



The times they are a changing

Lester Ellman explains why dentists need to start considering their practice from a different direction

Difficult economic situations have made life harder than it used to be, and as practitioners we must look to our imagination and skills if we are to make the best of our current position.

One of the effects of the economic downturn has been that many patients have put off or reduced their attendance for routine treatments and have only dealt with issues that are urgent. Even though these patients will probably return to the practice at a later date, your cash flow can be severely affected.

It is even documented that patients who do not have to pay tend to be reluctant to attend – very strange! Continuous registration will send the wrong message about routine examinations being most valuable in the quest to retain teeth for as long as possible and will further depress cash flow.

Meanwhile, your outgoings will hardly be affected at all.

True, you will use fewer materials, but as these only account for about 8 per cent of the practice gross, the saving will be very limited. Equally true, your lab bills will be reduced, but as this is a result of you not doing the work in the first place, your cash flow is still under pressure. Usually, it is impossible to reduce your staffing levels at such times, so the bulk of your expenditure remains the same, which in some cases means an approach to your bank manager requesting an extension to your overdraft, an embarrassing approach to your suppliers asking for additional time to settle your account, or both.

Earning trust

At present, the major banks are extending loans and overdrafts to professionals like us, provided the practitioner can produce a proper business plan that will convince the bank's underwriting staff that the practice is viable. However, the downside is that the

interest rate and the arrangement fee that they might apply could be punitive.

One of my colleagues wished to borrow about £150,000 against the security of a maturing bond for just 10 days to purchase a property for his daughter. He approached his usual bank, with which he has had a working relationship for many years. The bank agreed to the loan, but wished to charge him 6.5 per cent interest plus an arrangement fee of £1,000. Considering that this was a well-secured short-term loan, both he and I felt that these were outrageous charges. He eventually managed to acquire the money from another source at minimal cost.

This example illustrates that the banks are fully aware that lending to professional people is a reduced risk compared to lending to a non-professional business, but they feel that they have to make up their other shortfalls on the more certain loans; hence the tendency to hike the interest rate.

In recent discussions with representatives of one of the banks with a dedicated healthcare division, they reported that they are now experiencing a number of dental practices getting into severe difficulties due, in part, to the economic conditions. In fairness, most of these problems are occurring in England because of the new contract terms, but they indicated that there are problems arising in other areas of the UK, including Scotland. This has made them much less free in extending the helping hand of credit, with the effect of making it harder to convince them that you are worthy of their trust.

The business of dentistry

One thing they were adamant about was that most dentists demonstrate a lack of business skills, and are unable to draw

up realistic business plans and present the factual evidence that demonstrates they have done the necessary research to back up their projections.

They have been disappointed too, to note that many practitioners have no clear aims and objectives for the development of their practice, and little understanding of some of the welter of legislation with which we are all bombarded.

I listened to their gripes and could do little but agree – but I did point out that we are trained to treat patients and we are not given a grounding in the business aspects of running a dental practice. In fact, some colleagues have told me that they are not in ‘business’ but are professional people running a dental practice.

Many years ago that concept was probably true, but over the years there has been a gradual erosion of the profitability of dental practices, which means that, in order to make the most of your practice, you have to understand the fundamentals of how it works and what the influences on it are.

The acquisition of many of the ‘softer’ skills can make a huge difference to the type of practice you run, and the setting of goals for your practice development can enable you to truly build a ‘team’ that you can lead to the accomplishment of the practice’s aims. Often when I meet with practices, I discover that there are a number of individuals working in the same location but they have no corporate identity; they are not a ‘team’. The practice loses out in terms of productive camaraderie and morale.

At the moment Scotland is enjoying the benefits of a system which has proportionately more funding than is available in England and Wales, but there may well be changes on the horizon. These are

Putting it into practice

The Dentistry Business will be running a series of one-day seminars in Scotland this year, aimed at helping dentists understand how to make real improvements to their practice life.

- **June 4th, Stirling, Scotland - *Starting a new practice***
A 1-day seminar providing the essential management and financial strategies necessary to open a new practice.
- **June 5th, Stirling, Scotland - *It's your practice, make the most of it***
Whether you practise in the NHS or private sector, are a dentist or a practice manager, *It's your practice, make the most of it* provides an opportunity to learn from the ‘real life’ experiences of other dental practitioners.

unlikely to follow the pattern of England and Wales but nevertheless are likely to pressure practice budgets.

Bearing this in mind, it is a good idea to start building knowledge and skills which will see you safely through both the current economic crisis and will enable you to weather any changes which you may face along the way.

Dr Lester Ellman

is a partner in The Dentistry Business and has been a GDP all his working life, running several NHS practices and converting, in 1999, to a largely private practice. He is now involved in one private practice and one NHS practice and has visited and observed hundreds of practices through his roles with the BDA and with PCTs. Contact Lester on 07973 875 503, email lester@thedentistrybusiness.com or visit www.thedentistrybusiness.com