

## Corporate Dentistry: A Review

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## ABSTRACT

**Background:** A corporation is a legal entity that is created under the laws of a state designed to establish itself as a separate legal entity having its own privileges and liabilities distinct from those of its members. Dental corporate in India have come into the picture mainly in the last decade. A corporate trend has evolved in presence of traditional standalone clinics because the most important stake holder, i.e. the patient in this case expects high value delivery in all the aspects of health care. There is a need of clear and well defined laws regarding the opening practice of these set ups. Well-articulated laws will not only be beneficial for dental surgeons and the corporate industry but will also be seen as a welcome move by the dental patients..

**Keywords:** Corporate, dentistry, patients.

## INTRODUCTION

The word corporation derives from *corpus*, the Latin word for body, or a body of people. A corporation is a legal entity that is created under the laws of a state designed to establish the entity as a separate legal entity having its own privileges and liabilities distinct from those of its members. There are many different forms of corporations, most of which are used to conduct business. Early corporations were established by charter (i.e. by an *ad hoc* act passed by a parliament or legislature). Most jurisdictions now allow the creation of new corporations through registration.<sup>1</sup>

An important (but not universal) contemporary feature of a corporation is limited liability. If a corporation fails, shareholders normally only stand to lose their investment and employees will lose their jobs, but neither will be further liable for debts that remain owing to the corporation's creditors. Despite not being natural persons, corporations are recognized by the law to have rights and

responsibilities like natural persons. Corporations can exercise human rights against real individuals and the state, and they can themselves be responsible for human rights violations. Corporations are conceptually immortal but they can die when they are dissolved either by statutory operation, order of court, or voluntary action on the part of shareholders.<sup>2</sup>

**Characteristics, Governance and Taxation of Business Corporation**

Although corporate law varies in different jurisdictions, there are four core characteristics of the business corporation: Legal personality, limited liability, transferable shares and centralized management under a board structure.<sup>3</sup>

There are two broad classes of corporate governance forms in the world. In most of the world, control of the corporation is determined by a board of directors which is elected by the shareholders. In some jurisdictions, such as

Received: Jan. 15, 2018; Accepted: Mar. 6, 2018

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Germany, the control of the corporation is divided into two tiers with a supervisory board which elects a managing board. Germany is also unique in having a system known as co- determination in which half of the supervisory board consists of representatives of the employees. The CEO, president, treasurer, and other titled officers are usually chosen by the board to manage the affairs of the corporation.<sup>4</sup>

In many countries corporate profits are taxed at a corporate tax rate, and dividends paid to shareholders are taxed at a separate rate. Such a system is sometimes referred to as double taxation, because any profits distributed to shareholders will eventually be taxed twice.<sup>114</sup> One solution to this (as in the case of the Australian and UK tax systems) is for the recipient of the dividend to be entitled to a tax credit which addresses the fact that the profits represented by the dividend have already been taxed. The company profit being passed on is therefore effectively only taxed at the rate of tax paid by the eventual recipient of the dividend. In other systems, dividends are taxed at a lower rate than other income (for example, in the US) or shareholders are taxed directly on the corporation's profits and dividends are not taxed.<sup>5</sup>

### ***Corporate in Dental Enterprises***

#### ***Nonprofit dental corporations: United States***

Corporations have existed in almost every profession and dentistry was not far behind. When patients visit a dental office they expect a diagnosis and resolution of the problem. They expect to leave the office with their problem solved completely, with minimum physical and psychological discomfort, and at a reasonable cost. The success of a dentist in providing oral health care quickly, completely, painlessly, and at a reasonable cost requires the collaborative effort of what can be referred to as the dental enterprise. Dental enterprise includes the dental schools, dental associations, dental industry and a number of dental government agencies.<sup>5</sup>

National Association of Dental Service Plans was formed in United States in 1966 with staff and financial help from ADA. The name became Delta Dental Plans Association (DDPA) in 1969, and most of the member corporations became known as the Delta Dental Plan for the particular state. They are

committed to providing the subscribers with cost management and quality assurance. A dental service corporation is a legally constituted not for profit organization, incorporated on a state by state basis, that negotiates and administers contracts for dental care. The original dental service corporations in most states of United States known as Delta Dental Plans were sponsored by the constituent dental societies in each state where they were initially formed. Blue Cross and Blue Shield organizations also began organizing dental plans in many states in US which also were organized as not for profit service organizations.<sup>5</sup>

#### ***Profit dental corporations: United States***

Once prepaid dental plans were viable and were likely to be significant part of health insurance market, commercial insurance companies began to view dental insurance as a potential profitable area of business. The fundamental point about commercial insurance companies is that they operate for profit. Therefore it might be expected that commercial insurance companies would need to charge high premiums than would the service corporations to allow for the profit margin. However this is not necessarily true for a number of reasons. Because there are so many different for-profit dental insurance carriers, collectively more people have dental insurance from commercial insurance carriers than any other type of carrier.<sup>5</sup>

