

A fresh look

Abi Greenhough gives her assessment of NHS practice.



NHS dentistry is in the headlines. It is a hot topic for patients, as well as for current and aspiring owners of NHS and mixed practices.

The private plan providers are pushing their agenda about the benefits and seamless transition for practice owners who convert from

NHS to private dentistry. I don't think entrepreneurial dentists should be discounting dental practices with substantial NHS contracts. What makes more sense is to explore where the opportunities lie.

Approximately 41 per cent of practices which come to the market have an NHS contract within them and we cannot simply discard such a substantial part of the market.

These practices that are taken to the market come with NHS contracts of all shapes, sizes, contractual terms and history of delivery. Like everything in life, not all investments present the same opportunity and it is about identifying what will work. Let's consider some of the opportunities which currently exist in NHS dentistry:

- Good cashflow if the NHS contract is fulfilled
- Private growth opportunities
- NHS pension and associated benefits

Depending on your level of trust in the current or future governments you can consider the merits of NHS contract reforms and contract negotiations.

If you are considering buying an NHS dental practice then it really boils down to how much the practice has pushed the private side. Quite often I find dentists are comfortable, comfortable in their earnings, comfortable in their methods, comfortable enough not to be motivated to push for growth. That is of course perfectly fine. But this is where opportunities often exist for younger,



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more entrepreneurial dentists.

I have seen NHS practices in areas where demographics would suggest limited capacity for private dental treatments. But the truth is that there are dentists who have massively grown private turnover, purely because the new owner(s) started to offer and sell those services and options more.

The accounts show that stereotyping certain demographics or groups as not wanting to spend money on their teeth is unhelpful and untrue. For example, I have seen private orthodontists do great trade from the traveller community. I have also seen practices in traditional middle class areas not see the same growth because the local population is struggling with the succession of interest rate rises and so they have reduced budgets for discretionary spending. Psychographic data (marketing data focused on understanding the consumer's emotions and values) would help understand that behaviour but having access to good data is not something we commonly see.

In considering the opportunity to grow the private side of an NHS practice you should assess the practice's current appetite and ability to communicate effectively with patients. How are the communication skills of the dentists, the front desk and any treatment coordinators at the practice? You cannot see this in a set of accounts which is why it is essential to talk to the owners. Once you have an idea of the principal's outlook and persona, you then have

a baseline to compare numbers. It is at that point you can look for differences between performers. Do some performers generate more private income from NHS patients than others – this is something we do see. This gives an indication of what is achievable.

Prospective buyers should also consider the range of private treatments on offer and the options to expand them. How much is referred externally, and how much is simply not really offered at all?

Conversely there are some features of a practice which buyers should be aware of and factor into their modelling when preparing an offer.

Look at the history of the NHS performance. If the practice has a history of underdelivering on its contract you must find out why. Understand if this has been remediated in the current period, or if performance challenges prevail. It could be a temporary problem, it could be a more enduring problem, or it could be caused by a strategic decision to focus more on private dentistry. Any offer should reflect the value of the NHS contract which is being delivered. No point buying 100 per cent of something which is only being delivered to the tune of 75 per cent.

This is exactly how corporate dentists are buying. They are valuing based on performance and not the full contract value. If you are selling an NHS practice be prepared to demonstrate pro-rata performance throughout the transaction to get the full value.

An underperformance of the NHS contract would not stop you from performing the remaining 25 per cent of the NHS contract. If you are not going to deliver the UDAs yourself, you must consider if you are able to attract and retain associates and the rates you will need to pay. I recommend researching the local area UDA rates and speaking to recruiters about the supply of associates in the area.

This may seem counter-intuitive but if the practice has done all it can to sell private treatments and there is little room to grow then the numbers really need to work.

NHS dentistry is a high-volume activity. Make sure that you thrive in this kind of environment. If you are currently an associate dentist you are likely experienced delivering NHS care, so you know what this looks and feels like.

Lenders do not place NHS practice above others in terms of appetite but look at each practice in terms of serviceability and sustainability. The lender will sensitise the UDA rate to £25/UDA when assessing the servicing regardless of what the contract holder is actually receiving.

When considering an NHS practice your trusted dental broker will be able to talk through the opportunities with you as well as share their insights into the potential of the practice. You will obviously want to have a viewing to understand the culture of your target business and some questions to help you get a deep understanding of the business.



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