

Orthodontic Products Update

Finance Schemes for Funding Private Orthodontic Treatment

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Abstract. *Over the last ten years there has been a steady increase in the volume of private dental treatment and numerous finance schemes have been developed to help both patients and dentists. Private orthodontic treatment is increasing and the purpose of this article is to summarise the main features of the schemes currently available to fund private orthodontic treatment and to provide a source of reference.*

Index words: Private orthodontic treatment, Finance.

Introduction

Over the past few years the importance of Non-NHS income has increased for many general dental practitioners. The trend towards private dental treatment has been accelerated by practices introducing private dental schemes. Marketing and competition between plans are becoming more aggressive and patients and practitioners are regularly being told the benefits of signing up.

A similar pattern is evolving in orthodontics and practitioners should take care to choose appropriate products for their own situation and the needs of their patients.

A number of financial products have been marketed to assist patients and orthodontists provide funding for private orthodontic treatment. These financial products fall into three broad groups as follows;

1. Those specifically designed for private orthodontic treatment.
2. Products designed for dental or medical treatment which can be utilised for orthodontic treatment.
3. Products designed for dental or medical treatment which are not suitable for funding orthodontic treatment.

New products continue to be refined and marketed and a watchful eye on the current journals should be kept for further developments in future.

Products Specifically Designed for Orthodontic Treatment

People will choose these products specifically to help fund orthodontic treatment, presumably on the advice of a professional or friend.

These products target a specific sector of the market to help fund orthodontic treatment and so may increase the total number of paying patients at the present time and in future.

There are two basic types which are likely to appeal to different categories of patients. Patients who are not ready to start active treatment can take advantage of saving schemes designed to spread the cost over several

years prior to treatment with financial completion at the end of treatment (OrthoSave and Smile Saver).

Patients who are ready to start treatment but who wish to pay over a longer period than the treatment duration (which is usually covered by in-house payment schemes) may obtain credit with a third party who carries the responsibility for repayment (OrthoLine and OrthoSave).

1 OrthoLine

OrthoLine is designed to provide a credit arrangement to pay private orthodontic fees and is most appropriate for patients who are ready to start treatment straight away.

In America, OrthoLine, run by Forest Group International, is the only third party funding scheme recognised by the American Association of Orthodontists. Forest Group International, together with the Finance House Lombard North Central, supported the establishment of OrthoLine in the UK at the end of 1994. Early in 1996 Mercantile Credit took over from Lombard North Central.

An unsecured loan from £500 up to £4000 can be arranged with a choice of repayment periods from one to five years. There is a fixed interest rate of 19% APR and there is no penalty for early repayment. A payment protector plan provides insurance cover to meet repayments due to death, accident, sickness or involuntary unemployment. The orthodontist receives the whole fee at the start of treatment and this has a cash flow advantage. If treatment is terminated due to relocation or other reasons, the orthodontist is obliged to refund the unused part of the fee. The orthodontist needs to obtain a credit licence from the Office of Fair Trading which is quite straight forward and costs £75 for a sole trader or £175 for a partnership or company and the licence lasts for five years.

2 OrthoSave (BUPA) Ltd

OrthoSave was established in 1992 by two well known orthodontists, Andrew Parker (Cambridge) and David

Beckett (Reading) and was officially launched at the British Orthodontic Conference in Glasgow in 1993.

This is a prepayment saving scheme for orthodontic treatment where the parent saves towards a specified treatment fee. The orthodontist must be enrolled in OrthoSave and only qualified orthodontists can participate. There is no charge for the orthodontist to enrol and there is complete freedom on fee setting. The cost of treatment in future can be fixed at today's price.

Payments are made to the orthodontist in three stages during treatment and OrthoSave deducts 5% from the fees paid to the orthodontist. There is no joining fee for the patients and membership of OrthoSave can be cancelled at any time and the savings will be returned plus interest. If treatment is not required for any reason the savings will also be returned plus interest.

