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Dental plan providers: what's happening?

Simon Reynolds, commercial director of Patient Plan Direct, highlights recent activities and trends amongst dental plan providers, which provides some interesting food for thought

The dental plan market has become more competitive in recent years as new plan providers have come to market (including Patient Plan Direct over five years ago now), and each provider looks to differentiate themselves, create a competitive edge, retain business and put their own slant on enabling practices to administer a dental plan for patients.

Furthermore, factors such as the imminent NHS changes, challenges associated with profitability, changes in practice purchase and sales, as well as the importance of cost analysis

in the sector have all impacted on whether, and how, practices opt to administer a dental plan for patients.

All this activity has sparked certain changes and movements in the plan market, some of which Simon explores below.

Plan providers are reducing their fees to retain business

'It's no secret that Patient Plan Direct is a price-led proposition. Our competitive fee structure is significantly less costly than other plan providers and practices look to transfer the administration of their dental plan to us from other providers to make significant cost savings, whilst still benefiting from a great service,' explains Simon.

'More and more often I come across scenarios where, after a practice informs their existing plan provider that they intend to transfer to Patient Plan Direct, a new 'special deal' is quickly fabricated by the practice's existing plan provider in a desperate attempt to retain the practice's custom. These

deals usually take the form of significant fee reductions representing huge cost savings.'

'This begs the question as to what value these plan providers place on their service and why the threat of transferring should be the catalyst that warrants sudden special attention or significant fee reductions? Why should only practices looking to move away benefit from a 'special deal', and why has the practice had to pay the higher fees until now?'

Simon goes on to explain: 'These deals have been offered on numerous occasions from many of the major plan providers. I would encourage any practice that administers its dental plan through a plan provider to ask for a fee reduction or 'special deal' that other practices have been receiving. Why should your practice pay more whilst it remains loyal? Alternatively, you could explore Patient Plan Direct's transparent and honest approach to administering your practice's dental plan.'

The Hoover versus the vacuum cleaner

'Some plan providers profess that patients ask specifically for their plan brand, but do they really, or do they simply ask for the brand that they associate with the service they require and the benefits of the service concept?' asks Simon.

Simon goes on to say: 'This weekend you may decide to 'Hoover' your living room and use a vacuum cleaner to get the job done. Whilst you may refer to vacuuming your living room as 'hoovering', you are simply referring to the common brand associated with the functionality you require. It is, in fact, vacuum technology that you require. The particular brand, 'Hoover' or the term 'hoovering', has nothing to do with your core requirement. Moreover, the brand 'Hoover' may not necessarily be the best brand to meet this requirement.'

'Relating this to dental plans, if a patient asks for a specific plan brand, they are more than likely looking to take advantage of the core principles and benefits of a dental plan rather than anything associated with a third party brand that has no impact on the actual dentistry delivered. Don't assume you need to pay inflated fees to offer a particular plan brand and promote a third party brand. It is the core principles of a dental plan a patient desires, not a particular plan brand.'

Transferring provider to increase value

Finally, Simon explains why some practices opt to transfer plan provider in order to achieve a greater practice valuation. 'It is common knowledge that a practice with a capitation or maintenance plan in place generally achieves a greater valuation than a fee-per-item private practice. Why? Because the reassurance of recurring income provides both lenders and potential buyers with greater confidence of the businesses' long-term sustainability.'

'If there is a way of making the practice's dental plan more profitable then this further increases the practice's value. Take, for example, a practice with 600-1,000 patients on plan. By transferring the administration of its dental plan to Patient Plan Direct from one of the major plan providers, this practice would stand to save between £4,500 and £15,000 per annum which directly increases the bottom line.'

'Using the EBITDA (earnings before interest, taxes, depreciation and amortization) valuation method, a practice's profit is generally multiplied by four or five times. Therefore, a cost saving and representative increase in profitability of £4,500 to £15,000 can increase the value of a practice by £22,500 to £75,000. No wonder dentists are exploring plan provider transfers as part of their exit and retirement strategy.' 

Simon Reynolds is the commercial director of Patient Plan Direct, the UK's fastest growing dental plan provider. To discover an approach to dental plans that makes sense and cuts costs contact Patient Plan Direct.

FOR MORE INFORMATION contact Simon on 0844 848 6888/ 0754 070 6323 or email him on simon@patientplandirect.co.uk. Visit us at www.patientplandirect.co.uk.

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- **Bratworth Village Dental Practice** transferred over **280** patients from DPAS. Successfully transferred **100%** and saved over **£3,500** per annum
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