Commercial insurance is often designated as an indemnity plan, meaning that cash payments are made to the providers, rather than as a service benefit plan. This allows the commercial carriers to organize reimbursement differently from the way that dental service corporations usually do. Dentists in most cases are not paid according to their usual customary fees by a commercial insurance company; rather, the carrier develops fee profile.<sup>5</sup>

#### ***Dental Corporate in United Kingdom***

Dental bodies corporate are corporations entitled to practice dentistry in the UK. They are a unique class of corporations. Originally they were limited in number by the Dentists Act 1984, but their status has changed following the 2005 Amendment to the Act. An order to amend the Dentists Act (1984) was made in July 2005 which removed key restrictions on Dental Bodies Corporate (DBC's). Prior to these

changes 28 DBCs existed and they formed the General Dental Council's (GDC) list of DBCs. This list is now defunct.<sup>5</sup>

Any corporate body can now carry out the business of dentistry provided that it can satisfy the conditions of board membership set out in the amended Dentists Act. One intended objective of the amendment was to require a majority of the directors of a DBC to be registered dentists or registered Dental Care Professionals (DCPs), or a combination of dentists and DCPs. A person whose name is currently erased or suspended from one of the specified statutory registers will be committing an offence punishable by a fine not exceeding level 5 on the standard scale set in UK law if he/she is the director of a DBC.<sup>5</sup>

The GDC is not a licensing body and a corporate body does not require its approval to set itself up as a DBC. Therefore, while considerations have been given establishing a list of all corporate bodies carrying on the business of dentistry under the provisions of the amended Dentists Act, such a list would have limited regulatory impact. This has no impact upon the ability to incorporate in accordance with the Dentists Act.<sup>5</sup>

### ***Corporate Dentistry in India***

Dental corporate in India have come into the picture mainly in the last decade. A corporate trend has evolved in presence of traditional standalone clinics because the most important stake holder, i.e. the patient in this case expects high value delivery in all the aspects of healthcare. The corporate has a capacity to bring with itself a high and sustained investment in latest machinery and latest technology in medical field, which is of chief concern to the present day patient. The advancement in plant and machinery, smaller but critical aspects of dentistry, like vehicle parking space, appointment based practice, reduced waiting time add to the comfort of the increasingly demanding individual. Health care coverage is also a significant perk in most the companies for its employees. By virtue of similar operational ideology, such companies prefer to choose and engage corporate setups to outsource such facilities for their employees. Human resource issues and availability of skilled manpower in India is also an important factor for graduates and specialist to

choose working in corporate setups as career options. Benefits of fixed income, defined working hours, paid leaves, team support, skill up gradation and no cost bearing for rent and equipments makes such a choice exceptionally viable. Recently firms such as Bajaj Global Allianz, Global Graphics, Ispat industries, DX technologies, and Provogue are among the new emerging dental corporate partners in India.<sup>5</sup> Corporate dental care hospitals may sound as a risky idea, but here's a closer look at such dedicated hospitals running and doing well in India, and fulfilling the growing dental demands of the country.<sup>6</sup>

Innovations, new ideas and initiatives are driving the Indian dental care service market, which is estimated at about \$ 600 million, while the dental equipment and appliances market is around \$ 90 million, with a yearly growth rate of 10 per cent per annum. The Indian market has provided a profitable and lucrative atmosphere for growth of dental care service providers. There has been mushrooming of dental clinics for many years, but in recent times we are witnessing the growth of specialized dental care hospitals that are focusing on providing holistic dental care services. Hospitals with dental specializations, offering general dental care, orthodontics, endodontics, periodontics, oral surgery, prosthodontics and pedodontics are coming up that is providing the patients all types of dental treatment under one roof. Many of these hospitals are also targeting foreign patients, considering the lower cost of dental care in India as compared to developed economies such as the US and thus looking forward to boosting dental tourism in India. Here we will look at the functioning, the business model and growth of two dental hospitals in India and try to understand how the concept of specialised dental hospitals will change the dental care scenario in India. It will also analyse how having a strong base has helping specialised dental care grow by leaps in India.<sup>6</sup>