Life cover is available for an extra charge and OrthoSave also provide a low interest loan facility with flexible repayments for patients ready to start treatment who have not planned ahead. An independent arbitration panel of orthodontic experts has been nominated to deal with complaints and treatment standards. There has been a reciprocal marketing arrangement with BUPA for the past two years.

3 Smile Saver Ltd

Smile Saver was set up in 1993 by a parent, who has a background in insurance and finance, in association with an orthodontist (the author) and a general practitioner.

It is a saving scheme to encourage parents to save towards a fee set by the clinician that is then available for the child's orthodontic treatment. The dentist or orthodontist must be enrolled in Smile Saver which costs £100 to cover administration and promotional literature.

Smile Saver, like OrthoSave, believe that marketing of the saving schemes will have a positive effect on the uptake of private orthodontic treatment in future. Several orthodontic practices are now promoting these saving schemes via their referring general dental practitioners with some success. Smile Saver Early Start Scheme can be recommended by general practitioners who can see potential problems at an early age which allows parents to start saving prior to an orthodontic assessment.

Fees are free to be set by the operator and the cost of treatment in the future can be fixed at today's price. At the time of examination the orthodontist provides a quotation or estimate of how much the treatment is likely to cost, when it will start and how long it will take, which forms the basis of the calculation for the monthly repayments. At the time of treatment the orthodontist and saver become joint signatories to the account and fees are transferred from the saving account to the orthodontist as treatment progresses.

The patient pays a joining fee of £25 and life insurance cover is available for a nominal extra charge. No additional fees are deducted from the orthodontist. The arrangement is in the child's name and free of tax. Interest rates are better than high street Building Societies owing to lower administration fees incurred. As with OrthoSave, a full refund plus interest is available if treatment is not required for any reason.

Products Designed for Dental or Medical Treatment Which Can Be Used To Fund Orthodontic Treatment

People are unlikely to choose these products specifically to pay for orthodontic treatment. However, people who already have these products may want to use them to help pay for orthodontic treatment so some knowledge of the schemes may be useful.

1 Cigna

Cigna provide personal and corporate insurance schemes which offer comprehensive, medical and dental cover including orthodontics. This scheme works in a similar fashion to HSA (see below) in that the patient settles the account with the orthodontist directly and then claims benefits from Cigna. The main difference is that the orthodontist is required to complete the claim forms relating to diagnosis, treatment planning and treatment provided which is not particularly complicated but is relatively time consuming.

2 Clinident

Clinident is a computer based dental payment administration plan launched by the Medical Insurance Agency in September 1994. The software package is supplied free to dentists, is designed to run on IBM PC compatible machines and a Modem link is required to Clinident for processing.

The dentist and patient are free to agree all treatments and trauma insurance cover is built into the patients' fees. The patient pays the agreed monthly payment by Direct Debit to Clinident. All sums collected for patients' treatment are paid to the dentist by cheque monthly in arrears excluding the insurance premium which is currently £24 per annum and £12 for each additional child. There are no registration fees for either the dentist or the patient nor any monthly administrative charge levied on the dentist.

Clinident is essentially offered as a payment plan with computerised administration. Thereafter, the contract, including the standard of treatment is between the dentist and patient and there are no prescribed standards of service or complaints procedures.

In response to dentists who have not yet computerised Clinident is now available as a manual paper based scheme which includes the full features and benefits of the computerised version.

3 HSA Super Plan - Hospital Saving Association

This is a general health insurance plan with benefits for dental treatment. HSA itself is a non-profit making organisation established in 1922. This is just one example of a number of health cash plans that pay out cash sums for dental treatment.

The size of the cash contributions is dependant on the patients choice of weekly contribution rate. The cash can be used for any dental treatment the patient chooses and no treatment is excluded. At the highest weekly contri-

bution rate of £11.60 the annual cash limit for dental treatment for each member of the family is £232.

The patient settles bills with the dentist directly and then claims benefits from the HSA within three months of the treatment. An original official dated receipt must accompany the claim form.

Although the benefits are limited they are available annually for each member of the family and can easily spread over three or four HSA financial years if the timing of the payments to the orthodontist is carefully planned. The administration required to complete the claim forms is carried out by the patient or parent which eases the burden on the orthodontist.

