

# The **2** Markets of Dental Care

by **Michael D. Fisher, DDS**

*An understanding of how primary and secondary dental care markets affect patient treatment can be of great value to the dentist.*

**D**entists are regularly solicited to participate in discounted-fee dental plans. They are offered enticements to participate, such as preferred access to more patients. If a dentist declines participation, the dentist may lose patients. This influence on dental practice came about from the growth in employer-sponsored employee benefits. These tax-advantaged methods of compensating employees have become an accepted and expected part of working life in America.

Employee benefits have created two dental care markets: the primary market of dentist and patient, and the secondary market of employers, enrollees and dental plans. The secondary market helps patients afford dental care, but also creates complexity and confusion for patients, employers, and dentists, with discounted-fee dental plans especially frustrating. What follows is a description of both markets, some realities about these markets, and an alternative to the conventional dental plan middleman.

## **The Primary Dental Care Market**

The market of patient and dentist has always existed. It has evolved to a regulated profession that is allowed autonomy in matters pertaining to the care dentists provide to patients.

Key features of the primary market include:

- ❑ The fiduciary ethic compels dentists to put the interests of the patient ahead of their own.
- ❑ The dentist-patient relationship often becomes personal, as the patient places trust in the dentist based on experiences with the dentist.

- ❑ Trust between dentist and patient is an important part of successful health care.
- ❑ Dentists recommend dental care and patients choose the treatment that suits their tastes and budget.
- ❑ The financial relationship is fee-for-service, with the patient responsible for the full cost of dental care.
- ❑ Patients spend their own money.
- ❑ The primary market will always be with us as long as it is legal for people to purchase their own dental care.

## **The Secondary Dental Care Market**

The market of employers, enrollees, and dental plans has existed almost 50 years for the purpose of delivering health care purchasing power in a tax-advantaged manner.

Key features of the secondary market include:

- ❑ Business ethics, where the participants are assumed to be roughly equal, rule this market.
- ❑ The relationship between the dental plan and the enrollee seldom becomes personal.
- ❑ Dental plans have created their own rules about what is the correct function of the dental benefit. These rules usually are complex and difficult for enrollees to understand.
- ❑ Prices for dental services are obscured by discounts, fee schedules, and co-payments.
- ❑ The customer is the employer, not the enrollee.
- ❑ Enrollees have little impact on choices made by employers, benefit advisors, and dental plans.
- ❑ Enrollees are spending "other people's money."
- ❑ The secondary market will exist as long as employee health benefits are tax-advantaged.

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## THE TWO MARKETS OF DENTAL CARE

*continued from page 70*

The primary dental market is where health care is performed. The secondary dental market is where employee compensation is administered.

### What are the important realities of the secondary dental market?

① Conventional dental plans (indemnity, preferred provider, and capitation) are sold, not bought. Employers depend on benefit advisors to bring answers to dental benefit needs. The advisor either doesn't know about alternatives or is well compensated by conventional dental plans to not consider new ideas.

② Inexpensive dental plans exist because employers have modest budgets for dental benefits.

③ Employers seldom know what they are buying with a dental benefit. They usually do not know:

■ how rich a dental benefit their plan offers;

■ what portion of their dental benefit dollar goes toward benefit advisor compensation and plan administration costs;

■ how to evaluate their plan's performance and then make changes in plan design to meet their goals.

④ Think about your experiences with discounted-fee professional services. Did you receive the same benefits and features a full-fee professional would provide? Most likely, no.

⑤ The secondary health-care market of employers, enrollees, and health plans will undergo tremendous changes in the near future with the growth of consumer-directed health plans. Truly empowered consumers need price information

and correct dentist incentives to determine the value of their dental care. Discounted-fee dental plans provide neither.

A dental benefit that serves the primary market should provide simplicity in plan design, transparency in treatment and administrative costs, and consumer direction for enrollees. The best way to deliver this dental benefit is through a plan that reimburses dental care costs based on the dollars spent at the dental office, not the procedures performed at the dental office. This benefit is known as Direct Reimbursement or Direct Assignment.

If dollar-based dental benefits meet the needs of employers, employees, and dentists, why don't all employers use them? Because dollar-based dental benefits offer the simplicity and transparency that conventional dental plans cannot offer. Simplicity costs less, so dental plan providers cannot justify higher administrative costs and intrusive policies in the name of cost control. Transparency shows how much benefit advisors and dental plans profit from conventional dental plans. Employers, employees, and dentists are best served when the dental benefit plan middleman serves, rather than commands.

I encourage dentists to learn about the economics of dental practice and how the two markets of dental care matter to patient care. Dentists must become more astute about dental plans generally and about dollar-based dental plans specifically. Dollar-based dental benefits, Direct Reimbursement and Direct Assignment can provide the same level of service and value to the secondary dental market that dentists work to provide in the primary dental market.

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