

Health funds cannibalising their own preferred provider base



Merv Saultry

By Merv Saultry

As some health insurance funds continue to establish their own clinics, clear evidence is emerging that they are starting to direct their own members away from that fund's preferred provider base to their own clinics. In particular, the funds are establishing centres where they have a high concentration of members.

The motive for this strategy seems to be to gain control of the relationship between the fund and its members (patients) to influence members to come into the fund's own service structure. The fund will then be able to have an indirect (or even direct) influence over treatments, including control of fees, referral to in-house specialists, as well as controlling costs (rebates) resulting in raising profit and lowering costs.

After years of the funds extolling to dentists the benefits of becoming a preferred provider in order to build a wide service base, some health insurance funds are now tightening the screws on costs by fixing fees for extended terms, and increasing treatment exclusions to influence patients into choosing cheaper treatment options to save money. The end result is that many preferred provider practices are now seeing a decrease in profitability of more than 15%.

The last thing expected by preferred providers was for the contracting fund to start redirecting fund members away to the fund's own clinics. This recent action is compounding the decrease in profit.

But that is not all the bad news- what about the decrease in the practice goodwill as profit falls and patient numbers decrease?

Preferred providers live on a knife edge, as most contract agreements give the funds the right to cancel the contract at short notice without any reason or right of appeal. Having up to 25-40% of a practice patient base subject to a number of health insurance fund contracts builds a dependency and creates fear. These factors are the basis of the influence exerted by health insurance funds over dental practices and enable the funds to exert defacto control over fees and some treatments.



Now that the corporate behaviour of health insurance funds (all health funds have a corporate structure) is really starting to hurt some preferred providers, it is time to re assess the value of the relationship.

Many preferred providers are now appreciating the pain and loss that independent dentists have been suffering for years. Some have already decided to act and are actively encouraging members of contracted funds to switch to health insurance funds that allow members freedom of choice of their dentist and their own treatment. They want to manage down the risk exposure and protect their practice goodwill.

This emerging trend should be noted by all preferred provider dentists – when it comes to profit almost all health insurances funds will strive to maximise the benefit of having increased control over their members.

The timely establishment of the Independent Dentist Network provides a way for preferred providers to manage a smooth transition out of their contracts, as it provides a way for dentists to reclaim control of their at-risk patient base, knowing that there is a substantial support base to help them compete with both health insurance funds and corporate entities in an increasingly competitive market.

The changed dental market particularly affects all smaller dental practices. Individually they do not have the resources and skills to compete with health insurance funds and corporate entities – collectively they can.

Dentists uniting under the IDN brand are creating a market force through an entity that has a sole objective – become a dentist driven entity providing the needs and services that independent dental practices cannot individually afford. The end benefit is that they become part of a major market force that has a recognisable brand in the market place and a single message of difference whilst keeping control of dentistry in the hands of dentists. ♦

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Want to be a part of a group of like-minded dentists, who still think dental care is a service meant to help the health of our patients rather than a commodity, acquired at the cheapest price?

It is difficult as an individual practice to differentiate yourself from the slick marketing of large budget third party providers. Independent Dentists need to work together to compete in a challenging practising environment. [Join IDN today](#)



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