

Scotland versus England

Michael Blenkarn compares the two markets when buying a practice.

With offices in Cumbria – and only 30 miles from Scotland – we are almost unique amongst other specialist dental accountants, in that we regularly help dentists purchase practices both sides of the border.

Despite being able to travel seamlessly between countries, there are some quite significant differences behind the scenes.

It would probably be prudent to discuss the general differences in how NHS dentists are remunerated before looking at the scenario of buying a practice.

Scotland

In Scotland, a fee-per-item system exists. Essentially, the more work you do, the more you get paid. This is a very similar system to the one that was used in England, prior to the change in contract in 2006. The change in England was brought about to cap the payments to NHS dental practices. The new system is based on each practice having a contracted amount of work to complete in a year. This work is divided into units of dental activity (UDAs), with the practice receiving a set amount per UDA completed. If the practice exceeds the contracted amount of UDAs in a year, they will not receive any additional money. In respect of buying a practice in Scotland, it may be possible that a Scottish Dental Access Initiative (SDAI) grant is available. This grant is made available in some areas to assist dentists in setting up practices to enable the wider population of Scotland to have access to dental care. There are also differences in income streams when running a practice. The income of an NHS practice in Scotland is very much boosted by the allowances

(General Dental Practice Allowance or Remote Area Allowance for example) and reimbursements (rent and rates reimbursements) that they receive.

It should be stated that the legal system in Scotland differs from the one in England. This will most likely mean that your preferred lawyer in England will most likely not be able to deal with a transaction in Scotland (and vice versa).

Another big regulatory difference is the bodies that govern the care that patients receive. In Scotland, the Health Board perform inspections of practices that provide NHS treatment. For fully private practices, they must register with the relatively new Healthcare Improvement Scotland (HCIS).

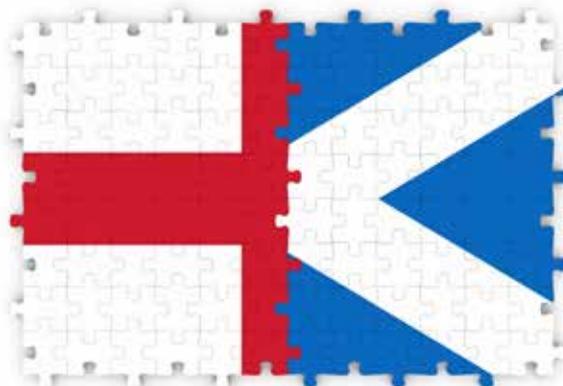
The Care Quality Commission (CQC) regulates the health and social care in England. A prospective buyer would have to apply to the CQC to become a provider. This application has to be successful prior to completion of the deal. The process of applying can be lengthy and drawn-out, taking several months. This is in contrast to Scotland, where there is not the same process to contend with.

The single biggest differentiator between buying a practice in Scotland and England is the NHS agreement. In Scotland, when buying an NHS practice, it is a relatively straightforward process. The buyer will apply to the local NHS Health Board for a list number. Upon completion, the seller will transfer all of their patients from their own list to that of the buyers.

In England, things are a little more complicated...

England

Firstly, each practice has a contract with the Local Area Team (LAT) to



provide a minimum amount of dental activity for a set price per UDA. This is known as the contract value.

There are two methods to transfer this contract from the seller to the buyer, depending on what type of contract it is and who 'owns' it. If the contract is for General Dental Services (GDS) and is held by an individual, then the contract can be transferred via the 'partnership route'. In essence, the buyer enters a quasi partnership with the seller whereby both are included as a signatory/provider on the GDS contract. The seller then 'retires' from the partnership and subsequently the GDS contract, leaving the buyer as the sole provider, with 100 per cent ownership.

Comparisons can be made between buying practices either side of the border. From the buyer's perspective when buying a solely private practice, other than the CQC aspect to consider, there is very little difference. Regardless of whether you are buying in England or Scotland, if it is a purchase of the shares of a limited company, there will be more professional fees incurred, due to the enhanced level of due diligence required. This is because when purchasing the shares of a company, you are taking on the inherent risks and liabilities that may have previously occurred in the company. Your solicitor/accountant will want to ensure these risks are minimised by thoroughly reviewing the affairs of the company.

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