

Fee-setting Guidelines for Alberta Dentists

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Introduction

The Alberta Dental Association and College (ADA&C) has not had a published fee guide since 1997. Most other provincial dental associations still publish suggested fee guides that help their members set fair fees. This report is intended to assist Alberta dentists in setting fair fees for the services they provide. This article defines a fair fee as a fee that is fair to both the patient and the dentist. L. D. Pankey (founder of the Pankey Institute in Florida) defined a fair fee as a fee that the patient would willingly pay and the dentist would gratefully accept.

Professional Fees and History

Professional fees for the various professions have generally been rendered to patients/clients in two ways: (a) fee-for-service, typically used by health professionals, and (b) hourly fees, typically used by accountants, lawyers and consultants. Although both methods take into account similar factors, the dental profession has almost exclusively used the fee-for-service method of rendering fees to patients, and third party insurers typically reimburse their clients using a maximum fee-for-service schedule.

In years gone by, physicians and dentists set fees very arbitrarily, often placing significant emphasis on the patient's ability to pay. Third party dental insurance started to become more popular in the late 1960s and provincial dental associations began to develop fee guides that would assist dentists in setting fees that were fair to both patients and dentists. Most of the original provincial dental fee guides were based on a formula that was developed, called the Relative Value Formula (discussed below). Over the years, many of the dental associations engaged economists to assist them in developing provincial fee guides, and additional factors were taken into account in setting the suggested fees for the various services. Most third party insurers in Canada, both public and private, referred to the provincial fee guides when setting their maximum dental fee schedules. Often dentists were unhappy with the maximum fee schedules of third party insurers, especially public third party plans, and sometimes insurers were unhappy with provincial fee guides. As a result, in some cases, individual dentists refused to provide treatment to patients covered by certain public third party plans. In other cases, insurers felt that the fees in provincial fee guides were too high and some insurers based their fee schedules on provincial fee guides that were two or three years out of date. Therefore, provincial fee guides are not the complete answer to setting fees.

The ADA&C currently provides members with the survey results for fees charged for 30 of the common dental procedures, measured at the 5th, 50th, 70th and 95th percentiles. As well, the ADA&C provides results from an annual dental expenses survey to its members. These documents help Alberta dentists to set fair fees. This article is intended to provide some additional information that should be useful to ADA&C members when developing their office fee guides.

Original Formula for Setting Dental Fees in Canada

As mentioned, the first fee guides developed by provincial dental associations were typically based on the Relative Value Formula. The factors in the formula were as follows:

- > "P" , the fair hourly compensation for the average general dentist (based on education/training and compared to compensation in the marketplace for other professionals such as mid-level business executives).
- > "T", the dentist's time, in 15 minute units, to complete each procedure.
- > The Relative Value ("RV") factor for each procedure. The more complex and difficult the procedure (on average), the higher the RV factor. An occlusal amalgam on a permanent bicuspid was assigned an RV value of 1.0 and all other procedures were compared to the occlusal amalgam for difficulty and complexity when assigning an RV value. Therefore, the hourly fee for surgical removal of a third molar would be greater than for a simpler procedure such as an occlusal amalgam on a bicuspid.
- > "c", the average overhead costs per unit (15 minutes) of time for general dentists in the province, excluding laboratory fees, "L".

The suggested fee for a given procedure was determined by the following formula:

$$\text{Fee} = (P \times T \times RV) + (c \times T) + L$$

The published provincial fee guides typically have a preamble that clearly states that the fee guide lists suggested average fees but that all dentists should set their own fees. Also, it typically states that the suggested fees are for a single, average procedure and if the time to perform the procedure is significantly less than average, the fee may be reduced; for example, if multiple procedures are performed at the same appointment.

Other Factors to Consider in Setting Dental Fees

The factors in the Relative Value Formula certainly should be taken into account when setting a fair fee. However, other factors should be considered. Additional factors that should be considered in determining the general level of fees for an individual dentist include:

1. Training and education compared to the average general dentist:

It is accepted that specialists (who have additional education and training) should charge higher fees than general dentists for similar procedures. In fact, some provinces have speciality fee guides with higher fees than for general dentists, and third party insurers generally reimburse patients for the higher fees when the procedure is completed by a specialist. Therefore, general dentists who have completed additional training and/or education, beyond the education/training of the average general dentist should feel justified in charging higher fees than does the average general dentist. This assumes that the additional education/training assists the dentist in providing a superior service for his/her patients.