4 Practice Plan

This was set up by a financial management consultant early in 1994 and is described as a personalised practice membership scheme for dentists. It is an individual capitation scheme which can be customised to the requirements of the individual dentist or orthodontist.

Patients pay the collecting agency by direct debit who deduct £1.20 per contract per month for administration and 50p per month for trauma and emergency insurance.

Practice Plan is very flexible and could be adapted to form a fee collection scheme for orthodontic treatment.

5 First Medical Finance Ltd

First Medical Finance was formed in 1992 solely for the provision of finance for health care purposes. It offers a credit facility to give patients the opportunity to spread the cost of major dental work over a number of years. An unsecured loan from £750 up to £10,000 can be arranged provided patients or parents meet the credit status requirements. The precise interest rate varies according to the amount borrowed and repayment periods. For loans of £750 to £2000 repaid between three and five years, the APR is 21.7%. The orthodontist receives the whole fee at the beginning of treatment and if the patient defaults on their loan there is no recourse to the orthodontist. This is very similar to OrthoLine and described by the Americans as non-recourse third party financing.

6 Dental Care Card (Sydney Clode)

This is administered by Sydney Clode PLC which is a well established finance company of thirty years standing with its Head Office in Wales. It provides unsecured loans over £200 for any dental treatment including orthodontics. The dentist or orthodontist is paid in full at the beginning of treatment and is charged 13% of the original invoice with no charge to the patient.

This is a flexible credit plan with a revolving charge facility. This means that although the initial arrangement is for twelve months, as soon as part of the agreed credit has been paid this amount is available for the patient to "spend" again. Rolling contracts can be arranged to cover treatment extending more than twelve months.

7 Clinicare Carte-Blanche

Established in 1985, Clinicare is the private medical insurance division of the Medical Insurance Agency. Clinicare linked up with the French insurers Strasbourgeoise in May 1993 to launch a range of three private medical insurance plans. Benefits for dental treatment are available under the top scheme of the range: Clinicare Carte-Blanche. This is a fully comprehensive general medical insurance plan similar to BUPA Health Care and PPP which covers £1000 worth of dental treatment per person each year subject to internal limits of up to £40 per twenty minute session or part thereof for orthodontic treatment. The patient may pay the orthodontist for treatment fees and then claim the money directly from Clinicare. Alternatively, the orthodontist may claim direct from Clinicare provided the patient supplies the orthodontist with the appropriately completed claim form. Prior approval is required for fixed or removable orthodontic treatment.

8 Hospital Cash Plan

This is a budget medical insurance scheme backed by the Bristol Contributory Welfare Association since 1936.

Dental/orthodontic treatment may be claimed up to a maximum of £40 per person per annum.

Products Designed for Dental or Medical Treatment Which Cannot Be Used To Fund Orthodontic Treatment

Many financial products have been developed for general dentistry and there are likely to be many changes in the next few years. New products will continue to be developed, less successful products will disappear and mergers and take-overs are likely as the giants try to increase their market share. There is a wide variety of schemes available at the moment including capitation, insurance, company schemes and others which do not fall into any of the above categories.

Many patients ask if their scheme covers orthodontic treatment and it is therefore useful to know which schemes specifically exclude orthodontics. None of the schemes listed below presently cover orthodontic treatment.

Capitation

BUPA Dental Cover
Cost Care
Denplan Care
Densure
Highland Dental Plan
IndepenDent
Norwich Union
Selective Care Plan

Insurance

WPA Providential
DentoPlan (Group Scheme)

