

Avoid complications, delays & rejection

Lis Hughes explains how to adjust to the recent changes from the Care Quality Commission (CQC)

Lis Hughes

Managing director of
Frank Taylor & Associates



Recent changes announced by the Care Quality Commission (CQC) could have an impact on practice owners transferring an NHS contract via a partnership, particularly if a practice is due to be sold.

Until recently, the transfer of NHS contracts has always been a relatively straight-forward process that could be completed via the formation of a partnership.

This has meant that when looking to sell, practice owners have historically been able to take on a partner and then retire several months down the line, leaving the new owner solely responsible for the NHS contract held by the practice.

There is a ground swell of noise around contracts belonging to the NHS, not the dentists, and the transfer of a contract to another dentist has only been possible due to a contract loophole.

Over the past few years, vendors and buyers have successfully completed the transfer of NHS contracts via the partnership route.

However, going forward, the CQC has announced that they are going to stop agreeing to what they classify as a 'bridging partnership'.

In other words, they are going to be much stricter about the partnerships they register.

Going forward

The NHS is very clear that a partnership has to be registered with the CQC and it is possible for the CQC to decline to register a partnership on the basis that it looks like it's for the purpose of selling a practice. This creates a tricky situation for any dentist.

Since the announcement, there has been some discussion as to whether the CQC can reasonably identify what they believe to be a bridging partnership.

It has been declared that any partnership will have to be backed up with appropriate evidence, including documentation such as staff contracts and finance agreements in both partners' names.

Once this proof is made available, only then can the CQC be sure that the partnership is genuine and will consider registering it.

A dentist looking to transfer an NHS contract via the partnership route will need to create an actual partnership to ensure that they secure registration from both the CQC and consent from the NHS. Both are essential, and you can't have one without the other.

In turn, this could place a greater demand on dental solicitors to put together the required paperwork that the CQC is demanding to prove the validity of a partnership.

Dentists will also need to 'promote' the fact that they're genuinely entering into a professional collaboration with the intention of being in a long-term partnership, and not just doing so in order to sell further down the line, otherwise

they won't secure the NHS contract.

Dentists are already apprehensive about the CQC application process, mainly due to the fact that there is so much red tape. Add the pressure of needing to prove that your partnership is real in order to secure registration and the process is likely to become even more stressful.

How will this affect the market going forward?

It remains to be seen how exactly the changes will affect the sales market and dentists' ability to buy and sell NHS practices, but it is known that some CQC inspectors are proving to be more inquisitive than others when it comes to the paperwork and that the CQC and NHS do not appear to be working together on this.

Therefore, if you are considering selling, you should call Frank Taylor & Associates because getting the process wrong with either the CQC or the NHS is not something any dentist wants – it can ultimately lead to complications, delays and even rejection. **D**

IF YOU WOULD like to find out more, call Lis Hughes on 0330 088 1156.

PRACTICE ONE - HOME COUNTIES

Practice location – this practice is based in a detached property with ample street parking nearby.

Practice type – this is a three surgery, with a separate decontamination room, predominantly private practice established over 30 years and is being sold as the directors are relocating outside of the UK. The practice is being sold as freehold and is a share sale.

Practice gross – the gross income at this practice was in the region of £600,000 of which 90% is private, 5% capitation scheme and 5% NHS-GDS contract. The income has been generated by one director working five days a week, and two hygienists working a combined eight sessions a week. The clinical team are supported by a full-time receptionist and a full-time nurse.

Price achieved – a price of £1,641,000 was achieved in line with the asking price.

Agents comments – this practice shows a reconstituted profit of 58% and there is a great opportunity to take full use of the three surgeries by bringing in a full-time associate. There is evidence that opportunities have been missed by the current directors and, with a sturdy marketing campaign, the new owner is confident a steady growth can be achievable. The freehold value of the sale was £685,000.

PRACTICE THREE - AVON AND SOMERSET

Practice type – this is a predominantly private three-surgery practice which has been established over 50 years. The practice is being sold as leasehold with 15 years on the lease. The principal is selling to facilitate his retirement.

Practice gross – the gross income is in the region of £670,000 and is a mix of 97% private and 3% NHS-GDS contract. The income is generated by the principal working one day a week. They are supported by a part-time associate, a part-time practice manager, two part-time hygienists, two full-time nurses/receptionists and one part-time receptionist.

Price achieved – a price of £875,000 was achieved, which was in line with the asking price.

Agents comments – this practice came to the market because the current principal wanted to release himself from the administration of being a practice owner and to focus on the clinical aspect. His plan to stay on was attractive to the new owner who is undertaking his first ownership of a practice and comes from a mainly NHS background, so therefore is looking to the existing principal to guide and mentor him on this journey. A perfect win-win for both parties.

PRACTICE TWO - M25 CORRIDOR

Practice type – this is a three-surgery, predominantly private practice, based on the first floor above a busy parade of shops in a very affluent area. It is being sold as a leasehold and is a share sale. There is parking nearby.

Practice gross – the gross income is in the region of £750,000 of which only 5% is generated by an NHS-GDS contract. The gross has been generated by two directors working a combined five days a week and a hygienist working 18 hours a week. They are supported by a part-time practice manager, a full-time receptionist and a full-time nurse.

Price achieved – a price of £1,100,000 was achieved, which was in excess of the asking price.

Agents comments – there is room at this practice to expand by two further surgeries and this really appealed to the new owner. He already owns a practice which he has successfully developed from a three- to five-surgery practice and is keen to undertake the same development plan here.

PRACTICE FOUR - SOUTH WEST LONDON

Practice type – this is a four-surgery, mainly private practice, based in a commercial property on a busy main road with a mix of residential and commercial property. It is being sold with a virtual freehold and to facilitate the retirement of the principal.

Practice gross – the gross income is in the region of £950,000 and is 74% private and 26% NHS-GDS contract with a UDA rate of £27.50. The income has been generated by the principal working four days a week, three associates working a combined 10 days a week and three hygienists working a combined four days a week. The team are supported by a full-time practice manager, a full-time receptionist and three full-time nurses.

Price achieved – a price of £1,849,864 was achieved, which was in excess of the asking price.

Agents comments – this practice shows a reconstituted profit of 37% and proved to be very popular with buyers who were looking in the area. There are incredible development opportunities due to the sheer number of new residential and commercial developments in the area and the practice is taking full advantage of the local commuter traffic by offering extended opening hours.

