Dear Sir/Madam

I am writing to raise some issues that I encountered and other issues relevant to the activities and effects of PHI companies.

I prose that PHI should be restricted from dental practice ownership as there is a clear conflict of interest, both financially & commercially with private practices and with influence over patients and their treatment.

Firstly, over the past 6 months I have received two letters from health funds (BUPA and HCF) indicating that I am providing a "higher than average" service for particular item numbers.
I am certainly not over servicing, so I'm perplexed about this issue. I'm just carrying out straight forward dentistry.
I'm left wondering, are they wanting me to not diagnose oral diseases, in order to reduce their cost payouts. I imagine it would be like the threat of and audit from the ATO. I felt threatened on one hand, but not concerned on the other. I understand some may say don't worry about it, but I'm not perfect and I do NOT know if I comply with everything they wish, or what they may find and what they may do about it towards me.

Secondly, in terms of PHI Issues, I understood that a core tenet of PHI is that the patient can choose their own provider.

- However the fact that a two-tier rebate system from some health funds exists, contradicts this tenet. That is that two qualified dentists get different rebates for their patients, for the same treatment/service?! Why should the patient be disadvantaged in being able to choose their own provider? A clear conflict of interest that they influence and seek to control the market by attracting patients to their own dental practices and providers.

- Notably the aggressive marketing sending out personal letters to patients outlining what rebate they would have received had they gone to one of their providers for the similar treatment. They do not account for the different skills, experience, quality of materials, equipment and training that exists between providers.

- Influencing patients to have particular forms of treatment so that they get a higher rebate. A personal experience for me was where a patient was directed to have a ceramic crown, as they would get a higher rebate with a 613 than they would if they did a 615. This was despite the fact the patient was a bruxer and there was insufficient restorative space for them to even have a ceramic crown.

- I am aware of clinicians in the US who have had their patients advised that their health fund will no longer provide rebates from a particular provider. Do we have any control measures in place to protect clinicians from this behaviour occurring here? As I'm advised by the ADA that this is already the case in South Australia. This is a significant area that can be manipulated by PHI based Dental practices to eliminate competition in areas where their practices exist - hence a very clear conflict of interest.

- Regarding clinicians working at health funds, I have on anecdotal evidence, are being influenced by Health management in how they treat and mange manage their patients. Such as hygienists/therapists being given limited time frames in which to carry out procedures. I

understand this depends on the type of contract the clinician works under. However this concerns me the degree of control & influence they can have over clinicians and the effect on patients.

- Furthermore, all of this highlights to me that there is conflict of interest with health funds even owning dental practices. They have a vested financial interest and influence over dentists and patients. The capability of mass influence over their own customer base as well as our patient base. They have the capacity to use patient funds to offset losses in the running of practices. I have on excellent authority, (CEO of one health fund) their dental practices operated at a loss (over -$100000) then the funds were redirected from patient premiums to offset this. I am not able to label exactly what is not right about this, however I can imagine that patients associated with that find may not be too happy that their money was being used that way, rather than befitting all members.
It would seem to me that patients should be made aware that their funds are being utilised in a manner that is not as they intended, reducing the value they receive. I am not definite on this, but it would seem a matter of corporate governance with a need for greater regulation.

- Further insights are indicated by the attached Synstrat article that highlights decreasing rebates, increasing executive remuneration, increasing premiums (average of 50% since 2010).

- Practical issues for dentists are problems with health funds and HICAPs. It is apparent that there are a myriad of undisclosed rules from PHI companies as to what item numbers they will pay, timing issues eg. 012 is paid only once every six months, etc... As the rules are undisclosed, how can we know how to help to get the most value for patients?

Finally I consider that Corporates are an acceptable path of dental practice ownership but PHI have a clear conflict of interest. This needs to be addressed for the benefit of patients to see the provider of their choice, receive better value without third party PHI interfering and compromising their treatment.

I propose that PHI companies should be restricted from dental practice ownership.

