THE McGILL ADVISORY

4 Steps To Make Profitable PPO Changes For Your Practice

BY BILL ROSSI JUNE 2018

PRACTICE MANAGEMENT MANAGED CARE

Managed care (PPO) penetration and related write-offs are at record levels these days, threatening further damage to your profitability. Unfortunately, too many doctors make costly PPO mistakes due to poor emotionally-based decisions. Below, practice management consultant Bill Rossi* outlines a rational approach to dealing with PPOs that can help boost your practice profits.

The Problem

A recent survey of over 300 upper Midwest practices revealed their biggest practice management headache: profit-robbing PPOs! Our recent reader survey confirmed that the penetration of managed care (PPO) plans has reached record levels. Worse yet, the percentage of total production coming from PPOs has risen dramatically, along with the related PPO discounts (write-offs). In some cases, practices are now collecting only 80-85% of their production, putting a huge dent in their practice profitability!

The Dilemma

While the profit-draining PPOs have certainly caught doctors' attention, very few doctors (only 3% in the survey) have taken any action. Why this conundrum? It's because virtually all doctors make PPO decisions **emotionally**, rather than **rationally**!

You see, when a new PPO is announced, many doctors rush to sign up fearing they will otherwise lose patients, without ever analyzing the potential impact on their practice. Likewise, when write-offs reach a breaking point, a few doctors impulsively decide to "drop the plan" by going out of network, without analyzing the potential impact on their practice. These emotionally-based PPO decisions can totally destroy your practice's profitability.

However, an even bigger concern is that the vast majority of doctors participating in PPO plans have “Hotel California" syndrome - - they check in (sign up) for the plans, but they never leave! Year after year their PPO fees are frozen, while their discounts (write-offs) from their regular fee schedule escalate rapidly. The doctor ends up working harder to make less money!

If you want positive change, you need to implement the following four steps.

1. **Analyze the practice** – Every practice is different. Effective PPO decisions must be made in the context of your practice’s unique situation. This can be a great time to launch a practice renaissance. Start by analyzing your practice’s strengths and weaknesses. You can’t (and don’t want to) rely on discounted fee PPOs to fill your chairs with patients. You've got to find a better way, and this analysis can help you formulate a plan for change. You can do it – you have more power than you think!

2. **Negotiate the fees** – In my most recent PPO "exorcism," the first step was negotiating fees with two of the doctors’ PPO plans. Yes, you **can** negotiate fees with PPOs! Believe it or not, the PPOs "blinked" and agreed to raise fees, adding nicely to the practice’s revenue with just a stroke of a pen.

3. **Fortify the practice** – The next step I recommended was to ramp up the practice by improving its practice management systems. Areas of practice weakness that needed to be addressed included strengthening the recall system, updating the website, and working on the team approach to patient education and case acceptance, as well as improving scheduling.

4. **Make the change** – These steps set the stage, and gave the doctor confidence to make the MAJOR change: drop participation in one large PPO. While some gains from dropping a PPO plan were realized quickly, the entire process usually takes 12-18 months. Your goal is simple: keep the patients, and lose the discounts! How well you’ll fare depends on proper staff training, so they will know how to handle discussions with new patients, as well as existing patients already on the plan. While there will always be some loss of patients, the revenue increase from higher fees will easily offset it, in most cases.

The Results

So, what were the results after the doctor-client implemented my recommendations? As the chart below reveals, practice production actually grew by 44% over the four years, despite going out of network with the plan. Meanwhile production adjustments (write-offs) dropped dramatically, as the practice’s collection percentage dramatically improved from 68% to 84%. Even better, collections grew by 77%, igniting a surge in practice profitability.

Monthly Amounts	2012	2013	2014	2015	2016	Growth Since 2012
Production	$64,071	$68,521	$75,740	$85,028	$91,959	+44%
Collections	$43,394	$51,576	$61,996	$70,798	$76,960	+77%
Collections %	68%	75%	82%	83%	84%	
Patient Flow (Exams)	141	157	163	173	185	+31%
New Patients	28	30	37	34	32	
Production Per Exam	$454	$435	$465	$492	$496	

This practice is living proof that you **can drop** a PPO and see your practice flourish! But it takes analyzing the situation rationally, developing a comprehensive gameplan, and then implementing it, including proper staff training. If you can do it on your own, go for it! If you need professional help (hand-holding), get it. It will likely prove to be one of the best investments you'll ever make!

** For more information on his firm's managed care consulting and other practice management services, contact Rossi at 952.921.3360 or www.advancedpracticemanagement.com.*

Bill Rossi

Bill is President of Advanced Practice Management, LLC. He and his team are actively involved in the ongoing management of over 220 dental practices. He has over 35 years in practice management, and has been a contributor to Dental Economics, The McGill Advisory, Excellence in Dentistry, The Madow Brothers Audio Series, and Dentaltown CE. Mr. Rossi is an ally for private independent practices in a profession increasingly impinged on by corporate dentistry and PPOs.