



LLOYDS BANK

HEALTHCARE CONFIDENCE INDEX 2021

DENTISTS OVERVIEW

Welcome to the Lloyds Bank Healthcare Confidence Index for 2021, which finds a sector bouncing back from the unprecedented challenge of the coronavirus pandemic.

Our 12th annual survey of dentists, GPs and pharmacists seeks to give a detailed overview of the sector as it is today, as well as exploring the professions' ambitions and expectations for the future.

This year, the Index finds that the overall confidence of dentists, GPs and pharmacists has now returned to levels seen before the coronavirus crisis. While sentiment is still negative at -10 (on a scale from -100 to +100), it shows a strong increase of nine points on 2020 levels and paints a picture of a sector that has begun to rebound robustly.

It raises hopes that primary healthcare is now back on the track it was following pre-pandemic, when confidence had been steadily improving for the three years since it was shaken in 2016, when pharmacy funding cuts rocked the sector.

As we delve in by profession, we see dentists' confidence witnessing the sharpest growth of the three professions surveyed, jumping by 22 points to -2.

Government support for NHS practices was robust during lockdown, with their incomes largely protected, which may even have boosted profits for some practices.

Almost three-quarters (72%) expect to grow profits over the next year and more than nine in ten (94%) believe goodwill values will hold firm or increase, supporting the burgeoning positive sentiment.

That said, there are potential storm clouds on the horizon. Three-quarters (73%) of dentists expect financial pressures to continue to increase and roughly the same proportion (75%) expect the standard of NHS dental services to patients to get worse over the next five years.

That reflects their uncertainties over healthcare reforms, including the imminent review of the NHS dental contract, which is expected shortly.

In contrast to both dentistry and GPs, pharmacy was the only healthcare profession where confidence continued to grow through 2020, and it is the only one where confidence fell during 2021, dipping from -4 to -7.

That's despite 65% of pharmacists expecting to grow profits in the next year and 62% anticipating NHS services to patients will improve. However, 72% also believe financial pressures will increase over the next five years, which may go some way to accounting for their wavering confidence.

Turning to GPs, we see their confidence returning to pre-pandemic levels, up nine points on 2020. Much of this can be attributed to the improving outlook for practice profits, with the proportion expecting them to increase over the next year up from a fifth (22%) in 2020 to more than a third (38%) today.

There are still recruitment challenges within the profession however, with 70% of practices seeking new partners or salaried GPs to fill looming vacancies caused by retirements.

As a nation, we owe a debt of gratitude to the healthcare sector, which has responded so magnificently to the huge challenges of the coronavirus crisis.

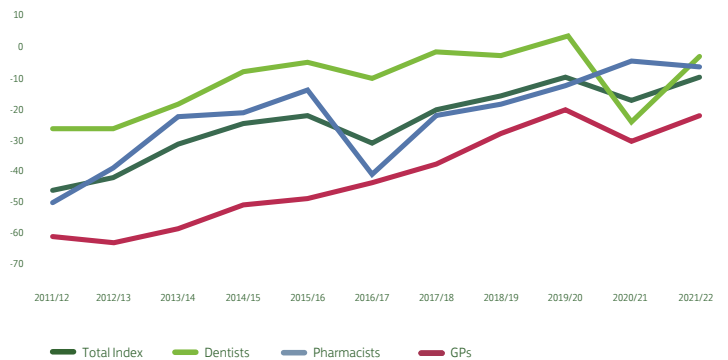
It gives me great pleasure to see dentists', GPs' and pharmacists' confidence returning and their improving expectations for the sector as they continue to support the UK in its enduring hour of need.



Martyn Kendrick

Head of Healthcare Banking Services, Lloyds Bank

CONFIDENCE OVERVIEW



PROFITABILITY

72%

Seven in ten dentists expect their practice profits to increase in the next 12 months

73%

Nearly three-quarters of dentists expect financial pressures on their practice to increase over the next five years

EMPLOYMENT

36%

Over a third of dentists plan to retire in the next ten years

57%

Over half of dentists struggle to find the right quality of applicants for new dental associates

ANDY ACTON,
DIRECTOR, FRANK TAYLOR & ASSOCIATES

Dentistry is an incredibly progressive and entrepreneurial sector. It's very resilient too – some have said recession proof – so I'm not surprised to see confidence has bounced back so robustly.

