

# How do insurance companies create the UCR?



By Udell Webb, DDS

Seventy-Nine percent of dentists are charging LESS than many policies will pay... This information could dramatically change your income

Many dentists set their fees based on what insurance companies will pay. But how do the insurance companies set the UCR? With the following information on how insurance companies derive the UCR specific areas and zip codes, you could recoup significant income that is currently being overlooked.

## How it all starts

Insurance companies record the fee numbers submitted by the practitioners on dental claims. They then "sell the numbers" to a company, such as the Health Insurance Association of America (HIAA). Since HIAA is not an insurance company, it can compare and analyze fees without worry of restriction of trade litigation. HIAA collects millions of claims, collates the data, and breaks it down into zip code areas (the first three digits, e.g. 900 for LA), breaks the data into percentiles and then "sells" the data back to the insurance companies. There is no such thing then as ONE "usual, customary, or reasonable" fee. It is a huge hoax perpetrated by the insurance industry upon the dental profession. There are those who would offer to sell you "THE UCR" for your zip code. Please understand one single number does not exist. The only thing that exists is a range of fees based upon percentiles. A list with a single set of numbers is not a legitimate UCR table. The table must reflect different percentile levels in order to be authentic. Remember, percentile range and zip codes are critical factors in determining how much an insurance company will reimburse for a particular plan.

## What is percentile?

A percentile simply means, "How many out of 100 did you beat?" For example, the 80th percentile is a number in which 80% of all fees fall below and 20% fall above.

Remember the SAT exam in high school? Suppose 8,935 people took the exam on May 1, 2000 and the test contained 731 questions worth one point each. Suppose your child received a raw score of 698. Although we could calculate the percentage, it would essentially be meaningless. The people at SAT convert raw scores into percentiles. Percentile tells you how many people out of 100 that your child scored higher than. A 93rd percentile tells you that out of every 100 who took the test, your child scored higher than 93 of them.

The insurance industry sells policies with premiums based upon the scope of coverage purchased, including the percentile ranking of fees charged.

## Employers purchase varying percentile levels

Here's a simple example for clarification. During the initial boom years, ACME, a computer firm, purchased a policy in the 90th percentile for their employees' insurance coverage. The lucky

ACME employees' could go to 9 out of 10 dentists in town and have their teeth cleaned without ever reaching for their checkbooks. Because ACME had purchased the coverage at the 90th percentile, the entire cleaning was covered. The following year though, in an effort to reduce costs, ACME decided to lower the percentile and only cover their employees' at the 70th percentile. ACME employees receive a new insurance booklet but the code for a cleaning-01110 is still listed at being covered at 100% of the UCR. When ACME employees try to use their coverage for a cleaning, they now find that only 7 out of 10 dentists in their area will completely cover the fee and not exceed the listed UCR. Three dentists in their area will request more money after their insurance benefits are applied to the cost of the cleaning. The UCR reflects not only the average, mean, median or mode fee but also the percentile of the policy coverage.

## You will not lose patients if you exceed the UCR, but you WILL LOSE MONEY!

You can take advantage of this information by recognizing if your fees exceed the UCR, you are not charging more than all the other doctors in your area but you are charging more than one cheap employer's percentile level. Lincoln National Administrative Services Corporation on an EOB received at my own practice stated, "This action is not an attempt to establish a fee nor to discuss the propriety of the provider's charge, but the expression of the obligation accruing under your plan. Please refer to your plan booklet for further information." That is a good quote to have on hand to show to a patient. It is a good quote for you to remember when setting your fees.

The 70th and 80th percentiles of coverage are the most commonly sold. You can now see there are several different UCR levels in your area—based upon percentile. In the past there were problems when a company reimbursed at the 70th percentile and someone exceeded that level. For a different policy in your same area, the company could have paid at the 80th percentile, or 90th, but because your office was told once that it exceeded the UCR (at the 70th percentile) you lowered your fee or failed to raise your fees. By definition, 69% of the dentists are charging LESS than the typical policy would pay. Seventy-nine percent of the dentists are charging less than many policies would pay. If you submit a charge for less than the policy allows, they don't send you a note saying you could have been paid more! It's just like the popular online travel reservation system, Priceline. Once you name your price, that is what you will be charged—even though you may have been able to get that 5-star hotel in the Caribbean for \$80 less!