2. Experience:

The more experience a professional has in performing the tasks of the profession, generally the better the service that will be provided. In professions such as law and accounting, experience is a significant factor in the hourly fee that is charged. In fact, experienced senior lawyers and accountants often bill an hourly rate that is double or triple the hourly fee charged by inexperienced junior lawyers and accountants. In dentistry, experience is rarely taken into account when charging fees for the various dental services. Perhaps dentists should consider experience when setting their fees. Is it fair to patients that recent graduates charge the same fees as dentists with 10 or more years experience?

3. Overhead expense compared to the average dental practice:

The quality of the facilities and equipment, and the training/education of the staff vary from office to office in the dental profession. This results in higher or lower overhead expense for some offices compared to the average dental office in the various regions of the province. Dental offices with higher quality, more modern facilities and equipment, and/or more highly trained staff, should be able to provide a superior overall service to their patients. If so, these offices should feel justified in charging higher fees compared to the average dental

office. Likewise, those offices with older, less modern facilities, and/or with less well trained staff, in fairness, should charge lower fees. However, higher overhead due to inefficient practice management should not be a reason for charging higher fees, since inefficiency does not benefit the patient.

4. Comparison with fees in other provinces:

The average fees charged in other Canadian provinces, might be considered when setting dental fees in Alberta dental practices. Historically Alberta dentists have charged higher average fees than dentists in other provinces, and it appears from the ADA&C recent surveys that this is still the case. However, when compared to other provinces, many of the average restorative fees for amalgams and composites are similar. Average fees in Alberta for other procedures, such as preventive and diagnostic services, are higher than in other provinces.

5. Elective vs. essential dental services:

Another factor that Alberta dentists might consider when setting fees is to distinguish between essential and elective services. Many dentists, and some dental associations, feel it is fair to keep fees for diagnostic and preventive services relatively lower than fees for other services. The rationale for lower “front-end” fees is to encourage regular dental visits and preventive care, which should lead to better dental health for the public. Some dentists also feel fees should be kept lower for essential dental services, compared to elective dental services. Again, the thought is to make essential dental services affordable to the average dental patient. This may be the reason that average fees charged by Alberta dentists for basic dental restorations are relatively lower than for less essential services?

In addition to the above-mentioned factors to consider when setting the general level of fees for individual dentists, a few other factors should be taken into account when setting the fair fee for a specific dental procedure:

A. Difficulty of the procedure/patient:

Specific dental procedures vary in difficulty and complexity, and all patients are not the same to treat. Theoretically it should be fairer to charge lower fees for easy procedures and higher fees for difficult procedures. However, third-party insurance fee schedules have maximum reimbursement amounts for each dental service. These amounts are typically based on the average fee for the procedure. Since dental third-parties reimburse patients in this manner, dentists generally feel they should charge the average fee for a specific procedure regardless of the difficulty/complexity of the procedure. The rationale is that the more difficult procedures will be balanced by the less difficult procedures and assessing different fees for procedures based on difficulty would make administration much more complicated. However, when a procedure is exceptionally more difficult and time-consuming compared to the average procedure, it should be fair to charge a higher fee. Conversely, if a procedure is exceptionally simple and easy compared to the average procedure, then the fee should be reduced.

B. Multiple procedures at one appointment:

The time per procedure to complete a number of procedures at one appointment should be less than to complete each procedure at a separate appointment. Therefore, dentists might consider reducing fees when significant time is saved by completing multiple procedures at one appointment.

C. After-hours treatment:

When patients request treatment out of normal office hours, and in particular when a special trip to the office is required to provide treatment, it is certainly reasonable and fair to charge a higher fee.

D. Dental emergencies:

Ethically dentists are professionally required to provide treatment in the case of a true dental emergency regardless of the patient's ability to pay. It would be unethical to refuse emergency treatment to a patient who cannot pay the quoted fee. However, once the urgent emergency treatment is provided, further treatment can be refused if the patient cannot or will not pay the fee.

Conclusion:

Hopefully this article, along with the survey results provided by the ADA&C, will help Alberta dentists set fees that are fair to patients and compensate Alberta dentists adequately for their time, skill, care and judgement.