7 STEPS TO DROP YOUR BAD PPOs

Do some math

Now it's time to do some math to determine which PPOs are working for your practice and which are not. This will help you decide which PPOs to keep, which to renegotiate and which to drop. You will also determine how many new patients you need to attract to replace the patients that you anticipate will leave. Please note, most practices need help doing the math, and it can be done in multiple ways. Below is a method used by our partner Five Lakes Dental Practice Solutions, who are experts in this process.

Step 1: Analyze PPOs and determine which plans to keep, renegotiate and drop

1. For each PPO, create a table with the following columns: CDT Code, Procedure Description, UCR Fee, PPO Fee and Procedure Frequency (last calendar year).

2. For each PPO, calculate the **Weighted Average Discount**:

    - Create an **UCR Revenue** column that equals UCR Fee multiplied by Procedure Frequency.

    - Create a **PPO Revenue** column that equals the PPO Fee multiplied by Procedure Frequency.

Kleer LLC © 2020

- Create a **PPO Discount** column that equals UCR Revenue minus PPO Revenue, divided by UCR Revenue. This will show the average discount for each CDT code.
- Calculate the **Weighted Average Discount** across all of the CDT codes by subtracting the total of the PPO Revenue column from the total of the UCR Revenue column and dividing it by the total for the UCR Revenue column.

3. Create a table summarizing the data you have collected for each PPO and use it to determine which plans to keep, renegotiate and drop.
    - The table will include Insurance Plan Name, Number of Patients on the Plan, Annual Production per Patient and Weighted Average Discount.
    - Isolate the plans with a low Weighted Average Discount, high Number of Patients on the Plan and high Annual Production per Patient. These are the plans you will keep.
    - Isolate the plans with a high Weighted Average Discount, low Number of Patients on the Plan and low Annual Production per Patient. These are the plans you will drop.
    - The remaining plans will be renegotiated.

Step 2: Determine which fees to renegotiate

- For the plans you want to renegotiate, increase the PPO Fees of the high frequency, highly discounted procedures to see if you can improve the Average Weighted Discount so that the plan works for your practice. For example, does moving D1110 from $43 to $54 move the Weighted Average Discount for the insurance plan to a better place? If you can come up with a manageable number of fee increases that make the plan work for your practice, you will want to engage the insurer and renegotiate the price of those high frequency procedures. If that's not possible, the plan should be dropped.

Kleer LLC © 2020

Step 3: Determine how many new patients you will need to attract to break even for each PPO you drop

1. Assume a patient **Retention Rate.** Practices typically use a retention rate of 25-50%, but it is up to you. Retention will depend on patient loyalty to your practice, the difference between UCR and PPO fees and how well you help patients that are affected.
2. Calculate the **Financial Impact** of leaving the PPO by multiplying the Number of Patients You Expect to Leave by the Annual Production Per Patient for that PPO.
3. Calculate **UCR Revenue per Patient** by dividing the total of the UCR Revenue column by the Number of Patients on the Plan.
4. Calculate the **Number of New Patients Needed** by dividing the Financial Impact by the UCR Revenue per Patient.

Kleer recommends you connect with Five Lakes if you are considering leaving plans and want to do it the right way to avoid losing too many patients, negatively impacting cash flow or create too many holes in the schedule.
Visit www.fivelakespro.com.

Kleer LLC © 2020