Scheme	Financial/parent Organisation	Telephone	Established	Type of Product	Finance for Orthodontics	Orthodontic Product	Dental Product	Medical Product
OrthoLine	Mercantile Credit	0153-527-1446	1994	Credit	Yes	Yes		
OrthoSave (BUPA) Ltd	Save and Prosper	0173-435-2227	1993	Saving and Credit	Yes	Yes		
Smile Saver Ltd	Sun Banking Corporation	0182-332-7070	1994	Saving	Yes	Yes	Yes	
Cigna	Cigna	0147-549-2222	1982	Medical/Dental Insurance	Yes	No		Yes
Clinicare Carte-Blanche	MIA-Strasbourgcoise	0143-874-773	1993	Private Medical Insurance	Yes	No	Yes	Yes
Clinident	MIA	0143-874-6868	1994	Payment Plan Software	Yes	No	Yes	
Hospital Cash Plus	BWCA*	0117-929-3742	1936	Budget Medical Insurance	Yes	No	Yes	Yes
Hospital Saving Association	HSA	0126-435-3211	1922	Medical Insurance	Yes	No	Yes	Yes
Practice Plan	Robert Flemings	0169-167-7966	?	Flexible capitation	Yes	No	Yes	Yes
First Medical Finance	-	0171-828-2000	1992	Credit Brokerage	Yes	No	Yes	Yes
Dental Care Card	Sydney Clode	0122-239-7422	1931	Credit	Yes	No	Yes	Yes
BUPA Dental Cover	BUPA	0120-231-1650	1993	Capitation	No	No	Yes	
Cost Care	-	0181-848-1028	1990	Capitation	No	No	Yes	
Denplan	PPP	0196-282-8000	1986	Capitation	No	No	Yes	
Densure	-	0125-522-1001	1986	Capitation	No	No	Yes	
Forecast-Den Care	-	0141-423-5178	1993	Annual Prediction	No	No	Yes	
Highland Dental Plan	-	0146-322-2999	1993	Capitation	No	No	Yes	
IndependDent	General Accident	0146-322-2999	1995	Capitation	No	No	Yes	
National Dental Plan	-	0171-480-7201	?	Company Insurance	No	No	Yes	
Norwich Union Dental Care	Norwich Union Health Care	0170-325-9400	1994	Capitation	No	No	Yes	
Providental	Western Provident Association	0182-362-3380	1993	Insurance	No	No	Yes	
Selective Care Plan	-	0147-563-1083	1990	Capitation	No	No	Yes	

* Bristol Contributory Welfare Association

Company Schemes

AMA Company Dental Care
 NDP - National Dental Plan
 BUPA Dental Choice
 Denplan Corporate Care

Other

Forecast - Den Care

Notes

1. BUPA and OrthoSave maintain a "confidential" approach to their future together.
2. DenPlan - Peter Swiss, Managing Director of DenPlan Professional Ltd mentioned an orthodontic scheme during a presentation to the Private Practice session at the British Orthodontic Conference in Bournemouth in 1995. He also said in print this year; "Developments are well under way to launch an orthodontic funding programme via the profession."

Discussion

In any group of paying patients there will be a spectrum of wealth where finance for orthodontic treatment represents a massive commitment or merely a drop in the ocean.

People may choose private funding schemes to help them afford treatment, however, they usually form a small sector of the market.

In any practice there is likely to be a healthy mixture of payment types which may include

1. Payment in full to the operator at the beginning of

treatment (with or without discount) which can be arranged directly between the practice and the patient.

If a third party is involved the orthodontist is paid in full at the start of treatment and the patient spreads the cost over several years by servicing a loan (OrthoLine, OrthoSave, First Medical Finance, Dental Care Card, Visa, MasterCard).

2. Payment over the duration of treatment by;
 - a) Initial payments and standing order/direct debit
 - b) Initial payments and quarterly invoice
 - c) Payment per visit
 - d) Interim payment 25% Final payment at end of treatment (As in GDS orthodontics by the Dental Practice Board)
 - e) As treatment progresses with saving prior to treatment starting and continuing until the end of treatment (OrthoSave and Smile Saver)
 - f) Via third party with regular contributions to an insurance scheme which then pays for orthodontic treatment as it progresses (HSA, Hospital Cash Plus, Clinicare Carte-Blanche, Cigna).

It has been pointed out that patients who need finance schemes are a higher risk, however, practices that offer flexible financing options can often increase their case acceptance rate, increase cash flow and reduce bad debts.

References

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