# Contracted Insurance: Inside the Rabbit Hole

To illustrate the irony that is contracted dental insurance, let's draw an analogy.

Let's say a dental practice is a clothing store. The dentist performs many procedures: comprehensive exams, crowns, root canals, etc. Each procedure represents a specific product. For the sake of the analogy, let's have a crown represents a nice suit.

In order to determine the how the insurance affects your Take Home Pay we must establish a few things:

- Who is the Seller?
- Who is the Buyer?
- Who Determines what the Buyer will Pay?

The **Seller** of the products is straight forward: the Dentist.

Who is the **Buyer** of the products? With contracted insurances the Buyer is *Not* the patient. The **Buyer** is the Contracted Dental Insurance Company**.**

And now for the fun part. Who **Determines** the price **Paid** for the products? Again, *it's the contracted insurance company* **–** they are ***Both the Buyer And the Determiner of the price Paid***.

This is analogous to a customer walking into a clothing store, ignoring the listed price for a suit and demanding it for their own price (while knowing full well the store is legally bound to sell it at that price.)

Let's run this analogy forward a bit. The dentist is Selling the suit for **$700**. The contracted insurance Buys the suit on behalf of the patient, Determining that the price Paid will be **$400**.

How does the dentist know how much she is making or losing with this product? She must know how much it Costs her to make the suit. If it Costs her **$500** she will lose **$100** with every transaction. If she sells **100** suits each year she will ***lose $10,000***.

In this case the dentist:

1) Hands out 100 suits for Free
2) Pulls $10,000 out of her personal bank account and gives it to the insurance

Obviously this setup is about as upside down as it can get. Yet it is how things currently work and is probably not going to change. However, there are ways to play the game and come out on top. To do so, the dentist must calculate specific financial numbers relating to her practice. For example, if she finds out it only costs her **$300** to produce the suit she will ***Take Home $10,000*** each year.

To stress the importance of the point let's look at this situation again:

- The dentist's price for the suit (the crown) is **$700**
- The contracted insurance is the Buyer
- It Determines the actual amount Paid: **$400**
- It Costs **$300** to make each suit
- There is a Gain of **$100** for every suit sold
- **100** suitss are sold
- In one year the dentist ***Takes Home $10,000*.**

This analogy represents the impact of just one product (procedure) & one insurance on Take Home Pay.

When dealing with insurances, you must throw out your fee-for-service price and work off of the price the insurance will pay in order to know if you are making or losing money (and how much.) It is not enough to simply figure the write-off percentage – this will not give you meaningful numbers.

In 2010, the average dentist carried about 7 insurances. The majority of dental production is made up of about 50 major coded procedures. For every major code you deal with you ought to factor in 3 things: 1) Your cost to perform it, 2) The time it takes to complete, and 3) The number of times it is done. You should also weight your calculations by the total number of procedures performed and the total hours worked over a specified period of time. In total, the number of calculations you need to work thru if you carry 7 insurances is, at minimum, about 1,000. It would also be prudent to know these numbers before contracting with any new insurances. Only after working thru these numbers will you know the financial impact of contracted insurances on your Take Home Pay.

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