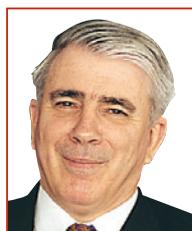


A 2026 dental retrospective on the battle against rapacious health funds

If an ageing Graham Middleton were to look back from 2026 at the state of dentistry, what might he have seen in the ten years since 2016?

By Graham Middleton, BA, MBA



“The old diction that the best practices were run by owners was proving true. In 2026, dentistry is again proving itself to be the last great cottage industry...”

Looking back on the practice business of dental professionals from the year 2026, it is evident that 2016 was the year of widespread awakening of their profession.

A strategic disaster

Dentists today cannot imagine how the CEO and President of the ADA in the late 1900s and early 2000s lobbied government to create more dental schools than were necessary and also lobbied to have barriers to dental immigration lifted. Perhaps they thought they could increase the membership of the ADA, but in the event many dentists thought the ADA had let them down, as new competitors for their practices mushroomed and as a result, ADA membership stagnated. The barriers to virtually unlimited dental immigration were made more difficult in 2015, but only after a vast number of dentists had entered Australia. Many of them failed the Australian Dental Council examinations, quite a few on more than one occasion and the backlog of re-sits lingered for years. Meanwhile, dentists exploited loopholes in our immigration legislation and kept coming via family

reunion provisions and via New Zealand. However, gradually the torrent became a trickle as New Zealand too restricted dental immigration on the urging of the Australian government.

However, the extra dental schools, once established, became permanent institutions.

In the environment of a huge surplus of dentists, many practitioners rushed to sign preferred provider agreements with health funds, only to find that the bigger funds, in particular, abused their relationship by forcing down dental rebates and restricting the treatments which could be provided while simultaneously skimming off a large percentage of the fees.

In 2016, with Perth and Adelaide threatening to be disaster zones for dental practices, with each city dominated by a powerful predatory health fund, dentists who had previously surrendered tamely began the first significant fight back. Some dentists who had refused to become preferred providers and had gradually educated patients away from the most predatory of the major health funds had insulated their practices, aided by receptionists who were skilled at getting the message across. From the Presidency of Dr Rick Olive, there had become a noticeable change of tone coming from the ADA in respect of health funds.

The state of health insurance in 2016

The health funds drew increasingly poor press concerning their activities. Many journalists quoted Choice's finding that health insurance extras cover represented poor value and suggested fund members should drop it, while the health funds heavily advertised bundled policies. Simultaneously, consumers were downgrading cover and switching policies in large numbers, much of it at the behest of comparators who in reality were little more than commission sales fronts.

Ex ACCC Chairman Graeme Samuel had observed that reading the fine print in health insurance policies made mobile phone plans look easy.

A new CEO of ADA Inc

In 2017, the CEO of ADA Incorporated decided to retire and the ADA hired an energetic CEO with a strong marketing background, who recognised that challenging predatory health funds by dentists on a nationwide basis was the single most important strategic issue facing the Australian dental profession.

The new CEO got all office bearers in both the federal body and the state ADA organisations to be strongly unified with one message. No longer did an ADA office in NSW boast about having close relationships with health funds while health funds were simultaneously destroying dental practices in Perth and Adelaide. The CEO then planned the dental profession's national campaign against the dominant health funds with military precision.

With the assistance of ADA state bodies, the new CEO identified groups of influential dentists in major population centres in all states and persuaded them to become actively involved in what was essentially a contest to get the right message to patients. Each of these influential dentists, who became area coordinators, in turn committed to holding meetings of practice principals in their area within a given timeframe. The issues confronting them were that many dentists were both afraid of the health funds while simultaneously being angry at what health funds were doing to their patients and their practices.

However, when it was explained to them that similar meetings were being held with groups of dentists in all major population centres across Australia, their fear of health funds was reduced. They had long wished for action but in the past, there had been limited follow-through.

Multiple tactics

The ADA compiled detailed contact lists of journalists in national and regional media. A steady stream of press releases explained the iniquities of extras cover in private health insurance.

Dentists and dental receptionists were coached in the message to give to patients. Patients were advised to either drop extras cover after analysing the cost and benefit or, alternatively, transfer into one of the small, not for profit health insurance providers who passed certain quality control tests.

The ADA remained in close contact with the influential dentists who were coordinating area by area across Australia, encouraging them to meet regularly with dentists in their area. Dentists were informed by email of all media briefings and any information about health funds reported in the media was copied to all dentists with appropriate ADA commentary.

Dentists were encouraged to report incidents of bad behaviour by health funds, such as misrepresentations being given to patients suggesting that a particular dentist charged more than their preferred providers. This of course was misleading because while patients may have thought the health fund preferred providers were better dentists, that had often been far from the case. This information was circulated to all dentists on a regular basis.

