

# Corporate Dentistry: A Global perspective

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**Abstract** – A corporation is a legal entity that is created under the laws of a state designed to establish the entity as a separate legal entity having its own privileges and liabilities distinct from those of its members. Corporations have existed in almost every profession and dentistry was not far behind. When patients visit a dental office they expect a diagnosis and resolution of the problem. They expect to leave the office with their problem solved completely, with minimum physical and psychological discomfort, and at a reasonable cost. The success of a dentist in providing oral health care quickly, completely, painlessly, and at a reasonable cost requires the collaborative effort of what can be referred to as the dental enterprise. The future of corporate dentistry in many countries including United States and India remains uncertain. There is a need of clear and well defined laws regarding the opening practice of these set ups. Well articulated laws will not only be beneficial for dental surgeons and the corporate industry but will also be seen as a welcome move by the dental patients.

**Keywords** – Corporate dentistry; Dental corporate, Indian dental industry; Review

## Introduction

The word corporation derives from *corpus*, the Latin word for body, or a body of people. A corporation is a legal entity that is created under the laws of a state designed to establish the entity as a separate legal entity having its own privileges and liabilities distinct from those of its members. There are many different forms of corporations, most of which are used to conduct business. Early corporations were established by charter (i.e. by an *ad hoc* act passed by a parliament or legislature). Most jurisdictions now allow the creation of new corporations through registration.<sup>1</sup>

An important (but not universal) contemporary feature of a corporation is limited liability. If a corporation fails, shareholders normally only stand to lose their investment and employees will lose their jobs, but neither will be further liable for debts that remain owing to the corporation's creditors. Despite not being natural persons, corporations are recognized by the law to have rights and responsibilities like natural persons. Corporations can exercise human rights against real individuals and the state, and they can themselves be responsible for human rights violations. Corporations are conceptually immortal but they can die when they are dissolved either by statutory operation, order of court, or voluntary action on the part of shareholders.

## Characteristics, governance and taxation of business corporation

Although corporate law varies in different jurisdictions, there are four core characteristics of the business corporation: Legal personality, limited liability, transferable shares and centralized management under a board structure.<sup>3</sup>

There are two broad classes of corporate governance forms in the world. In most of the world, control of the corporation is determined by a board of directors which is elected by the shareholders. In some jurisdictions, such as Germany, the control of the corporation is divided into two tiers with a supervisory board which elects a managing board. Germany is also unique in having a system known as co-determination in which half of the supervisory board consists of representatives of the employees. The CEO, president, treasurer, and other titled officers are usually chosen by the board to manage the affairs of the corporation.

In many countries corporate profits are taxed at a corporate tax rate, and dividends paid to shareholders are taxed at a separate rate. Such a system is sometimes referred to as double taxation, because any profits distributed to shareholders will eventually be taxed twice. One solution to this (as in the case of the Australian and UK tax systems) is for the recipient of the dividend to be entitled to a tax credit which addresses the fact that the profits represented by the

dividend have already been taxed. The company profit being passed on is therefore effectively only taxed at the rate of tax paid by the eventual recipient of the dividend. In other systems, dividends are taxed at a lower rate than other income (for example, in the US) or shareholders are taxed directly on the corporation's profits and dividends are not taxed.<sup>2</sup>

## **Corporate in dental enterprises**

### **Not for profit dental corporations: United States**

Corporations have existed in almost every profession and dentistry was not far behind. When patients visit a dental office they expect a diagnosis and resolution of the problem. They expect to leave the office with their problem solved completely, with minimum physical and psychological discomfort, and at a reasonable cost. The success of a dentist in providing oral health care quickly, completely, painlessly, and at a reasonable cost requires the collaborative effort of what can be referred to as the dental enterprise. Dental enterprise includes the dental schools, dental associations, dental industry and a number of dental government agencies.

National Association of Dental Service Plans was formed in United States in 1966 with staff and financial help from ADA. The name became Delta Dental Plans Association (DDPA) in 1969, and most of the member corporations became known as the Delta Dental Plan for the particular state.<sup>4</sup>

A dental service corporation is a legally constituted not for profit organization, incorporated on a state by state basis, that negotiates and administers contracts for dental care. The original dental service corporations in most states of United States known as Delta Dental Plans were sponsored by the constituent dental societies in each state where they were initially formed.<sup>5</sup> Blue Cross and Blue Shield organizations also began organizing dental plans in many states in US which also were organized as not for profit service organizations.<sup>6</sup>

### **For Profit dental corporations: United States**

Once prepaid dental plans were viable and were likely to be significant part of health insurance market, commercial insurance companies began to view dental insurance as a potential profitable area of business. The fundamental point about commercial insurance companies is that they operate for profit. Therefore it might be expected that commercial insurance companies would need to charge high premiums than would the service corporations to allow for the profit margin. However this is not necessarily true for a number of reasons. Because there are so many different for-profit dental insurance carriers, collectively more people have dental insurance from commercial insurance carriers than any other type of carrier.<sup>5</sup>

Commercial insurance is often designated as an indemnity plan, meaning that cash payments are made to the providers, rather than as a service benefit

plan. This allows the commercial carriers to organize reimbursement differently from the way that dental service corporations usually do. Dentists in most cases are not paid according to their usual customary fees by a commercial insurance company; rather, the carrier develops fee profile.

