

FINANACE IN DEDNTISTRY

QUESTIONS	PATTERN
INSURABLE RISK	SHORT NOTE
DEDUCTIBLE CO INSURANCE UCR TABLE OF ALLOWANCES FEE SCHEDULES	SHORT NOTES
PREPAID GROUPS/HMO	SHORT NOTE
BLUE CROSS /BLUESHIELDS	SHORT NOTE
DELTA DENTAL PLAN	SHORT ESSAY
90TH PERCENTILE MEDICAIR/MEDICAID CAPITATION PLAN	SHORT NOTE
INDIAN SCENARIO OF PAYMENT	SHORT NOTE

FINANACE IN DEDNTISTRY

Mechanisms of payment in dentistry

1. Private fee for service
 2. Post payment plans
 3. Private 3rd party- pre payment plans
 4. Salary
 5. Public programs
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graph TD; A[3. Private 3rd party- pre payment plans] --> B[Commercial insurance companies]; A --> C["Non profit health service corporation (Delta dental plan, bluecross/blueshield)"]; A --> D["Prepaid group practices(HMO)"]; A --> E[Capitation plan];
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## 1)PRIVATE FEE FOR SERVICE

• Private fee for service, the **two party arrangements**, is the traditional form of reimbursement for dental services.

### *Advantages:-*

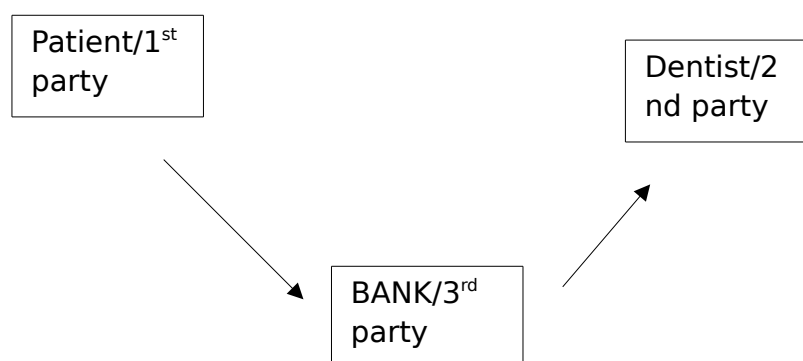
- Culturally acceptable
- This system is flexible.
- It is administratively simple.

### *Disadvantages:-*

- However, despite the flexibility and price discrimination, there are still some patients **who cannot afford** dental care.
- These persons would fee for service were the only financing mechanism for dental care.

## 2)POST PAYMENT PLAN (BUDGET PLAN)

- Started in **1930's** by local dental society in **Pennsylvania and Michigan**.
- Under the budget payment plan, the patient **borrow money from a bank** or some finance company to pay the dentists fee.
- After the application is approved, **the bank pays the entire fee to the dentist**. The patient then repays the loan to the bank in budgeted amounts.
- At the time that they had been developed it was hoped that this would benefit large segments of population, it was used primarily by the middle income group than lower group.



# FINANCE IN DEDNTISTRY

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## **3)PRIVATE THIRD PARTY PREPAYMENT PLANS**

- It is defined as “**payment for services by some agency rather than directly by the patient**”.
- The dentist and the patient are the **first and second parties** and the **administrator of finances** is the third party, defined as the party to a dental prepayment contract that may collect premiums, assume financial risks, pay claims and provide administrative services.
- The third party is also known as the **carrier, insurer, underwriter or administrative agent**. Usually the term “third party” refers to a private carrier such as an insurance company.