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### Time to check your EOBs

Take out some of your EOBs and find out how the percentile policies are being paid. If you are charging \$60 for a procedure, and you were paid based on that \$60, you now know that your fee is too low, or at least it is less than the UCR at that percentile. Now check other plans with other group numbers. If you are being paid based upon the same \$60 for all the plans you check, you are without a doubt at a very low percentile ranking. You should be able to find a number very close to your fee on the new UCR table. That will tell you the approximate percentile that your fee falls under. Based upon the insurance reimbursement only, you would need to seriously consider raising those fees. If you are only 10% too low on only 10% of your commonly charged fees, you could be losing \$10,000 to \$50,000 per year or more! If you are charging—say \$100—for the same code and they are paying based on \$75, what do you know? You know that the UCR at that percentile is \$75. Now, look up \$75 on the UCR information and identify which percentile ranking this represents. A day or two invested in the study of your fees relative to UCR and percentiles could yield several thousands of dollars per month in increased revenues.

### Learn to easily set your fees

The following numbers represent an actual 2000 UCR table for a Southern California zip code area.

#### 2790 CROWN-FULL CAST HI NOBLE METAL

50th percentile	679.71
70th percentile	699.95
75th percentile	709.95
80th percentile	720.46
95th percentile	778.73

As you can see, there is \$99 dollars difference between the 50th and the 95th percentile. Now, suppose that you live in this area. If you submitted a fee of \$800, each company or group would reveal their UCR-percentile level to you because they would pay their maximum amount that is

referred to as the UCR. For a group number that pays at the 70th percentile, they would reimburse based upon 50% (typically) of \$699.95. If you took this to be "the" UCR and set your fees based upon this number, you would lose \$53 per crown for any policy that paid at the 90th percentile and \$79 for all crowns done for the lower fee that could have been paid at the 95th percentile. Even at the 80th percentile you would lose \$21 dollars per crown. Take the middle number of \$53 per crown.  $\$53 \times 2$  crowns per day  $\times 5$  days per week = \$530 per week  $\times 50$  weeks = \$26,500 per year on one procedure alone. Suppose you were off 10% on all of your fees. It is not hard to see \$100,000 lost by being afraid of exceeding the UCR. Stated more positively, now that you know the UCR percentile levels, you should increase your income very significantly without increasing your workload. Simply choose the percentile level that fits your practice the best. All of this new money falls into the profit category, since there is no increase in overhead to accomplish this increased income. So, how about an extra \$100,000 per year? Start using your new information today!

### What about Delta Dental and submitting a fee schedule?

In the past, without the UCR information, setting fees for Delta Dental and similar companies was a pure guessing game. Now you have tools to compare the relative values of fees. Delta Dental of California announced in the late 1990's they were going to pay at the 80th percentile. Of course, there was really no way of verifying that fact. It was like playing the card game "21." The dealer, Delta Dental, never had to show their hand. You submitted your fees and they told you whether you won or lost, without disclosing their hand.

Today, you have the UCR and percentile information that is used by most of the insurance companies. You can easily compare your Delta Dental fee schedule with the 80th percentile in your area. You

should definitely keep your approved fees, if they are above the 80th percentile. If they are lower, you should consider raising them and you can use the UCR numbers as a guide.

In most states, my research indicates Delta uses their "approved fees" or "submitted fees" as the basis of their percentile. It is very common for their 80th or 90th percentile to be equal to or less than the 70th percentile of all fees submitted to all companies in your area. The 70th percentile of all submitted fees becomes the 80th or 90th at Delta.

Now that you understand how the UCR is established, review your fees based on care, skill, judgment...and keep a steady eye on the UCR for your area. Compare your fees to see if there are any codes or code groups significantly lower or higher than the UCR at the same percentile. If this is on purpose, don't change simply because they are different. If not, perhaps this is an area to adjust your fees to allow for a higher fee in the areas where you provide the most services. **DT**

Udell Webb, DDS is a nationally recognized expert in the area of dental insurance management. His answers are based on 25 years of painstaking research into dental insurance issues that challenge practices daily. He is not an attorney, an insurance company employee or licensed by any group or agency to answer insurance-related questions. If you seek legal advice, contact your favorite legal expert.

Dr. Webb is a 1976 graduate of Baylor College of Dentistry, Dallas, Texas.

If you have additional questions concerning this topic or would like to obtain **personalized UCR Tables** for your particular zip code, contact Dr. Webb at: **(877) 628-3366**