That's despite the fact that many dentists still haven't been able to return to 100% capacity because of the requirement for fallow time between treatments and increased PPE, but they are benefitting from pent-up demand, especially for cosmetic treatments.

Confidence across dentistry took a sharp knock last year, as many were frustrated by what was seen as poor communication and a lack of support from government, which disappointed many.

But since reopening, dentists have been working hard to market themselves, which has supported this impressive bounce back.

Many will have taken the opportunity to look again at their cost base as well as activities like marketing, resulting in a permanent uplift in profitability.

But three-quarters (75%) think NHS services to patients will worsen over the next five years, which is an acknowledgement of the huge costs caused by the pandemic and the impending review of the NHS dental contract.

Half (51%) said NHS contract reforms will negatively impact on profits, which reflects the current uncertainties.

However, my view is that the profession is very adaptable, with a long track record of maintaining profitability, and I'm confident that will continue.

At the same time, only around one in ten (13%) think reforms will mean better care for patients. The Department of Health must listen to dentists and take these worries on board.

The survey asked dentists with private patients about payment plans. Almost three-quarters (72%) have a payment plan in place or plan to introduce one, which will have helped to support cash flow during lockdown.

The real surprise here is the quarter (25%) of dentists who don't have a payment plan and don't intend to introduce one, which could prove short-sighted.

Looking at dentists' succession plans, their preferred option is to sell to an associate (45%), which would help ensure a smooth transition of ownership.

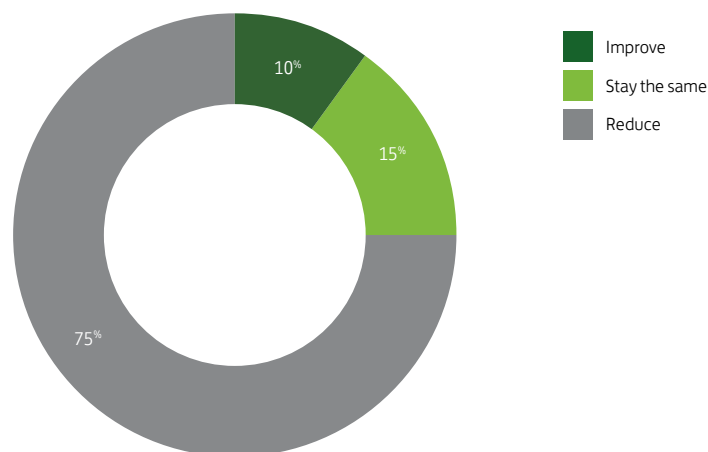
A word of caution, however; dentists must make sure they get the full market value for their practice, so they should still hold a competitive sale process.

Turning to sustainability, it's encouraging to see dentists have an appetite to do their bit, with three-quarters (74%) saying sustainability is important to their future plans.

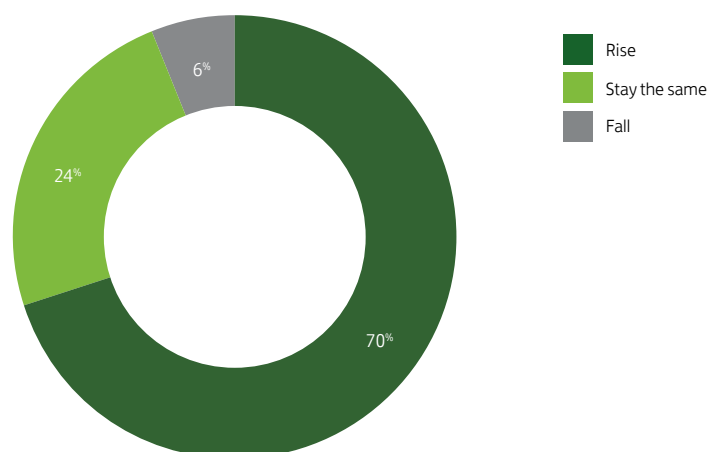
It's a credit to the profession that dentists have bounced back from the coronavirus crisis with such energy and entrepreneurialism.

Dentists are back with a bang and I share their optimistic outlook for 2022 and beyond.

