

## THE INSURANCE AUDIT HOW IT CAN DECIMATE PRACTICE VALUE



Our client was just de-listed by a major insurer.

The result of an investigation that went on for over a year.

They did not engage professional counsel at the outset and elected to self-defend.

It ended badly.

The de-listing impacts not only the principal dentist but the associate dentists as well.

We estimate that up to 30% of claims were processed by this insurer.

Patients covered by the insurer will receive a letter stating that future claims will not be honored if they return to this dental office.

That's at least 30% of the patients who will move to another practice.

So, imagine the immediate reduction in revenue and how it will impact practice value.

**An immediate 30% reduction in revenue is an immediate loss of value of 30%.**

Then there is the stigma.

How do we appraise stigma and bad publicity?

How do suppliers react if they find out this has happened?

What about the bank holding a substantial loan on the practice – now greater than the value?

How do the staff feel about working in this practice? Think of the phone calls from irate patients.

The demoralization of staff and community reputation is a long-term stigmatization.

Exceedingly difficult for the appraiser to monetize.

Quantifying the damage will require at least one year until we can determine the full and lasting economic impact.



But at this moment, and because this client must sell for personal reasons, I am tasked with the challenge of determining the current fair market value.

A value that a bank, a buyer and their advisors will approve.

I put an appraisal on the practice about one year ago before any of this was known to us.

I just published a new opinion value – and yes, it's lower.

Almost 50% lower than previous.

The client's mental clarity has been exhausted.

They have conceded and feel defeated - now selling at a loss that must be financed by personal funds.

So, what is the lesson here?

1. Do not commit purposeful or accidental insurance fraud – AI algorithms are watching
2. Monitor your daily billings to patients and insurers – and cross reference with daily deposits
3. Cross-check with charting and actual procedures performed, not those that were scheduled
4. If in doubt, call it out and refund/revise the claim immediately

There are several fraud investigation firms who specialize in helping dentists. Text me for reputable and trustworthy names. They have dozens of protective tips for you to follow.

It would be a small investment in preventing what could be a disastrous outcome.

### Conclusion

Government-backed insurance schemes are directing insurers to safeguard taxpayer funds.

I predict there will be an increasing number of insurance audits, resulting in more de-listed offices.

Sorry – this is not great news but just another indicator of the pressures that are thrust upon dentists working within a hyper-competitive marketplace and competing for too few patients.

**If you are past the midpoint of your ownership cycle, invest in an appraisal and know your number.**

There is a brief list of reputable companies to choose from for your appraisal.

Yes, I am on that list 😊.

My advice is to select an appraisal firm that your bank and accountant will approve.

Watch out for the Grifters – they are increasing in number and will come to you with a fancy sales pitch.

Summer of 2026: I am on a sabbatical, hoping to complete another manuscript: ***Tales from the Trenches – short stories of those who made - and lost – small fortunes in dental practice.***

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