

Q6

(i)

The dental plan may have been proposed to provide patients with predictable and manageable dental care costs, making treatment more affordable and encouraging regular visits. It can also help the practice generate a stable and consistent income stream, improve patient loyalty, and reduce the risk of patients avoiding treatment due to high one-off costs.

(ii)

The assumptions for pricing the dental plan could be set by analysing historical data and making informed estimates about future usage and costs. Key steps include:

- Estimating the average number and type of treatments a typical patient receives in a year
- Calculating the total cost of these treatments based on the agreed fee schedule
- Considering the demographic and oral health profile of the patient base to adjust for expected treatment needs
- Including a margin for administrative costs, inflation, and profit
- Factoring in the potential for adverse selection, where patients with higher treatment needs may be more likely to join
- Reviewing competitor pricing and market conditions to ensure competitiveness and affordability

(iii)

The risks to the dental practice of offering this plan include:

- **Underpricing:** If the monthly fee is set too low, the income from the plan may not cover the cost of treatments provided.
- **Overutilisation:** Patients may use more services than expected since they don't pay per visit, increasing the practice's workload and costs.
- **Adverse selection:** Patients with higher expected dental needs may be more likely to join, leading to higher-than-average costs.
- **Revenue variability:** If too many patients opt for the plan, income may become less responsive to the actual number of treatments delivered.
- **Inflation and cost increases:** Rising costs of materials, wages, or overheads may not be matched by the fixed fee if not accurately anticipated.
- **Administrative burden:** Managing and servicing the plan adds complexity and may require additional resources or systems.
- **Patient dissatisfaction:** If the plan excludes certain treatments or patients perceive they are not getting value for money, it may lead to complaints or cancellations.