M-Day

With the campaign going well, the federal CEO enlisted all state CEOs and area coordinators, who enlisted the support of all their dental groups to do a mass mail-out to patients. For maximum effect, this occurred simultaneously across Australia on a date the ADA designated M-day. The letters quoted ADA research which showed that extras cover of the six biggest health insurers represented poor value for patients. Patients were advised

to either transfer to one of a number of smaller, not for profit funds or to discontinue extras cover. Naturally, journalists received the letters either directly or in email form. By this stage, dentists across Australia had suitable material on display in their waiting room explaining the shortcomings of the extras cover component of health insurance.

Successes

Information on dental practices which had had significant success in warding off the big health funds was circulated to dentists, encouraging other dentists to learn from them. An organisation known as Independent Dental Network (IDN) provided individual practices with tools to assist them in warding off the major predatory funds and enjoyed steady success.

Readers please note: IDN is an existing organisation independent of the Synstrat Group.

Lobbying government

The federal health minister, who had the authority to approve or disapprove applications for increases in health fund premiums, was regularly briefed by carefully researched ADA data concerning the large proportion of extras premiums which were skimmed off the top, amounting to 22 cents in the dollar in 2015. The health minister was advised that unduly high fee increases approved by her would be publicised in the waiting rooms of dentists throughout Australia; particularly the waiting rooms of dental practices located in marginal electorates. It was strongly and respectfully stated to her minders and advisers that the margin health funds made from extras cover should be no greater than the percentage margin on hospital cover. The Health Minister insisted on the health funds becoming more accountable and producing easily understood policies, but their penetration in the market was slow, as existing policies stayed in force unless consumers transferred. The health funds did their best to delay change and confuse their policy holders.

Journalists received regular updates of the disparity between the costs and benefits of extras insurance and this was regularly mentioned in the media.

Gradually, the percentage of patients with private health extras insurance cover began to drop and the proportion of patients insured through the major for-profit funds began to drop in favour of insurance through a cross-section of small mutual funds.

The new CEO paid particular interest to Perth, where one fund had become overly powerful and Adelaide where practices had suffered under the activities of a UK-owned fund.

Constant encouragement and publicity of the successes of dentists in Perth in persuading patients to change to other health insurers or to cease extras cover saw the fund gradually backing away from its most Draconian policies.

Adelaide patients were regularly asked *Why insure with a UK-owned fund, which makes large profits for its UK parent, rather than insure through one of a number of reputable small Australian mutual funds?*

Not wishing to be seen as pushing a single fund, the ADA compiled a list of small mutual funds, who behaved ethically, from which patients could choose.

Practice receptionists

Across Australia, dental receptionists were invited to attend training courses coordinated by the ADA. They were taught the reasons behind the ADA campaign and they were coached in the best way to discuss the issues with patients. The material on display in dentists' waiting rooms, including ADA brochures, prompted patients to seek advice from practice receptionists.

Area meetings

Regular area meetings held by the coordinating dentists kept practitioners well-informed as to progress. It became noticeable that dentists who had initially been afraid of reprisals from health funds were becoming more comfortable as successes in explaining the issue to patients began to mount. The knowledge that many other dentists were also having successes buoyed them. It was noticed that there was a change of tone in the messages presented in health fund advertising.

The smaller not for profit funds had banded together to advertise back in 2015. Their message had evolved to one of *we'll encourage you to have treatment by the dentist of your choice.*

Staying on message

The ADA Inc CEO stayed on message. Not only was the message a unifying one for dentists and their practice staff, particularly the receptionist, but the new CEO was not carrying the baggage of having advocated for more dentists back at the turn of the century, which had inevitably increased the power of health funds.

Qualification standards

Meanwhile, the ADA was being a strong advocate for high dental qualification standards, including a tough Australian Dental Council examination regime. This went hand in glove with the message that freedom of choice of dentists would be demanded of health funds.

A long campaign

Despite early successes, the CEO of ADA Inc recognised that it was going to be a long drawn out campaign, as health funds realised that successes by dentists were eroding their income achieved by the funds' greed in taking too big a slice off the top of extras premiums. This had been particularly true of the listed public company funds and a UK-owned fund.

Big funds try to buy ADA

The big funds made overtures to the ADA at all levels, offering to sponsor activities if it relaxed its campaign. They were gradually losing members with extras cover and knew the dentists' campaign was hurting them and accelerating. They sensed that the regular trickle of members transferring to a variety of small mutual funds or surrendering extras cover was likely to turn into a torrent. Journalists' end of year financial tips regularly exhorted readers to review their extras cover and if not getting value, to discontinue it. It was pointed out that hospital cover on its own was sufficient for high income earners to avoid the Medicare surcharge.

Funds kept at arm's length

However, the ADA Inc CEO was emphatic that the ADA had to keep its distance from third parties. All state committees were advised to remain at arm's length to all health insurance providers. Offers by health funds to buy advertising in ADA publications were refused. Articles extolling the virtues of extras insurance were not published. The ADA's stance was *if you want to communicate with dentists, you can write to them and it's up to dentists to decide if they want to talk to you.* Meanwhile, regular briefings from ADA central through state and area coordinators kept dentists abreast of the campaign.

