are more selective about the group.
2. They claim no obligation towards the dental health of the community
3. They sometime arrange and identify program, which provides specific cash payment reimbursed for specified covered services.
4. They present attractive health package for potential purchasers.

   Payment is quicker and fee audits and post treatment examination are not conducted.

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Non- profit health service corporation

1. Delta dental plans-

This Dental Service Corporation was born with the purpose of providing comprehensive dental care program for children up to 14 years age.

- It is legally constitute not for profit organization, incorporated on a state-by-state basis that negotiates and administer contracts for dental care.

Characteristics of Delta dental plans-

1. Professional sponsorship

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2. Non-profit operation

3. Participation permitted by all license dentists with the state.

4. Benefits provided on service basis

5. Freedom of choice is allowed for both patients and dentists.

6. Control of cost

7. Quality assurance procedures.

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Reimbursement of dentists in Delta - plans

- Delta plans use the UCR concept. The way in which a dentist is reimbursed depends on whether the dentist is participating or non-participating in plan.

- A participating dentists has contractual agreement with plan to render care to covered subscribers.
- The condition to be fulfilled by participating dentists-

1. Prefilling of their usual customary fees.
2. Acceptance of payment for their services at 90th percentile of fees as payment in full.
3. Fee audits by audits by auditors from Delta.

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4. Post-treatment inspection of randomly chosen patients.

Non-participating dentist need not follow these condition. However they are paid at 50th percentile of fees.

Percentile fees- the percentile of a set of data divide the total frequency into hundredths, so that the 90th percentile is value below which 90 percent of the observation lie.

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Cumulative frequency distribution

Frequency distribution of dentists

120
100
80
60
40
20
0

50 60 70 80 90 100 105 110 120 150 ..

Fee for a given service

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Blue cross and blue shields

- dental coverage was usually limited to service provided in hospital. The health service corporation of blue cross and blue shield is the most important, have for years offered limited dental coverage as a part of medical policies.
- These plans opted many of the cost control features pioneered by Delta plans

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Health maintenance organization

- HMO,s were intended to provide an acceptable alternative to private practice system and help restrain the cost of care. It is defined as " a legal entity, which provides a prescribed range of health services to each individual who has enrolled in the organization returns for a prepaid, fixed and uniform payment.
- HMO's have 5 essential elements-

1. A managing organization
2. A delivery system
3. A enrolled population
4. A benefit package
5. A system of financing and prepayment

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Dental personnel in HMO’s

- Staff model
- Group model
- Independent practice association
- Direct contract model

The four principle that characterize HMO are-

1. An organized system of health care that accept the responsibility to provide or to assure the delivery of .
2. An agreed upon set of comprehensive health maintenance and treatment services for
3. A voluntary enrolled group of people in a geographic area and

4. Is reimbursed through a prenegotiated and fixed periodic payment made.

- HMO's used a prepaid capitation system of financing. Only small proportion of HMO's offer dental care. If offered they are-

1. Included in premium capitation.
2. Subject to a separate premium
3. Paid by fee for service.

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Capitation plans

- The basic of capitation is that the contrasting provider, whether an HMO, group practice, IPA, or individual dentist receives an established, negotiated sum on a monthly or yearly basis for each eligible patient.
- The money is paid regardless of whether the patient utilize care or not.

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Salary

- Dentists in some group practice, those in the armed forces and those employed by public agencies are salaried.
- It allows dentists to concentrate on clinical matters
- Fringe benefits are often attractive
- Lack of financial incentives.

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Public programs

1. MEDICARE (title XVIII of social security amendments of 1965).

- It removed financial barriers for hospital and physician services for person aged 65 and above, regardless of their financial means. It has two parts

1. Part A: Hospital insurance
2. Part B: supplemental medical insurance

- Both part contain highly complex series of service benefit available and both require some payment by patient. The dental segment is limited e.g. hospitalization for their treatment, usually surgical treatment for fracture and cancer.

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2.Medicaid (title XIX of social security amendments of 1965).

- It is jointly funded by federal and state government.
- The original intent of the program was to provide funds to meet the health care need of all indigent and medically indigent person.
- Services provided :-

1.Hospital services

2.Physian services

3.Nursing home care

4.Laboratory and X-ray service

4. Early and periodic screening, diagnostic, and treatment (EPSDT) services (including dental services)for individual under aged 21.
5. Federal qualified health center and rural health clinic services.
6. Family planning services.

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3. National health insurance

- The NHI is primarily a financing mechanism by which health care services are paid from a publically organized fund.

Indian scenario

- Employees state insurance scheme (ESI)-
  It was introduced by an act of parliament in 1948 amended in 1975, 1984, and 1989. it provides benefits for sickness, maternity, employment injury, and death due to employment injury.

The scheme is run by employee's contribution and grants from central government.

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2.Central Government Health Scheme (CGHS)

- It was introduced in 1954 for comprehensive medical care of central government employees.

3.Defense Medical Service

4.Health Care for railway Employees

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Conclusion

- The financing of dental care is well developed and well practiced in developed countries like the U.S however india fee for service is still the most prevalent form of availing dental services

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Take-home Message

- Patients as well as Dentists gets benfit from financing concepts

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LAQ

- Enumerate different methods of payments in dentistry and explain delta dental plan in detail

SAQ

- Short note on private fee for service
- What is 90 th percentile

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Formative assessment 10 mcq

1. Which mode is the traditional form of reimbursement for dental services?
(a) Fee for service (b) Post payment plans (c) Group insurance (d) Co insurance
2. The limitation of private fee for service is:
(a) Price discrimination (b) Culturally acceptable (c) Flexible (d) Potential patients not able to afford dental care
3. Under the budget payment plan, the patient borrows money from which lending institution to pay the dentist's fee?
(a) Bank (b) Post office (c) Police station (d) Mutual funds
4. The problem associated with the post payment plans are:
(a) Caters to the high income people (b) Flexible (c) No audit (d) Defaulted loans
5. Budget payment plans is the name given for: Finance in Dentistry 15 CHAPTER (a) Fee for service (b) Post payment plans (c) Group insurance (d) Capitation plans
6. Post payment plans were first offered by dental societies of: (a) Pennsylvania and Michigan (b) Kingston and Newburgh (c) Oakland (d) Tiel Colemburgh
7. Payment for services by some agency, rather than directly by the beneficiary of those services is: (a) Post payment plan (b) Private third party pre payment plan (c) Public programs (d) Salary
8. A risk of disease is considered insurable if it can be: (a) Sufficient magnitude that if it occurs, constitutes a major loss (b) Non precisely definable (c) Frequent in nature (d) Under the control of the individual
9. The third party in the private third party pre payment plans is also called:
(a) Agent (b) Risk (c) Carrier (d) Overwriter
10. A stipulated flat sum that the patient must pay to the treatment cost before getting benefits is called
(a) Group insurance (b) Co insurance (c) Deductible (d) Capitation

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