

Managing the transition

Lis Hughes offers advice to those looking to journey from associate to practice principal

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Managing director of Frank Taylor & Associates



'Whether you think you can or you can't, you're right' – was famously said by Henry Ford. This is about attitude and mindset, which is critical if you are about to embark on the incredible journey of transitioning from being an associate to buying a dental practice.

There are many positives to owning a dental practice and you will have your own motivation for what ownership will mean to you. This might be freedom, which could be clinical, time, or another reason. I know that during 2020 many associates felt let down by the lack of government support and this has spurred them towards owning a practice.

A critical differentiator between being an associate and principal is the additional business responsibilities that come with this new role. For most associates,

dentistry is the delivery of clinical work with their patients and few get involved in the business side of running a practice.

As a principal, in addition to being the lead clinician, you will also be responsible for managing and motivating your team and the associated HR issues. Done well, this should be inspirational and create a positive team culture to collectively deliver your vision.

You will also need to manage the quality control within the practice from clinical to the wider patient experience. This is dependent on good systems as you will be in your own surgery for much of the day.

Advertising and marketing will fall within your remit too. Being visible and ensuring this is done on a consistent basis will ensure new patients see you and existing patients are reminded of all the wonderful treatments on offer at your practice.

While you will have

managed your own financial affairs, this will now apply to the whole practice. You should quickly get a handle on the key performance indicators of your practice so you can, briefly, know how you are doing. A forecast that you monitor will help you stay on track and spot variances.

Upgrading your own skills and knowledge in these areas before buying a practice is a good idea. The first few months of ownership can be daunting, so the more you can prepare now the better.

Planning ahead

The rewards of practice ownership are wide and varied. However, also be prepared for tough days – you will need to be persistent; there will be disappointment, it'll be hard work and sacrifices will need to be made. This is not intended to put you off, just a reality check to take time to appreciate all that is required to successful transition from being an associate to a practice principal.

As with many things in life the more planning you can do before starting on this adventure the better. **D**

FOR MORE INFORMATION about selling your dental practice or to obtain an up to date valuation for your practice, call Frank Taylor & Associates on 0330 088 1156.

PRACTICE ONE – LEICESTERSHIRE

Practice type – this practice is on the ground floor of a converted residential property in a major regional town. This is a two surgery with mixed income, the split being 63% private and 37% NHS and being sold with a 10-year lease within the Landlord & Tenants Act 1954. The sale is to facilitate the retirement of the principal. The dental practice operates within a limited company and this was an asset sale.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £155,000 and is generated from private income and generated from the principal working one day and a hygienist working two days per week. There is a dental nurse working three days per week and two part-time receptionists providing full cover between them.

Price achieved – £232,000, which was in line with the asking price.

Agent's comments – this is a well-developed practice that has a strong relationship with its patient base. As such, it managed to trade well through the challenging conditions over the past year. The principal was able to provide up to date management information through the sale process, which meant the buyer remained confident in the practice performance.

PRACTICE THREE – LONDON

Practice type – this practice occupies a retail-fronted premises in a district of London that is benefiting from inward investment and a major rejuvenation programme at present. This is a two surgery, mixed practice, 70% private and 30% NHS – a proportion of the private fees are plan based. The practice has been established over 50 years and is being sold to facilitate the retirement of the long-standing principal.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £490,000 and the NHS-GDS contract has a units of dental activity (UDA) rate of just over £28. The gross has been generated from the principal working two days a week, three part-time associates working a combined five days a week and a hygienist working one day a week. The team is supported by a part-time practice manager, a part-time receptionist and three part-time nurses.

Price achieved – £885,000, which included the freehold. The price achieved was slightly higher than the asking price for the dental practice element and market value for the freehold.

Agent's comments – this practice has a reconstituted profit of 27.3%, offers excellent opportunities to add in additional services and drive up the core profitability. This deal took place during the pandemic and the commitment shown from both the buyer and seller meant it maintained strong momentum and completed in a little over six months.

PRACTICE TWO – WORCESTERSHIRE

Practice type – the practice occupies a one storey, purpose built freehold in a predominantly residential area a short distance from the town centre. This is a three-surgery private practice and is being sold to facilitate the retirement of the current principal. The practice is being sold as freehold.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £372,000 and is generated from private income of 82% and 16% Denplan. The income has been generated from the principal working four days a week, one associate working one day a week and three hygienists working the equivalent of one full-time clinician. The team is supported by four nurses (two full-time and two part-time) and two part-time receptionists.

Price achieved – £630,000, which was the asking price.

Agent's comments – the principal didn't plan to stay on post-sale, but a great relationship developed between the buyer and seller through the sale process. This meant the outgoing principal decided to stay on as an associate for two days per week.

PRACTICE FOUR – ESSEX

Practice type – this practice is situated in a detached single storey property with local shops in close proximity and ample free parking. This is a two-surgery mostly NHS practice (85%) with the private fee income derived from the NHS patient base. The sale is to enable the current principal to concentrate on business interests outside of dentistry. There was a new 25 year created for the incoming purchaser.

Practice financials – the gross fee income from the management information for the past 12 months is in the region of £435,000 and is generated from and NHS contract with a UDA rate of just over £27 and the remaining 15% being private fee income. The income has been generated from the principal working one day a week, two part-time associates working a combined five days and a hygienist working one day a week. The team are supported by four nurses who also cover reception duties.

Price achieved – £1,010,000, which was slightly less than the asking price and did include a premium for the property element that had been refurbished.

Agent's comments – as a predominantly NHS practice, the income held up well and was able to achieve the necessary levels of patient treatment to ensure the contract payments were fully received. The practice team quickly embraced the new standard operating procedures, meaning the purchaser took over an efficiently running practice for the new world ahead.