### **Dental corporate in United Kingdom**

Dental bodies corporate are corporations entitled to practice dentistry in the UK. They are a unique class of corporations. Originally they were limited in number by the Dentists Act 1984, but their status has changed following the 2005 Amendment to the Act. An order to amend the Dentists Act (1984) was made in July 2005 which removed key restrictions on Dental Bodies Corporate (DBC's). Prior to these changes 28 DBC's existed and they formed the General Dental Council's (GDC) list of DBC's. This list is now defunct.<sup>7</sup>

Any corporate body can now carry out the business of dentistry provided that it can satisfy the conditions of board membership set out in the amended Dentists Act. One intended objective of the amendment was to require a majority of the directors of a DBC to be registered dentists or registered Dental Care Professionals (DCPs), or a combination of dentists and DCPs. A person whose name is currently erased or suspended from one of the specified statutory registers will be committing an offence punishable by a fine not exceeding level 5 on the standard scale set in UK law if he/she is the director of a DBC.

The GDC is not a licensing body and a corporate body does not require its approval to set itself up as a DBC. Therefore, while considerations have been given establishing a list of all corporate bodies carrying on the business of dentistry under the provisions of the amended Dentists Act, such a list would have limited regulatory impact. This has no impact upon the ability to incorporate in accordance with the Dentists Act.

### **Corporate dental clinics in India**

The common misconception about corporate setup is that, they are run by big traditional business houses. It may be true in current situations as few business houses have realized the potential of organized dental market and directly entered the scene, but there is a lot of scope of smaller groups to participate as well. Setting up a highly standardized dental clinic in India is an expensive practice and that's why most of such setups have evolved in smaller partnerships with corporate governance as central theme.

Dental corporate in India have come into the picture mainly in the last decade. A corporate trend has evolved in presence of traditional standalone clinics because the most important stake holder, i.e. the patient in this case expects high value delivery in all the aspects of health care. The corporate has a capacity to bring with itself a high and sustained investment in latest machinery and latest technology

in medical field, which is of chief concern to the present day patient. The advancement in plant and machinery, smaller but critical aspects of dentistry, like vehicle parking space, appointment based practice, reduced waiting time add to the comfort of the increasingly demanding individual. Health care coverage is also a significant perk in most the companies for its employees. By virtue of similar operational ideology, such companies prefer to choose and engage corporate setups to outsource such facilities for their employees. Human resource issues and availability of skilled manpower in India is also an important factor for graduates and specialist to choose working in corporate setups as career options. Benefits of fixed income, defined working hours, paid leaves, team support, skill up gradation and no cost bearing for rent and equipments makes such a choice exceptionally viable. Recently firms such as Bajaj global allianz, global graphics, Ispat industries, DX technologies, and provogue are among the new emerging dental corporate partners in India.<sup>8</sup>

India, as of now has no clear statutory law by the governing dental boards which restricts or permits the corporate dental practices. Though the future of dental corporate seems bright in India yet the dental boards need to come out with clearly defined and well articulated laws regarding corporate set ups and practices.

### Corporate Menace

One of the major birth places for corporate dentistry is Texas. Around 1995, Texas allowed managed care programs or HMO's (Health Maintenance Organizations). The insurance companies quickly created and sold these dental programs to employers. However, there was one big problem. General dentists would not sign up to be a provider because the fees were too low and the dentist would be forced to do managed neglect not managed care. The insurance companies, primarily Aetna, decided that they could establish needed offices by guaranteeing a monthly income to a practice in Aetna's preferred location. There were a couple of dentists in Texas who took them up on the offer.<sup>9</sup>

Corporate dentistry refers to an emerging business model where a corporation runs the business side of a practice and hires licensed dentists as employees. This model tends to attract younger dentists who are newer to the practice of dentistry and not as familiar with the corporate practice structure. The compliance staff has made it a regular part of their presentations to dental school classes to remind them that as a licensee they, not the corporation, are accountable for meeting board requirements. Such employment relationships can be very challenging as often the employed dentist may not have access to the patient records, the financial documents, or even the office after business hours.

Under these corporate practices, the insurance companies list the dental provider as the corporate entity, not a licensed dentist. Under the HMO dental

plan, if a patient calls for free or low fee cleaning, they are told there is a one to two year waiting list. If you complain to the dental board, their response is they only control licensed dentists not corporate practices.

The insurance companies further try to enhance their profits by using these offices to keep costs low in this economy. In this economy employers are dropping their Preferred provider organizations (PPO) dental insurance for the cheaper HMO policies. Dental insurance companies can then assign these PPO patients, who use to have freedom to choose their dentist, to these corporate offices. Dental insurance is always beneficial to the insurance companies. It is non catastrophic unlike health insurance. It is rarely cost effective for the insured.

The sudden closure of Allcare dental, a corporate dental practice with offices in Iowa has left many patients unsure about their continued dental care. The Iowa Dental Board, the state board that oversees the licensing and regulation of the dental profession, has been advised by the Iowa-licensed dentists formerly employed by Allcare that they are now working to provide for a smooth transition of patient records and care. Under current law, the Iowa Dental Board licenses only dentists, not business corporations. The Board holds all Iowa-licensed dentists responsible for maintaining patient records and ensuring there is no abandonment of patient care. Working for a corporate dental practice does not relieve a licensed dentist of responsibility for complying with the standards of patient care and principles of professional ethics established by the Board. With no direct control over the business practices of the corporation it can be very difficult for a licensed dentist to meet the board's requirements.<sup>10</sup>

The Board has seen an increase in complaints in connection with corporate dental practices. The types of complaints include both continuity of care issues and issues related to the business aspects of the practice. Often the employed dentists are not aware that they are still fully responsible. For example, the Board adopted rule amendments in October, 2010 to address inappropriate patient billing practices. Under these new rules, a dentist is not allowed to pre-bill a patient for services not yet received. However these rules apply only to the licensed dentist, not the corporation that is running the dental business.

### Conclusion

The future of corporate dentistry in many countries including United States and India remains uncertain. There is a need of clear and well defined laws regarding the opening practice of these set ups. Well articulated laws will not only be beneficial for dental surgeons and the corporate industry but will also be seen as a welcome move by the dental patients.

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