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The role of payments systems in influencing oral health care provision

N Woods*

Abstract

Introduction

The unique characteristics of dental disease, such as its predictability, non-communicability, ease of diagnosis, and its extensive prevention possibilities, should result in greater cost control and an expectation of a better operation of the market mechanism than in general health care. These differentiating features, however, also increase the likelihood that services are over-consumed and/or over-provided. The most influential feature determining efficient resource use in health care provision is the type of payment system. A per capita system serves as a link between the dentist’s future income and service provision, and provides equity in terms of coverage and access. The result is that patients may benefit from fewer unnecessary treatments, and encounter more preventive activities. The system is limited by the potential for under-treatment and problems with patient selection.

With fixed salary, the dentist’s income is independent of service provision, with incentives for low production, which leads to high costs per patient. Salaried dentists generally provide more prevention services, and allow the targeting of services to priority or ‘special needs’ groups. The patient benefits from the greater equity of a service and the location of services can be determined by community needs. Fee-per-item is the most common payment system in dental service provision for adults, where the dentist is rewarded according to the amount of work undertaken. Fee-per-item removes the incentive for supervised neglect or to cherry pick patients. It also solves the problems of patient selection and under-treatment, associated with capitation financing. Fee-per-item can encourage the use of services by patients on the advice of the dentist with the result that costs can be inflated with little impact on oral health itself. In the absence of a system of probity, dentists can manipulate demand and set fees, and provided moral hazard can occur in the form of supplier inducement. This review discusses the role of payment systems in influencing oral health care provision.

Conclusion

The optimal dental contract may be a ‘blended’ payment system whereby dentists receive a proportion of their income through capitation, a proportion from allowances and proportion from fee-per-item of service.

Introduction

Dental care has unique features that distinguish it from health care in general. Diseases are relatively few and tend to be more predictable. Dental care is rarely in response to a life threatening occurrence and untreated disease rarely has dramatic consequences on an individual’s health. Dental diseases are relatively easy to diagnose giving the patient more time to plan and take treatment decisions. Disease is non-communicable and there is much greater scope for prevention. As a result of these distinctive features, one would expect a market mechanism to perform better in dental care than in other health services as dental disease across individual’s can be treated as independent. A feature of market economies is that, in the presence of externalities such as communicable disease, markets fail to allocate goods and services efficiently. The non-emergency nature of most dental care, the ease of access to relevant information for treatment decisions via X-rays, the different treatment alternatives with varying costs, make it possible to control costs and for a more efficient market mechanism. However, the distinguishing characteristics of dental care also increase the likelihood that services are over-consumed and/or over-provided.

Among the leading strategies to reform health care is the development and implementation of new payment models. The goal is to change the way physicians, dentists, hospitals, and other care providers are paid in order to emphasise higher quality at lower costs—in other words, to improve value.

Payment systems

When evaluating payment models, the framework used was how well the various payment systems support the attributes of value-driven health system where health is maximised and care is: patient centred, efficient, safe and effective, timely and assessable, accountable, innovative and coordinated across providers and facilities. The choice of payment system is the key issue for efficient resource use in health care provision. The term ‘payment system’ denotes the body of price regulation existing in the market for dental services. A dentist or

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Critical review

Physician’s incentives depend on the combination of payment basis, payment schedule and, to lesser degree, the payment procedure. A ‘payment basis’ is defined as the level of the payment in a certain period of time, which is remuneration for costs incurred. This is influenced by the hours worked by the dentist, use of equipment, prescription drugs, rent, heating and electricity used in the practice. The ‘payment basis’ also includes the number and types of service provisions, the number of treatment episodes, treated patients and potential patients. The ‘payment schedule’ is a function that connects revenue with the components making up the payment basis. The ‘payment procedure’ is generally referred to as the institutional mechanism of reimbursement.

Different types of payment systems can be used as a means of influencing both consumer and dentist behaviour. Consumer incentives derive from the interaction of individual preferences. Constraints limiting their preferences, such as income and prices, are also influenced by the health status of the individual, as poor health can lead to a loss of income. Consumer incentives are revealed in terms of the exertion of preventive effort, the decision to initiate an episode of care, and the selection of provider. Dentists are generally remunerated in three different methods: per capita, fee-per-item and fixed salary, and these can be used as a means of influencing dentists’ behaviour to provide higher quality at lower costs.

