

what's going down



QUITE A LOT BY THE LOOK OF IT! EACH YEAR THE NATIONAL ASSOCIATION OF SPECIALIST DENTAL ACCOUNTANTS AND LAWYERS (NASDAL) PRODUCES A BENCHMARK REPORT ON THE FINANCIAL PERFORMANCE OF DENTISTS. BASED ON THE FINANCIAL DATA GATHERED FROM OVER 700 NHS AND PRIVATE DENTAL PRACTICES FROM ACROSS THE UK, THE STATS PROVIDE AN INVALUABLE INSIGHT INTO THE STATE OF THE BUSINESS OF DENTISTRY. **IAN SIMPSON** FROM NASDAL MEMBER HUMPHREY & CO, PROVIDES AN OVERVIEW OF THE RESULTS.

The statistics reflect the income of both NHS and private practices. To fit in either category, they must have an 80% commitment. Based on this we found that average fee income generated per dentist fell from £197,405 in 2009-10 to £186,791 in 2010-11 in NHS practices and from £236,315 to £234,915 in private practices. Average net profit per principal for a typical practice fell by 10% from £139,569 in 2009-10 to £125,691 in 2010-11.

When observing how the size of the practices impacted on average profit, the survey found that average net profit per principal for a practice with associates fell by nearly 13% from £148,405 in 2009-10 to £129,644 in 2010-11. This compares to a fall in profit of less than 3% for practices with no associates. Practices with associates continue to achieve, on average, greater profits, however the differential has reduced significantly, from just under £30,000 in 2009-10 to less than £14,000 in 2010-11.

Average net profit per principal continued to fall in both NHS and private practices. NHS practices saw a fall by 10% from £147,804 in 2009-10 to £133,643 in 2010-11, this is after profit peaked in 2008-09 at £161,305. Whereas, private practices saw a fall in average net profit per principal of 7% from £126,390 to £117,723.

Principals at private practices saw their profit peak a year earlier than the NHS in 2007-08 at £136,534. When expressing average practice fee income 'per principal', rather than 'per dentist' (as above), the survey found average fee income in the typical NHS practice fell from £381,036 in 2009-10 to £369,098 in 2010-11, down from £399,482 in 2008-09. It is my experience that there has been an increase in the number of NHS practices not performing their full NHS contract.

Meanwhile, private practices have seen average fee income per principal remain static at just under £365,000. Apart from a fall in fee income that ultimately will cause a fall in profit, practices of all types have also experienced a rise in costs, and this has led to further declines in profit. This is particularly poignant for variable costs such

as material and laboratory fees. Despite the fact that fee income for a typical dental practice has fallen, the amount a practice expends on material and laboratory costs has increased. Material and laboratory costs increased from 12.8% of fee income in 2008-09 to 13.5% in 2009-10, and further increased to 13.9% in 2010-11.

Wages, associate fees and other direct costs have also increased from 37.9% of fee income in 2008-09 to 39.4% in 2009-10 and further increased to 40.9% in 2010-11. The report shows that principals have had to increase their time on practice management, whether this has been by reducing their clinical time and thus, paying associates to cover their surgery hours, or paying staff additional hours to deal with CQC compliance requirements and other matters.

Total practice expenses in 2010-11 equated to 66.5% of practice fee income, up from 62.6% in 2008/09. Some consideration must be given to the fact that during the period 2008-09 to 2010-11, practices encountered three rises in the rate of VAT.

It is a very similar tale for dental associates who have experienced a continued fall in fee income (after deduction of principal's share) from £84,648 in 2009-10 to £81,776 in 2010-11, further down from £86,651 in 2008-09. In terms of net profit, a typical associate's profit fell by 4% from £71,064 in 2009-10 to £68,293 in 2010-11.

The report finds that although the majority of dental associates continue to contract with practices on a 50% agreement basis, clearly this is not the case with NHS work as the average UDA rate paid to practices in 2010-11 was £25.56; whilst the average gross UDA rate paid to associates was £20.82.

Generally, both principal dentists and dental associates have seen a decline in net profit over the last few years back to the levels achieved in 2005/06. In summary, while private practices appeared to be surviving reasonably well despite the economy in 2010-11, mixed practices had suffered and larger practices experienced impact on profit. ☹️

	2009/10	2010/11
Average income fee generated per NHS dentist	£197.4k	£186.7k
Net profit per principal with associate	£148.4k	£129.9k
Net profit per principal in the NHS	£147.8k	£133.6k
Net profit per principal in private practice	£126.4k	£117.8k
Average income per practice in the NHS	£381.0k	£369.0k

Practices with associates continue to achieve, on average, greater profits, however the differential has reduced significantly.

Practices of all types have also experienced a rise in costs, and this has led to further declines in profit.

Performance tips for the future

- Re-establish your practice vision and values with the entire practice team.
- Establish clear business objectives and monitoring processes.
- Hold regular team meetings at which progress against business objectives is discussed and action agreed.
- Measure, manage and assess the effectiveness of patient journeys, NHS contracts, your source of valuable patients, reactivation of past patients, stock levels, suppliers and current marketing.
- Carry out a risk assessment to establish the potential viability of a move into the private sector for one or more NHS dentists at your practice.
- Benchmark your costs against other practices in a similar situation and take action on any expenditure that is disproportionately high.
- Maximise the utilisation of any added value benefits you get from your business partners.

Wages and direct costs as % of income	38%	41%
Total practice expenses as % of income	63%	66%
Materials and lab fees as % of income	13%	14%

2008/09 2010/11