## **INSURABLE RISK**

To be insurable, a risk must

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 individuals

## **Insurance company overcome these problems by**

- a) Having patients pay a share of costs
- b) Limiting the range of services– e.g. implants and
- c) cosmetic restorations not covered
- d) Offering coverage only to groups – to avoid adverse selection
- e) Including waiting periods
- f) Using preauthorization and annual expenditure limits

## **Payment mechanisms(patients to third party)**

1. Deductible
2. Co insurance
3. Group insurance

## **1) Deductible: -(Front end paymrnt)**

# FINANCE IN DEDNTISTRY

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It is a **fixed amount** that the patient must pay toward the cost of treatment before benefits of the program go into effect .Eg.for automobile insurance deductible 10000 means if the damage occurred,the owner pays only 10000 whether the total cost may reach upto 1 lakh.

## 2)Co insurance:-

- It is also called as **co payment**. It means that the patient pays a **percentage** of the total cost of treatment.
- Dunning defined co insurance as an arrangement under which a carrier and the beneficiary are **each liable for a share of the cost** of the dental services provided.

## 3)Group insurance:-

- Health insurance is a first offered only to group.
- This is because illness experience is reasonably predictable in a group.
- The probability of adverse selection was also reduced by the use of waiting periods after enrolment before any benefits become available. The waiting period ensured that persons with existing disease were not simply going to use the plan.

## **Reimbursement mechanisms( Third party to dentist)**

### **1)UCR**

### **2)Table of allowances**

### **3)Fee Schedules**

#### 1)U.C.R. Fee

•**U-Usual:** The fee usually charged for a given service by an individual dentist to private patients i.e. his or usual fee. Dentist enrolls at insurance company, a confidential list of fee that he charges. The company uses this information to decide the customary fee

•**C-Customary fee:** A fee is customary when it is in the range of the usual fee charged by dentists of similar training and experience for same service in specific area

•**R-Reasonable:** A fee is considered as reasonable if certified by special circumstances, necessitating extensive complex treatment.

#### 2)Table of allowances

## FINANCE IN DEDNTISTRY

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A table of allowances is defined as a list of covered services that assigns to each service a sum **that represents the total charges for such service but that does not necessarily fulfil dentist's fee for the service**. If the dentist's fee becomes more than that assigned to that service by the carrier, the remainder will be collected by the dentist from the patient.

- This method is not entirely satisfactory because the patients are often **unaware that the plan may not cover them in full for dental care**.

**3)Fee Schedules**-List of charges by the dentist where it is taken mean payment in full.dentist oppose this due to its inflexibility and lack of autonomy.

**Prepayment plans can be subdivided into 4 types.**

**A. Commercial insurance plans**

**B. Non profit organisation-Delta dental plan/Blue cross-Blue shield plans**

**C. Prepaid group practice**

**D. Capitation plans**

### **A)Commercial insurance plans**

*Characteristics:-*

- They can be **more selective** about the group to which it chooses to offer dental insurance.
- They claim **no obligation** toward the dental health of the community.
- Commercial companies also do not conduct fee audits and post treatment dental examinations.
- However, since they operate for profit, they charge higher premiums.

### **B)Delta Dental Plan**

- Delta dental plan is synonymous with **dental service corporation**.
- A dental service corporation is legally constituted non- profit organisation incorporated on a state by state basis and sponsored by a constituent dental society to negotiate an administrator contract for dental care.
- They are usually subjected to the insurance law of the state in which they are constituted.
- The **National Association of Dental Service Plans (NADSP)** was formed in June 1966

