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The new Delta Dental policy is worse than I originally reported!

Two months ago I discussed the effect of the new Delta Dental policy with respect to how it might affect practice value. My premise at that time was confined only to existing Delta patients who were being “up-billed” and paying the difference out-of-pocket for dental treatment performed by a “Premier” provider. This is just a small part of a larger problem. Several years ago, without full disclosure to “Premier” providers, Delta instituted a “PPO Plus” plan that is indistinguishable to the “Premier” provider. The “Premier” providers on the “PPO Plus” provider list were paid according to their “Premier” fee schedule. These “Premier” practices correctly assumed that all was well as they were always paid according to their fee schedule for all the Delta Plans that they subscribed to. (Most practices have up to twenty different Delta providers.) The situation was undetectable by the “Premier” practices.

Guest what?

Delta is now informing providers that those “PPO plus” plans were not really “Premier” plans. Your name as a “Premier” provider was placed on the list because Delta did not have enough providers to keep subscribers/employers happy (usually the school districts.) So, Delta basically collected a lower premium to be competitive, paid out on a higher fee schedule knowing that it was ultimately unsustainable, and is now pulling the plug by refusing to pay the fee schedule to an associate or new owner of a “Premier” practice.

The owners of “Premier” practices were never notified of this decision. Most of them are still unaware that this could be a problem for their practices. Some have tried to run reports or have made inquiries to Delta, but have not received any definitive answers as to what this might mean for their practices. This policy could result in a 25% reduction of the fee schedule for this group of patients. The problem varies practice-by-practice, depending on the local employers.

Once the policy decision was made, wouldn't it have been prudent to explain and disclose the situation to the provider at the start of the contract and even supply a report estimating the financial effect on the practice based on the 1099's issued for the patient base in this “PPO Plus” category?

While I still believe that this issue should not decrease the value of the practice for the reasons stated in my previous article, the local market has always dictated the sales price. It is really too early to know if this policy will affect the practices already in transition. My understanding of the new policy is Delta is requiring all providers accept all PPO, PPO Plus and Premier fee schedules. The “PPO Plus” fee schedule is now approximately 25% less than the “Premier” fee schedule. On the positive side for Buyers, they will be placed on the regular PPO provider list and this might help generate new patients for the practice to help offset the decrease in revenues. Of course, this offset only works if the practice is capable of accepting additional patients at the lower fee schedule. It is imperative that Buyers have an understanding and a business plan to maximize their practice potential.

What to do?

Minimally, we should politely ask that Delta provide information to every “Premier only” practice estimating the potential loss of income to the practice if this policy is enforced.

Ideally, we should politely ask that Delta not enforce this policy on practices of long-term and loyal providers, and maybe only on first-time providers in scratch-start practices. Usually these doctors are more than happy to generate as many patients as possible upon starting their new practice.

I believe the “Premier” providers have every right to feel betrayed, especially if we do see that this policy adversely affects practice values. Many dentists are considering a class action suit outside of organized dentistry even as we write this.

We are doing everything possible to stay on the forefront of this situation. Fortunately for you, there are dental attorneys who are working diligently to help steer all of us through this current issue.

Timothy G. Giroux, DDS owns **Western Practice Sales** and is a member of the nationally recognized dental organization, ADS Transitions. You can stay informed as this issue unfolds by visiting our website: westernpracticesales.com or contacting our office at **800-641-7179**.