Thank you for reading about these concerns for which I know I'm not alone in these matters, thousands of other colleagues have similar experiences and issues.

I look forward to hearing from you.

Kind regards

Matthew Cohen

SYNSTRAT NEWS

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DENTAL NEWSLETTER

February 2017

Slavery Abolished? Yes or No
Sometimes a practice is sold to a corporate with an employed dentist pressured to sign a new contract. The new contract effectively binds them to the new owner, and imposes rigid conditions including exclusion zones. Dentists should not sign these contracts, but should keep their practice options open.

If it is a condition of the sale by the corporate to the vendor, and the vendor is getting a hefty price as a result of the employee forgoing their right to set up their own practice, then it is in order for the employee to demand a fee for greatly enhancing the sale price of the practice.

HICAPS
In July 2016 the ADA told a Productivity Commission enquiry into confidential data sharing, that Private Health Insurers, who also owned dental surgeries, were misusing data obtained through the HICAPS payment system for their commercial advantage. This is a privacy issue.

Recently Whitecoats own numbers revealed that the risks to dentists far outweigh the slight benefits in belonging to Whitecoat. Letting Whitecoat cull your practice data because you might receive a fraction of 1 patient referred per year, is senseless. Whitecoat is controlled by a group of major health funds who may utilise the data against dentists.

What Dentists Want of the ADA
Dentists overwhelming advise us that they want more action from all levels of the ADA to curb the abuses of health funds. Health funds will only be persuaded to change via cancellation of extras policies. Refer to 'A 2026 dental retrospective on the battle against health funds' at Synstrat.com.au, under dentistry publications.

PR Whitewash for HBF?
An article under the by line of Sarah-Jane Tasker, in the weekend Australian of 4 & 5 February, headed 'More Bravery in Health Care Needed - HBF' reads like it could have been written by a HBF PR person, complete with a cool picture of HBF boss Rob Bransby extolling the virtues of the Health Insurance Sector, driving efficiencies without being specific. Dentists know how hard big PHI's work to rip 22% margin off the top of extra's cover. Would dentists buy a used car from Rob Bransby? PR Consultants are good at putting lipstick on pigs. The fact that so many consumers buy extras cover, which only pays out 78c in the dollar of premiums, is proof that it is possible.

Big Pay Raises for Health Insurance Executives
According to The Age of 6 February 2017, as Health Minister Greg Hunt gets set to announce a big rise in health cover premiums, on top of increases since 2012, consumer health advocates noted that bosses of large health funds have about doubled their multimillion dollar remuneration in the same period. Ex Medibank CEO George Savvides climbed from $1.4 million in 2014 to $2.4 million in 2016. His successor, Craig Drummond, has signed on for a base salary of $1.5 million plus incentives, which could add a further $4.5 million. NIB CEO Mark Fitzgibbon's pay packet increased by 95% between 2014 and 2016, powered by a share package that vested last year. His salary and bonuses rose from $893,000 to $1.746 million.

BUPA which is owned in Britain, does not disclose the pay of its Australian CEO. Why Australians buy extras cover off Bupa which remits its profits to British owners is a mystery. Australian policy holders are effectively cross subsidising Bupa's UK operations.

HCF provides only a pay pool for their 8 most senior executives – roughly $7 million.

Since 2014 the Federal Government approved industry wide premium rises of 6.2%, 6.18%, 5.595% and 4.8%, following submissions by the Funds.

Extras Clients Being Screwed
The Australian Prudential Regulation Authority has reported a 6% decline in payments for dental, chiropractic, physiotherapy and optical extras.

"With average premiums rising close to 50% since 2009, and value being eroded in the form of junk policies – there is an increased responsibility on health insurance to justify their bloated bottom lines" said Choice Director of Campaigns, Matt Levey.

Consumers ask – 'where is the money going?'

22%!
The big health insurers rake off 22% of extras cover premiums, paying out only 78% in extras benefits.