## FINANCE IN DEDNTISTRY

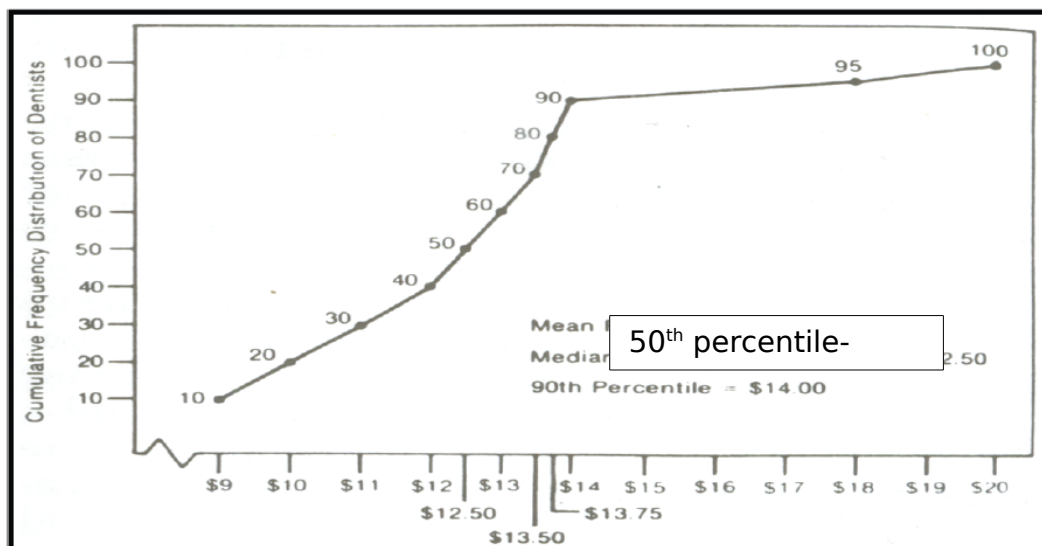
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with the help from ADA.

- The NADSP changed **its name to Delta Dental Plans Association in April 1969.**
- The underlying philosophy of the Delta Dental Plans is that the dental practitioners can adapt their traditional practice to meet the demand for group purchase of dental care

There are two types of dentist enrolment in Delta dental plan-Participating &Non participating

| PARTICIPATING DENTIST                                                                    | NON PARTICIPATING DENTIST                                |
|------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Pre filing of Usual and customary fee                                                    | Pre filing not needed                                    |
| Patients will be of only delta plan                                                      | Patients from both Delta and other plans can be selected |
| Fee accepted at 90 <sup>th</sup> percentile                                              | Fee accepted at 50 <sup>th</sup> percentile              |
| Subjected to fee auditing by fee auditors                                                | No fee auditing                                          |
| Post treatment inspection                                                                | No post treatment inspection.                            |
| The withholding of a small amount of each fee to go into the Delta capital reserve fund. | No amount for delta capital reservr fund.                |



For e.g., suppose in a given area there are 100 participating dentist, who have filled their fee for particular service.

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# FINANCE IN DEDNTISTRY

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## **BLUECROSS/BLUESHIELD**

The Blue Cross Blue Shield Association is a federation of 38 separate health insurance organisations and companies in the United States. Blue Cross started in 1960 and Blue Shield in 1948 and both merged in 1982

-It's a non profit health service corporation like Delta Plan

-It follows a 50<sup>th</sup> percentile payment mechanism.

## **C)Prepaid group/Group practice**

- It is the term given **to a group practice that provides dental services on a prepaid basis**. Such groups are now generally regarded as open panels, though this has not always been so.
- ADA (1969) has defined grouped practice as **“group practice is that type of dental practice in which dentists, sometimes in association with members of other health professions agree formally themselves on certain central arrangement designed to provide efficient dental health service”**.

## **Types of group practices**

- **General practice** groups composed entirely of general practitioners.
- **Single speciality** groups all members of the group are of the same speciality.
- **Multi speciality** groups certain practitioners in two or more speciality fields of practice
  - **HMO(Health maintenance Organization)**
    - Defined as “Legal body which provides prescribed range of services to the individuals enrolled in the organization, in return of a fixed payment”
  - **4 principles of HMO**
    - 1) Organised system of health care
    - 2) Set of treatment services
    - 3) Voluntarily enrolled group in a particular geographical area
    - 4) Reimbursement mechanism
  - **Dental personnel in HMO'S**
    - 1) The staff model



# FINANCE IN DEDNTISTRY

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## **2)The group model**

## **3)The independent Practice Association(IPA)**

## **4)Primary care capitated network(direct contract model)**

### **1)Staff model**

HMO directly pays all the staffs including dentist,dental hygienists and dental assistants

### **2)The group model**

HMO pays to a group/association than direct payment to the staffs.

