

Ask the Broker

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I recently bought a practice where the selling doctor cut the "co-payment" for many of the patients. What are my issues as the buyer in this situation?

Every dentist that accepts insurance

with a fee schedule has, at some point, waived a portion of their fee for a friend, family member or a patient who came into some financial hardship after the procedure has been completed. Chances are that they did not inform the insurance company that they extended that discount. Cutting co-pay technically puts the doctor in violation of the contract they signed with the insurance provider if they do not extend the discount along to the insurance company.

During the due diligence process, the buyer should be able to ascertain whether the practice "waives co-pay" on a large scale by simply looking at the basic financials. Since the UCR fee will usually be entered into the computer for the production, the production/collection percentage will be drastically lower compared to practices that don't waive co-pay. The normal lab and dental supply categories would appear higher if the practice waives co-pay. ***In any event, the financials for the practice remain valid and there are no issues concerning the value of the practice at the time of the sale.***

The only problem moving forward is that those patients who are not accustomed to paying their co-pay may become upset if they are now asked to pay when the new doctor takes over. My sage advice is that the buying doctor should not change normal operating procedures in the practice as it may adversely affect the goodwill or revenue streams for the practice. Eventually the practice will adapt to the management philosophies of the new buyer.

There are certain neighborhoods where the patient base in that area expects the dentists to simply "accept what the insurance pays". One should always consult their attorney on the contractual ramifications of "cutting co-pay", and then decide how best to deal with the issue in their particular circumstance. There are some practices that do NOT enter into the PPO contracts, but then advertise that they will accept what the insurance pays. This is perfectly legal, but normally the insurance company then pays the patient directly and not the dentist. Normally, waiving co-pay on a large scale occurs with lower income patients that may not otherwise be able to afford dental care.

In my humble opinion, we (dentists, attorneys in the field and the dental society) should band together to fight the language in these contracts that places the dentist in violation. The insurance companies have already maintained their cost containment by limiting the fee schedule, usually paying less than 80% of the standard UCR in the area. (I eventually dropped all PPO's from my practice.) Dentists should be free to accept and negotiate whatever financial arrangement they can with the patient.

Questions? E-mail wps@succeed.net

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