### ***Current Dental Care Need of India***

India with its growing population and increasing economic strength has realized the potential of dental market but before providing the services the basic need of the patients is to have the correct knowledge and awareness regarding dental problems. "I believe the most important issue would

be the basic awareness of people about the importance of dental care in their daily life. Also, dental problems are not covered by the insurance sector in India. If these things can work together the scene would be very different in our country," says Dr V Vijayakumar, Co-founder & CEO, and Dentistree International Dental Hospital. Dentistry has many sub-specialties such as orthodontistry, prosthodontistry and there are various technological advancements taking place that need to be tapped and made use of while treating the patients. These concepts are not yet practiced widely in India and so the current dental need of patients is to have one place that would cater to all the specialties of dental care. "Dental clinics are mushrooming in India but what is lacking in dental care is the multi-specialty corporate facilities for the same," says Rajesh Parasuraman, Director – Marketing, Vasana Dental Hospitals Pvt Ltd.<sup>6</sup>

### ***Hospital Functioning and Initial Response***

Well known for its stand-alone eye care hospitals, Vasana Healthcare decided to venture into the dental care market in June 2010 with Vasana Dental Hospitals Pvt Ltd. They started this venture in Tamil Nadu and in two years have nearly 20 centers all over South India. "We saw dentistry as an opportunity to expand its businesses and they also felt the need for corporate dental hospitals in India. Vasana Healthcare is a daycare brand for common people and we wanted to expand into new businesses and we thought dental as a wide market to tap into," informs Parasuraman. Dentistry International Dental Hospital started its operations in 1999 as a dental care center and later in 2009 it started dental hospital in Teynampet (Chennai). "The need for dental care and awareness of the public has increased in recent past, thus putting the latest technology and best expertise together has been the need for people, which was not recognized earlier," says Dr Vijayakumar. Initially, Vasana Healthcare marketed its dental hospital word of mouth through eye care patients but within two years the response has been overwhelming. "We are going to expand to 35 centers by the end of this year and this step itself is proof enough of the success of this concept of specialized dental hospitals and the willingness of patients to accept it," says Parasuraman. But for Dentistry the initial response was tough and difficult, "As we know people are

used to visiting their family doctor or self-medicate in case of discomfort or pain. It was difficult initially for people to understand a corporate dental setup, but after awareness through different forms of media, the scenario has changed now as they know that they will be getting not only reliable treatment but also world-class technology and hospitality," says Dr Vijayakumar. Today, Dentistry can boast of at least 2 lakh satisfied patients treated over the years.<sup>6</sup>

### ***Need For Such Hospitals***

The question that arises now is how these specialized dental hospitals are differentiated from dental clinics or the dental department of any corporate hospital? "In dental clinics there is usually one dental specialist who runs the clinic with the help of other dental surgeons. In general corporate hospitals there will be a dental department but that also will be mostly run by one dental specialist and dental surgeons, while they would get other specialist based on the patient case from outside. These departments or clinics are not self-sufficient units and may not have advanced technology or instruments required for the treatment of various dental problems. Here comes the role of such corporate dental hospitals that would provide treatment for any kind of dental problem along with the latest technology," informs Parasuraman. Vasana Dental Hospital has various specialties such as endodontics, children dentistry, laser dentistry, preventive care and they have a business model where they have defined specialists for all these sub-specialties, thus providing a holistic treatment for patients.<sup>6</sup>

These specialized dental hospitals are also trying to capture the dental tourism market in India. In India, the price of implants is around 70 per cent lower than that in Europe and USA, which is making foreigners select Indian dental hospitals as the preferred destination for dental treatments. "Such corporatization of dental clinics will trigger the already booming medical tourism industry by focusing on dental tourism," believes Parasuraman. "Dental tourism is a huge market that is untapped and has not been in good shape since a long time. With the development of such dental hospitals having state-of-the-art infrastructure and a systematic approach for treatment we can hope



that more tourists will be attracted,” says Dr Vijayakumar.<sup>6</sup>

### ***Tip of the Iceberg and Root of the Establishment***

Currently in India there are not many corporate hospitals for dentistry alone. With increased awareness of the patients and willingness for healthcare expenditure the approach of Indian patients towards dental care is gradually changing. Efforts need to be made to tap this market and address the growing dental needs of India. With passing times, it has gradually become essential to develop the field and with the help of technological advancements various specialties of dentistry can be explored. Having a strong basic foundation, what we see at the surface of the dentistry market is sure to explore and expand further. Time shall tell regarding how well this specialized field develops. Meanwhile, there is a need to have a more organized approach for ensuring proper dental care in India.<sup>6</sup>

### ***Corporate Dentistry – A Threat?***

The next time we step into a plush, well-advertised, branded dental clinic that is part of a large chain, remember that you need to be cautious. We are entering a business centre not a health facility. It is not that traditional dental clinics are altruistic establishments that render free treatment. But there is a vast difference between the ethos practiced in the well-advertised branded corporate clinics and the traditional practices that we visited as a child two decades ago. The former is obviously based on questionable business models where success is measured in financial returns whereas the latter is an enduring example of a more flexible system of 'payment for services'. In other words a patient seeking treatment in a branded corporate clinic is not only paying for the dentist's services but also for the huge profits of the corporate company.<sup>116</sup>

