Members will no doubt remember the frenzy following the publication by the HPCSA in September 2012 of tariffs for medical and dental services, and the subsequent actions to withdraw those tariffs and to embark on a new process for fee determination. The guidelines for the “new process” were published in October 2013 but, subsequent to submissions having been made in respect of this process, no further feedback has been provided by the HPSCA, nor have any further developments transpired in this matter.

Unofficially, it would seem that there will not be a publication of “guideline tariffs” for 2014 and time is also running out in respect of a publication for 2015. In the meantime, the Competition Commission has proceeded with its inquiry into private healthcare, which is due for finalisation by November 2015. It is assumed that the HPSCA efforts to publish “guideline tariffs” are on hold pending the outcome of that inquiry.

Historically there used to be two sets of tariffs in the public domain – the reimbursement rates offered by medical schemes, and the “ethical fees” determined by the professional associations (eg SAMA and SADA). In 2008, the “ethical fees” were declared anti-competitive by the Competition Commission and associations were prohibited from publishing tariffs.

This left a void in the market and members are still, seven years later, asking for “SADA fees” in order to determine their pricing schedules for the year. Whether there should be such fees in the market is debatable, with cogent arguments for and against. However, the fact of the matter is that we are currently practicing in the free market and this brings the responsibility to manage a business, and provides an opportunity to structure practices in such a way as to be sustainable whilst responding effectively to the needs of a particular target market.

“Opportunity is missed by most people because it is dressed in overalls and looks like work.” – Thomas Edison

During the recent DPL roadshows, I have delivered a presentation on practice sustainability and have used D-CALC™ as a tool to simulate various practice scenarios in determining appropriate fee schedules. Also, following the roadshow, SADA made available six contact sessions by teleconference in order to advise those members who needed assistance with using the tool.

I have to admit that I have been surprised and disappointed in the views expressed that the tool requires “too much effort” in order to get to a pricing schedule. As for the contact sessions, we have had not a single member dialling in to the teleconference on any of the sessions to request assistance. I appreciate that, for clinicians, this may not be the most exciting way to spend three hours, but surely, if one’s financial sustainability is at stake, an effort to understand one’s business may be the best investment of time available.

Like every other business, dentistry should return a profit, but many dentists still practice with the view that their own remuneration is whatever is left at the end of the month after all their practice costs are covered. For many of our members, there is no distance between themselves and their practices and, as such, they don’t provide for a salary for themselves in their costing process or for a return on the capital invested in the practice. As a result, many dental practices are not adequately positioned for sale and the dentists therefore have very limited provision for retirement.

As mentioned in the recent roadshows, the solution to the quest to achieve greater profitability and practice sustainability is not to be working more and more clinical hours. Rather, the solution is rooted in an understanding of your patient base, their preferences and the cost drivers in each individual practice. Clinical procedures have a plan and a process – if you skip a step, you are in trouble – and it is no different with business management.

D-CALC™ is a simulation tool to assist dental practitioners to find the balance between costs and pricing. It has been developed on the principles of Activity Based Costing (ABC) and, by inputting practice-specific costs and procedures, it responds dynamically to the individual practice to translate those costs into procedure pricing.

It is important to understand that there is no such thing as exact cost or true cost. Most cost information is based on informed estimates, which could be obtained from financial statements and a practitioner’s understanding of his/her practice. Also, there is no one correct way of calculating costs - there are various
cost accounting methodologies available for use. Activity Based Costing is, however, the methodology most commonly used in the Health sector for procedure pricing.

D-CALC™ is not a prescribed list of fees but, by using it, practitioners will have a better understanding of the ideal procedure for determining pricing in their specific practices, as well as the ability to simulate various other practice models that may result in a sustainable practice. Also, this will give practitioners a tool to assess the feasibility of contracting with a specific medical scheme.

Increasingly, the challenge of the future will be how to increase production while containing costs.

D-CALC™ provides the opportunity to run various scenarios and practice models to respond to the ongoing changes in the environment, whilst still providing for a decent income and a return on investment. But, this opportunity comes at the cost of time – time to understand and engage with the business of dentistry, as opposed to a reliance on some externally calculated set of tariffs that may not be of any relevance to your practice.

I wish to challenge all our members to become active and engaged in the business of dentistry and, in doing so, to contribute to the future and the sustainability of the profession as a whole.

“The business world has come to dentistry and those who do not run excellent businesses – both dental practices and labs – may struggle. Dentistry will be fine, but dentists and their dental laboratories will have to learn to run better practices.”

– Roger Levin, CEO Levin Group, Maryland