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THE EDITOR'S CORNER

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Direct Reimbursement Revisited

Whenever a third party – an insurance company, a managed-care company, or any administrative or fiscal intermediary – becomes involved with orthodontic care, a dollar amount is added to the overall cost of the care to account for the third party's expenses and profit. Somebody has to pay for the add-on. If the third party's customer is a group composed of those who use the orthodontic service and those who don't, and if the benefit to the group is an indemnity payment, then the group is footing the bill, with an unequally large subsidy paid by those who do not use the service. If the orthodontist agrees to accept a low fee from the third party, it is the orthodontist who pays. There is no free lunch.

Nearly 20 years ago, JCO announced its support for direct reimbursement of the cost of dental care – a new concept at that time. Because there was no money to be made in the marketing of direct reimbursement, the idea was not effectively marketed. That situation has now changed to some extent, and the prospects for direct reimbursement have become brighter.

As described by its originator, Dr. Kelley Carr, direct reimbursement is a non-insurance approach to dental benefits.1 Employees are reimbursed by their employer on presentation of a dentist's bill. All the mechanisms of fee schedules, submission of treatment plans and diagnostic records, prior authorization, limitations on covered procedures, and claims processing are eliminated.

The concept has become even more important to orthodontists since managed care has started to make inroads into the profession. As insurance companies did before them, managed-care organizations see economic opportunity in orthodontics. They add on their administrative costs (20-30% or more), and they also add internal costs for servicing patients with such coverage (estimated at 10-15%). In addition, they seek to lower treatment fees. Shedding these negatives alone would be a substantial gain to the specialty, but perhaps more important, there would also be a stop to the incursions of managedcare into the professional prerogatives of orthodontists.

Companies of all sizes are looking for ways to cut health-care costs, which have become a significant portion of business expenses. Direct reimbursement has so many advantages, it is small wonder that it is now beginning to gain acceptance. The wonder is that it took so long.

DR offers the following positives for the company:

- It is cheaper, because it does not include third-party administrative costs and profit.
- It is a much simpler benefit system to understand and administer.
- The benefit is paid directly from employer to employee.
- Employees are happier.

Advantages for the employees (patients) include:

- They are free to choose their own orthodontists (this is the number one issue among patients).
- No prior authorization is required.
- There are no restrictions on treatment.
- They can spend the benefit as they see fit.

For the orthodontist, the positives are:

- The whole rigmarole of dealing with several different third-party contracts is eliminated.
- Professional prerogatives are maintained.
- There are no low-fee schedules.
- Bills are paid immediately.
- Internal administrative costs are greatly reduced.
- The private, fee-for-service practice of orthodontics is preserved.

Direct reimbursement disengages the employer, the employees, and the orthodontist from involvement with third parties. There is still no free lunch, but the cost of administering a DR program is a mere fraction of the cost of any third-party program.

Any orthodontists who are not already involved in the AAO program to promote direct reimbursement ought to find out about it and become active in it–by finding leads among their patients, their acquaintances, and companies in their communities.

REFERENCES

1 Carr, W.K.: Direct reimbursement, J. Clin. Orthod. 12:792-795, 1978.