The new genre of clinics may seem to sync with the ambiance of the swanky malls and eateries in metro centers. The question is whether we want to place our health in the hands of a business group that hires and fires it's nameless professionals or with the permanent neighborhood dentist who has serviced your community and who is answerable to his/her clients.<sup>7</sup>

Of significant concern is the fact that these corporate houses peddling treatment with enticing offers, including dinners at the local restaurant, are involved in a practice that is forbidden by law. It is another matter that they are run by powerful businessmen rather than qualified dentists.<sup>7</sup>

A quick glance through the practice guidelines laid down in the Dentist Act of 1948, section 51 (1), unambiguously states that 'the profession of dentistry shall not be carried out by a company or corporate body'. It makes a small exception in 51(2) which permits a company to practice dentistry provided such company 'carries on no business other than dentistry or some ancillary business.....and if the majority of directors and all operating staffs are registered dentists'. It is obvious from the above statute that the intention of such a clause was to keep out cloth merchants, goldsmiths and other business speculators from dabbling in health and profiteering from it. Ironically this provision has been grossly violated. Let us take a look at some of the popular corporate houses. One of them runs a chain of medical shops and ophthalmic clinics and has ventured out into the establishment of chain dental clinics. They are explicitly prohibited from doing so because they are not dentists. The majority of directors in these companies are also not dentists as can be gleaned from their memorandum of articles. The irony of the whole business is that the CEO of one such company is a retired dentist who was once the Vice President of the Dental Council of India, the body that framed these rules. A decent retirement job indeed! Another corporate company that runs tens of dental clinics in Karnataka is the founder chairman of a famous heart hospital that dabbles in chain dental clinics as a side business. Both these organizations have been formed illegally and practice unethical methods to entice patients with shameful promises of free dinners and special offers as if your dental health was a packet of soap powder you bought at the local super market- Buy one get one free! The specific violations are section 51 of the Dentist Act and section 6(c), (d), (e), (f) etc of the code of ethics regulation.<sup>7</sup>

The question now is whether we would be happy to actually submit ourself to an establishment or persons who knowingly violates the law of the land and the ethical standards laid down by the

government. What would prevent them from fleecing us? It is good to remember that anyone who offers us more than dental treatment for a fair price has something sinister up their sleeves. Ingenious advertisement lines like 'we care', crafted by expensive advertisement agencies are only cosmetic and meant to give the impression that the humble private practitioner 'does not care'!<sup>7</sup>

So, how is the public affected by the phenomenon?

1. Direct or surrogate advertisements running into crores of rupees are put out by these corporations, thus creating brand names. Despite being illegal they keep the law at length through their political and financial power. In a highly consumer driven society the patients are fooled by their tall claims. In the absence of a level playing field the traditional private practitioner and the neighborhood family dentist is slowly being wiped out.
2. Corporate dental clinics are run on tight business models and the doctors are under constant pressure to meet financial targets. These are supervised by non-medical administrative staff to keep the till ringing all day. If we have wondered why we have been asked to take an OPG (a large full mouth X Ray) even before we mention our problem, remember that it is the first step in springing all kind of surprises on us, including real and fictitious treatment plans that involve eye popping estimates. They have regular meetings to take stock of their incomes and strategies to increase per patient income.
3. Most patients do not realize that in a corporate clinic you are not just paying your dentist for treatment. We are paying for the frills, the advertisements, the salaries of a bevy of non-medical public relationship officers, marketing managers and administrative staff and a large profit that the company declares every year.
4. All this would have been fine if we were getting the best doctors. Have we ever wondered why a dentist would work for a pittance of a salary if he/she was really talented? Except a few good dentists, most of the professionals are raw graduates with little experience, who are biding their time until a better opportunity comes their

way. Take a look at the attrition rate in these clinics and we will realize the truth.<sup>7</sup>

So the next time we step into a corporate clinic, remember that we are paying for all that empty glitz and glamour. In fact, we are paying for the reason we are there- clever marketing! Go back to our family dentist to whom we will be paying a fair fee for our services!<sup>7</sup>

The future of corporate dentistry in many countries including United States and India remains uncertain. There is a need of clear and well defined laws regarding the opening practice of these set ups. Well-articulated laws will not only be beneficial for dental surgeons and the corporate industry but will also be seen as a welcome move by the dental patients.<sup>5</sup>

## CONFLICT OF INTEREST

No potential conflict of interest relevant to this article was reported.

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