Will the New Delta Dental Policy affect the Value of my Practice?

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Previously, Delta Dental allowed Delta Premier providers to "up-bill" any Delta PPO or DPO patients to their premium fee schedule and have the patient elect to pay the difference. This is no longer the case. Delta Dental has implemented a policy that all new Delta Premier providers must be providers for their PPO or DPO plan also and accept PPO fee schedule as full payment. In this tough economy, employers have chosen the less expensive plans so Delta does not have enough providers for their lesser plan. This is their way of forcing more providers for the lesser plans.

I have seen buyers and their representatives demand a 20% decrease of the purchase price due to this new policy for Premier only practices. I totally disagree with this notion. Their logic is as follows: if the Premier allowance for a crown is $1000, the expectation is that Delta and the patient would each pay $500. Let's say an employer of a long-term patient switched to a lesser plan that has a Delta PPO crown allowance of only $700, Delta would only pay $350 and the patient would be responsible for the remaining $650 if they choose to stay in the practice. Most of us know that many patients will find a new provider that accepts the lesser fee. Of course, many of us are proud to say that many of these patients eventually return to us as they would rather pay a little extra because they value our service.

In any event, the argument is that the new doctor will no longer be able to "up-bill" these particular patients, which may affect the revenues. In this scenario, that would be a 30% reduction in fees for that procedure. Delta states that approximately 70% of their insured clients are on the lesser plans. While this may be true, it is totally erroneous to assume that this number extrapolates to these "Premier" practices' ratios of how many patients are affected. In my experience, this affects only about 3% to 8% of the ***TOTAL*** patients in the "Premier" practices, not 70%. Unfortunately, there is no computer report that will show the "actual" amount of "up-billing" in a practice, but one can imagine the friction when you have to explain to a patient that their insurance is inferior and that they owe almost twice what the lesser insurance paid. While doctors may not always be aware of this friction, your staff certainly is!!!

What can we do? If you currently have a "Delta Premier" only practice, approach your front office staff and try to a) run a report that shows how many patients you have in each insurance program, b) determine which of the Delta plans listed are PPO or DPO and c) ask your billing coordinator if patients are historically paying the difference "out of pocket". Your billing coordinator can tell you if she is having this uncomfortable conversation often!!

As a buyer, this is just one of many issues that may affect your collections in the future. Differences in skill sets and treatment plan acceptance dwarf this and most of the issues that should be part of a thorough due diligence process. Of course you should try to get a handle on the Delta situation by determining just how many patients will be affected. Keep in mind this affects only the patients who are ***already*** paying the difference to stay in the practice, as you will be prohibited from collecting the difference in the future. Typically, this may be a small percentage of the patient base. I could also argue on a positive note that a new buyer might expect a greater influx of new patients because of their participation in additional PPO/ DPO provider lists, albeit at a lower fee schedule. Every transition requires the buyer to adapt to the changing circumstances of not only the transition, but of dentistry and the economy.

Alternatively, the buyer may decide not to be a Delta provider at all. This should not change the make-up of the current patient base if the patients are accustomed to the current fee schedule. However, it may affect attracting new patients if you're no longer a Delta Premier provider. The buyer could also limit the number of appointments available for the lesser paying insurance plans. One dental attorney believes that he has found language in the Delta contracts that will allow the doctor to "opt out" of the lesser plans after the purchase of the practice.

To summarize: In the short run, specifically for practice transitions, I don't believe that the value of the practice is diminished, unless there is a significant portion of the patient base who have been joyfully paying the difference between the fee schedules. Of course, the local marketplace always dictates price. However, in the long run, I am concerned that this is the "beginning of the end" where dentists, like physicians, will have their fee schedules dictated by insurance companies. Why won't Delta allow the patients to continue the "up-billing" procedure if the patient chooses a dentist with higher fees? Should it be our problem that they oversold the lower paying plan, so much so that they are forcing all new providers to take it? Obviously the Premier plan will simply disappear in a few years when employers realize that all the Premier providers are also DPO providers. This policy is truly disconcerting. I do not know what we can do about it as an organized group, but it may change our outlook on dental insurance. Since the allowed maximums for insurance coverage have not really changed much in 30 years, perhaps the best plan of attack is to educate our patients that they would be better off to decline dental coverage altogether and set up their own personal accounts with that premium money....just food for thought!!!

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