ADA refuses to deal with dentists representing health funds

Former dentists, including some former ADA office bearers, who had been enlisted in various roles by health funds were asked by the health funds to negotiate with the ADA. The CEO refused to deal with them and asked state branches to sever contact. The message was clear: if you are representing a health fund, the dental profession doesn't want to deal with you as you have a conflict of interest.

Ethical clampdown

At its peak, the extras cover of health insurance had been abused by certain dentists who had set up practices about the time of the old Medicare Chronic Disease Dental Scheme's demise. Some of these dentists, finding they had great difficulty in attracting patients, had signed on as preferred providers but had then abused their relationship with patients in order to build up fees in their practices. Stories of new dentists who had letterboxed their neighbourhood offering free check-ups and had then advised patients they needed eight or more fillings, were subsequently revealed to have given false advice when some patients, sensing they had been told a story, went back to their original dentist. In other instances, patients were advised that they needed multiple crowns when in fact they may have needed no

more than one, if any. The ADA encouraged the Dental Board to crack down on these cases and increasingly heavy suspensions were handed out in order to protect the image of the dental profession to the public.

ADA membership recovering

Well aware of the pitfalls of past failed policies, the ADA resolved to stand firm. Meanwhile ADA membership, which had stagnated, began to rise as dentists saw their national body actively representing their interests rather than being little more than a body which, in exchange for sponsorship and advertising dollars, had promoted various products and services to its members.

The CEO explained to the President and elected representatives that membership would continue to rise and members would continue to renew their membership, provided the ADA continued to represent their strategic interests, whereas in the past the ADA had made significant strategic errors in advocating that government adopt policies against the interests of its members. This was borne out as the trend of dentists resigning from preferred provider arrangements and increasing respect for the national body went hand in hand.

Dental corporatisation

In 2016, about 15% of dental practices had been owned by corporates. While the corporates argued that their way was best, the truth was that selling to a corporate only made sense if the dentist was nearing retirement. For a majority of dentists aged between, say, 30 and 55 years of age with good practices, the benefits they gained by owning and building their practices far outweighed the temporary advantage of securing a good sum of money from the sale of their practice. The benefits of private ownership included:

1. For many dentists, the ability to partner their spouse in ownership or create structures where their spouse could be remunerated and superannuated;
2. The continuing gain from building their practice, increasing its profitability and growing its goodwill value as an active business asset;

3. The ability of many to invest in practice premises and maintain them to a high standard, thereby growing an *active* business asset; and

4. Maintaining autonomy over the practice services they provided and full control over staffing and equipping of their practices.

The practitioners who held on to their practice until they were anticipating retiring in about three years, from about age 60, were far better off financially than those who sold early.

Many dental practices continued to be sold to other dentists and new practices continued to open.

Some of the corporates found that replacing leading dentists at the end of their contractual obligations with dentists of equivalent clinical skill and the ability to draw patients into the practice through their interpersonal skill and drawing power was much harder than they imagined.

The result was that corporate dentistry plateaued. In the case of those corporate practices aligned with health funds, they increasingly found that a proportion of their patients were cancelling extras cover

as the regular negative stories in the media and consumer organisations like Choice continued to point to its poor value. Staff in corporate practices found that defending extras health insurance was distasteful. The approach of some corporates which emphasized upselling by practitioners also drove patients away, because much of it was done by inexperienced dental staff. By 2024, having plateaued, corporate dentistry began a steady decline. Some corporates began selling off practices to private buyers, believing if they hung on to their better practices they could stay on course, but it became increasingly difficult to do so and it is becoming evident that there will be an increased rate of sell down. In truth, corporates had never been able to add value to dental practices. If they had that ability they would have started up many practices themselves rather than buying existing practices.

The old diction that the best practices were run by owners was proving true. In 2026, dentistry is again proving itself to be the last great cottage industry.

Graham Middleton would like to be able to write this article in ten years' time.

About the author

Graham Middleton personally has been advising dentists on strategic, practice management, valuation and conflict resolution processes for 27 years, the last 20 as a founding partner and director of Synstrat Management Pty Ltd and Synstrat Accounting Pty Ltd. He was once a regular army officer, and later Director Human Resources Manager, Attorney General's Department of Victoria. He is considered an expert on dental practice valuation and practice performance benchmarking. He has spent many years advising dentists in respect of their business and financial strategy and measuring their practice and financial performance. He is the author of Synstrat Dental Stories, the Synstrat Guide to Practice Management, 50 Rules for Success as a Dentist and Buying & Selling General & Specialist Dental Practices. He is a long-term contributor to the Australasian Dental Practice magazine. The Synstrat Group is an independent data-based organisation providing management, benchmarking, valuation, financial and accounting services to the dental profession. Synstrat Management Pty Ltd is a Licensed financial services company. Both Synstrat companies are owned by the same directors who work within the Synstrat Group. For more info, call (03) 9843-7777, Fax: (03) 9843-7799, email dental@synstrat.com.au or see www.synstrat.com.au.

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