



STRATEGIC RISK ALTERNATIVES

STRATEGIC RISK ALTERNATIVES' DENTAL PROTECTION PLAN



DENTAL PROTECTION PLAN

In today's ever changing environment, it's important for any successful business to develop a competitive advantage in the marketplace and mitigate the risks that come along with day to day practice operations. The dental industry is no different. Over the years, increasing overhead costs and reduction of health benefits has eroded profits. Customers are also looking for added benefits when choosing a dental practice and, with the amount of competition in the marketplace, customer retention is becoming increasingly difficult. **The Dental Protection Plan (DPP)** was created with these things in mind.

The DPP is a limited warranty program modeled after those used in other industries and applied to specific dental products. Many practices do not currently offer a warranty on their services. For those that do, they oftentimes lack a warranty that is clearly defined. These programs tend to be costly and time consuming for a practice to implement effectively. The DPP is a turnkey program that minimizes practice disruption because the framework is already in place with a defined warranty, comprehensive agreements, and a trained administrative staff to handle the DPP implementation and claims that may arise. The dentist is also given the ability to choose the length of the warranty.

In order for any warranty program to be successful, customers need to understand the product. Along with this, the sign-up/ adoption process must be relatively simple. Although many warranty programs seem enticing, it is oftentimes difficult or too costly to convey the benefits of the product to the end consumer. When a practice owner decides to utilize the DPP, the cost of the warranty is included in the procedure and customers are provided with the warranty terms. This will limit any disruptions to the practice and, at the same

time, builds customer loyalty to ensure the practice remains competitive in the marketplace.

Because the warranty costs are included in the price of the procedure and a transparent claims process, customers have an increased value of the services offered leading to greater customer retention. This gives the practice a strong competitive advantage within the marketplace. Implementing the DPP also offers an ancillary benefit to the practice owner, allowing the business to gain additional insight into the procedures resulting in the highest number of claims. This, in turn, could result in additional cost savings for the practice.

There are some practice owners that currently offer their own form of the DPP, but they miss a key mechanism, owning and operating their own insurance company. That being the case, these owners are self-insuring the risk with after-tax dollars. Our firm is of the opinion that owning a small property and casualty insurance company will soon be a normal business procedure. By utilizing the 831(b) tax code, practice owners can effectively create a tax-advantaged fund for payment of claims arising from the program. Fortune 500 companies have been utilizing the 831(b) section of the tax code for many years and are primarily to thank for pioneering this concept. Section 831(b) of the U.S. Tax Code provides a tax incentive for businesses to own a small property and casualty insurance company. In order to file under 831(b) code, the premium is limited to the first \$2.3 Million ceded to the insurance company and is non-taxable with an adjusting inflation rider. Until recently, utilizing the 831(b) tax code was a costly endeavor, but with lower barriers to entry and competition driving costs down, small to middle market companies can now utilize this concept.

All dental practices have to take an active role in their brand positioning and building a successful warranty program. By owning their own insurance company, practices are able to create a defined warranty plan and manage it with tax advantaged dollars. Because there will now be a defined warranty that must be honored, a practice's rainy-day fund becomes increasingly important. We work with our clients' other trusted advisors to make sure the decision to own an insurance company is truly in their best interest. For a more in-depth understanding of utilizing the tax incentive, congress has provided within the 831b tax code, we encourage you to do your own due diligence and set an appointment with our firm for further explanation of the process and the risks involved with owning your own insurance company.