### **3) The independent Practice Association(IPA)**

- Association of independent dentists
- HMO directly pays the dentist via capitation or any other third party via capitation of fess for service

### **4)Primary care capitated network (Direct contract model)**

- Same as IPA
- There is no third party payment.
- HMO pays directly to the dentists

### **D)Capitation plan**

- The basis of capitation is that the contrasting provides whether a Health Maintenance Organisation (HMO), group practise. The Independent Practise Association (IPA) or individual dentist receives **an established, negotiated sum on monthly or yearly basis for each eligible patient.**

- The money is **paid regardless of whether the patient utilizes care or not.** In return, the patient is entitled to receive a prescribed set of services over a specified period. In areas where there is a real or perceived oversupply of dentists, these capitation plans could be attractive to both purchaser and provider

### **4)SALARY**

Dentists in same group practised those in the armed forces and those employed by public agencies are salaried.

**Advantages:-**

# FINANCE IN DEDNTISTRY

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- It allows a dentist to be largely free of the business concerns of running a practise, thereby allowing the dentist to concentrate on clinical matters.
- Fringe benefits are also often attractive.

## **Disadvantages:-**

There could be a lack of financial incentive that some dentists, need to be highly productive.

## **5)PUBLIC PROGRAMS**

- Private practise is usually not able to meet the dental demands of all people. There are therefore a number of public programs aimed at meeting the needs of specific groups of recipients in the diverse society
- The public programs are sponsored by the government and also include community health centres.

1. MEDICARE

2. MEDICAID

3)NATIONAL HEALTH INSURANCE

## **1)MEDICARE**

- Title **18<sup>TH</sup> of the social security amendments** of 1965 is the program known as ‘Medicare’. This program removed all financial barriers for hospital and physician services for all persons **aged 65 and over**, regardless of their financial means. By the 1970s, Medicare has 2 parts

- **Part A, Hospital Insurance**

- **Part B, supplemental medical Insurance.**

- Both parts contain a highly complex series of service benefits available and both parts also require some payment by the patients.

- Medicare was brought into being because the voluntary health insurance system was unable to provide adequately for persons over age 65. The medical assistance to the aged (MAA) program of 1966 attempted to low income of persons aged 65 and older, but was too cautious to be successful.

# FINANCE IN DEDNTISTRY

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- The dental **segment of Medicare is limited to those services requiring hospitalization** for treatment, usually surgical treatment, usually surgical treatment for fractures and cancer and hence constitutes a negligible proportion of the program

## **2)MEDICAID**

- It is the name given to title 19<sup>TH</sup> of the social security amendments of 1965. The original intent of the program was to provide funds to meet the health care needs of all indigent and medically indigent persons.
- Medicaid is a joint federal state program. In order to qualify for the federal governments share of Medicaid financing , every state Medicaid program must cover at least theses basic services ,
  - In patient hospital care
  - Outpatient hospital care
  - Laboratory and x-ray services
  - Skilled nursing facility services
  - Home health services for individuals aged 21 years and older.
  - Early and periodic screening ,diagnosis and treatment (EPDST) program for individuals under 21 years
  - Family planning services
  - Physician services

## **3)NATIONAL HEALTH INSURANCE(NHI)**

- Introduced by Bismark in Germany
- Funded by public health programmes.

## **INDIAN SCENARIO**

### **Mechanism of payment exist in India**

- 1)Fee for service(most common )
- 2)Dental insurance- Negligible population is covered and it requires hospitalisation.
- 3)Free or discount rate.-public funded
  - a)state government hospitals
  - b)Defence and Railway
  - c) ESIS(employers state insurance scheme)
  - d) CGHS(central govt health scheme)