It's no wonder that consumers are questioning the value of private health insurance! The odds of getting value for money from extras 'so called insurance' are so skewed against policy holders, that Synstrat routinely advises its non-dental clients to cancel extras cover.

Independent Dental Network (IDN)
Keeping control of your practice
IDN provides dentists who wish to retain their freedom from the encroachment of large health funds the tools to market their practice and offer patients an ethical and more beneficial choice of dental insurance, including an ability to switch to a mutual fund which doesn't interfere with patient choice of dentists by discriminatory rebate setting, and which offers patients superior value for their insurance dollar. Alternatively, patients can opt out of extras insurance and contribute to a savings plan (with accounts run in a major bank) to pay for planned dental treatment.

The health insurance industry heavily advertises extras (ancillary) cover because that's where it makes the big profit. Overall the industry only pays out 78 cents per dollar of extras premium, which in turn covers only 52% of treatment costs. Dentists are aware, that's a rip-off. Every member practice retains its own identity while belonging to IDN, which gives it the marketing tools to promote itself under its own name.
Contact merv@independentdentists.com.au

Disclosure
Neither Synstrat Group nor Synstrat's directors have any financial interest in Independent Dental Network other than the interests of our dental clients.

Negotiating Associate/Partnership Agreements
Whereas an equity bull/sell agreement is basically a device for transferring part ownership in a practice from one dentist to another, the truly important document is the one governing the relationship between two or more associated dentists or partners. Each relationship is uniquely different. Most lawyers don't have experience in drawing such agreements, they grab a partnership document from a dissimilar business, such as a butcher shop, delete butcher and insert dentist in various places and pretend it is an appropriate document. It rarely is and doesn't deal with important issues adequately. Synstrat advises dentists buying into practices in terms of whether an existing agreement which they will become party to is adequate, or whether an agreement to be drawn up between the associates/partners deals with the critical issues, such as:-

- One associate through injury or illness being unable to continue in dental practice; or
- What happens when one wants to sell out; or
- How do they resolve a major difference without lawyers; or
- Agreeing on the matters which must be agreed on and matters over which each has autonomy

If you are preparing to purchase part of a dental practice, and would like guidance on these matters please contact Graham Middleton on 03 9843 7777.

smile.com.au
Synstrats advice to clients is to avoid signing agreements with this organisation, which is closely aligned with a number of health insurers.

The Big Practice Con
This story is on page 39 of ***Synstrat Dental Stories*** and is very similar to an actual event. It's a must read for those buying practices. To obtain a copy of this publication, make a tax deductible donation to the **Delany Foundation**, a charity which brings hope and opportunity into the lives of young people deprived of education in Australia, Papua New Guinea, Kenya and Ghana. Once you have made your donation, please email confirmation of your donation along with your postal address to natasha@synstrat.com.au and a copy will be sent to you. Donations can be made by mail to:

Delany Foundation
PO Box 429
Casula Mall NSW 2170

Or via direct debit to the Delany Foundation Ancillary Trust, BSB 062 784 CBA account number 4050 5402. Should you have any difficulties, contact Matthew Mahoney on 0419 202 787 or 02 9600 8184.

Pass It On
Our email list only reaches a proportion of dentists. If you belong to a dental chat line, by all means on forward this newsletter onto them. If they wish to be added to our distribution list, they may provide their details via email to natasha@synstrat.com.au .

Register your email address to receive our newsletters electronically, plus additional exclusive information which is only emailed to dentists on our distribution list. Send your details to dental@synstrat.com.au.

Practice Accounting Services
Synstrat is the only accounting group in Australia which maintains an active, continuously updating database of dental practice benchmarking performance. This is essential in assessing and advising performance of a practice. Telephone David Collins or Graham Middleton on 03 9843 7777.

Independent Financial Planning and Life Insurance for Dentists
Synstrat is experienced at providing financial plans for dentists. These take into account dental practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own licence. It is not obliged to recommend the products of a particular bank or insurance company

Visit www.synstrat.com.au for more information on these topics.

THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS
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