**Per capita remuneration**

A per capita payment system is mainly used in primary care and is suitable in terms of exchequer financing, because the price and quantity are agreed at the commencement of contract. The system maximises efficiency with the incentive to drive down costs, thus maximising profits. At contract renewal, the government agency can negotiate down the price on foot of these reduced costs. In a per capita system fewer dentists are required; education and training costs are reduced, thus reducing public expenditure. Patient access and coverage should more equitable. Society should benefit from a greater mix of patients being seen and the dentist may have more time to interact with patients and to device dental plans to suit their needs. A per capita system separates the link between the amount of service provided and financial reward. Relative to fee-for-service, capitation may encourage more preventive activities as the dentist’s future income is not dependant of service provision.

The main drawback of per capita remuneration involves the possibility for patient selection and under-treatment. Clearly, the dentist should not have a role in patient selection. To avoid patient selection problems, a well-defined and balanced patient population should be allocated randomly to the dental practice. However, with per capita systems patients are generally allocated geographically. This method of patient allocation may induce bias as a patient pool with a concentration of rural patients may have more dental disease as rural dwellers generally have less exposure to fluoridated water supplies. Problems of patient selection and under-treatment can be limited by risk adjustment of the per capita fee. If patient groups with high-levels of treatment needs can be identified, then these characteristics can be used in order to differentiate the per capita fee. The differentiation must not be based on characteristics that the dentist can manipulate. With a fixed pool of patients for an agreed remuneration dentists have an incentive to under-treat to save costs. A per capita system can lead to what is termed supervised neglect. However, the evidence per capita system for the treatment of children in the General Dental Service in Britain found no evidence of systematic neglect among those treated, but they had fewer fillings, more untreated diseased teeth and similar disease levels to their counterparts treated under fee-for-service. Administration costs in a per capita system are often high and where the population is scattered widely, the population base may be too small to ensure that dentists receive a sufficient per capita income.

A weakness of a per capita scheme identified in different studies is that the quality of the treatment provided can be reduced. Since dentists get a fixed fee per patient under supervision, their financial rewards are positively correlated with the number of patients. The economic incentive is to minimise the time spent per patient in order to maximise the panel of patients. That may result in untreated dental disease. A further weakness is that the dentists have less time for prevention, for giving advice, or for carrying out preventive procedures such as fissure sealing.

The most recent evaluation of a per capita payment scheme has been undertaken in Norway in 2012. The authors found that a per capita scheme did not result in a fall in the quality of dental care. However, the number of observations in this study was small and the project was publicly financed.

**Fee-per-item remuneration**

Fee-per-item remuneration rewards the dentist according to the amount of work undertaken. Dentists are paid a ‘piece-rate’ for each individual treatment carried out, with specified fees unbundled for each type of treatment (fillings, extractions, crowns, bridges, dentures, etc). With fee-per-item the emphasis is on productivity and it encourages the delivery of care and maximising patient visits. As a payment mechanism, it supports accountability, and it is relatively flexible in that it can be used regardless of the size or organizational structure of a dentist’s practice, or the geographical location of care. With fee-per-item remuneration, it is easier to ensure quality, and it also solves the problems...
Critical review


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This increases the likelihood of poor oral health and increases the probability of requiring dental services. The zero cost at the point of consumption as a result of insurance encourages a higher rate of utilisation than would otherwise be efficient. This creates a gap between the costs of what is provided and the value or willingness to pay for it. The over-consumption of services results in a welfare loss to society as a whole. Consumer moral hazard can be counteracted by a copayment system, whereby the patient pays some fraction of the dental fee. This provides a financial incentive to prevent oral disease and reduce consumption of dental services. Dentists’ behaviour can be influenced by the type of graduate education, organisation of dental services at the clinical level, and accountability with the system of delivery (proby).

Conclusion
The optimal dental contract may be a ‘blended’ payment system whereby dentists receive a proportion of their income through capitation, a proportion from fee-per-item, and proportion from fixed salary or allowances. The per capita element would ensure more equity in access to dental services for the whole population and encourage prevention. The proportion from fee-per-item would maximise productivity and patient visits. The proportion from fixed salary or allowances should be performance related with financial incentive associated with achieving defined and measurable goals related to care processes. This may encourage dentists to form group practices.

A ‘blended’ payment system with an adjustable incentive formula, negotiated between the dental association and the agency providing remuneration, will act to counteract any variation in either patterns of treatment need or geographical variations. The fee-per-item element could have the highest weighting where the population of high-risk to caries patients was the greatest. The per capita element could have the highest weighting in areas with the highest dentist to population ratios, and thus reduce the likelihood of supplier inducement. The blend of incentives can be adjusted periodically based on the requirements of policy makers.

References