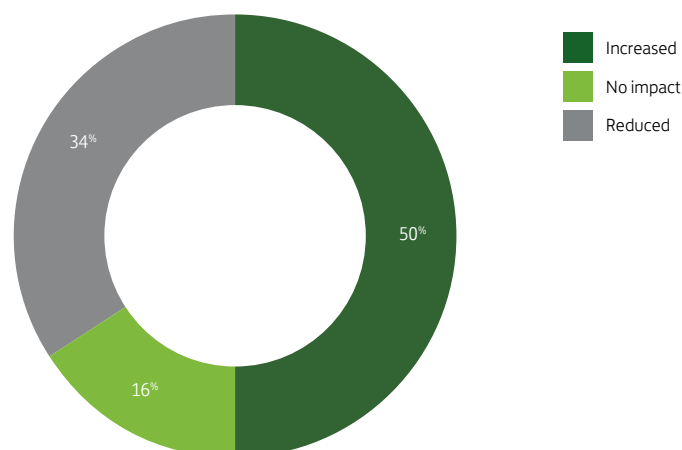
Do you expect NHS services to patients to improve over the next five years?



What are your expectations for goodwill values over the next 12 months?



What effect has COVID-19 had on your profits?



ALAN SUGGETT,
DENTAL BUSINESS UNIT PARTNER, UNW

Financially, the COVID-19 pandemic had an unexpectedly positive impact on the dental profession.

While their confidence fell more sharply than doctors and pharmacists last year, it has also rebounded more strongly and is now almost back to pre-pandemic levels.

Despite initial fears that large numbers of practices could go bust during lockdown, two-thirds (66%) have maintained or grown profits during the last year.

Support for NHS practices was generous. They received their full income, subject to conditions, which for many will have meant higher profits than usual.

NHS practices having restricted patient access will also have driven patients to private practices, giving them a boost too.

Looking forward, 72% think profits will increase, up from 42% last year, but there is a question over whether we are currently experiencing a bubble that's going to burst.

At the moment many people have some spare cash that they weren't able to spend during lockdown and many are spending it on cosmetics, including their teeth.

As life returns to normality, will they be more health conscious and happy to pay more for their oral health, or will that desire go away?

Expectations over profitability are tempered by the fact that seven in ten (73%) feel that financial pressures will increase, as incomes fail to keep up with cost inflation.

The number of dentists expecting payment rates for associates to increase has grown more than sixfold from 3% to 19%, though I'm surprised it isn't higher still. New associates are getting harder and harder to recruit and this will inevitably lead to an increase in pay rates.

Practices will also be considering the change to the dental associate tax status evaluation basis.

There is a worry that at some time in the future, associates will have to be regarded as employees. That will mean higher National Insurance costs that will impact profits.

Over the next year I'd expect the recruitment issue to get steadily worse as older associates accelerate their retirement plans following the pandemic and fewer foreign associates want to come to the UK.

Only time will tell if the headwinds of growing recruitment and financial pressures will dampen confidence in the coming years. That said, the dental profession has coped admirably with the challenges of the pandemic so far and made the most of the opportunities that have come its way to create the current positive outlook.

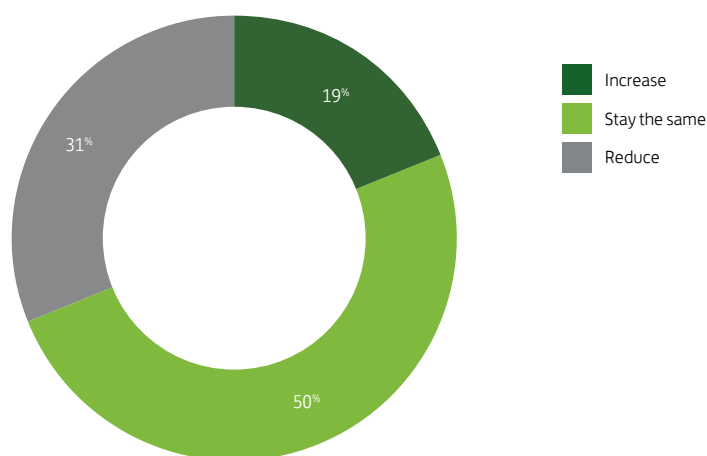
For more information on our support for healthcare businesses and to read the results for GPs and pharmacists visit lloydsbank.com/healthcare or speak to your Relationship Manager.

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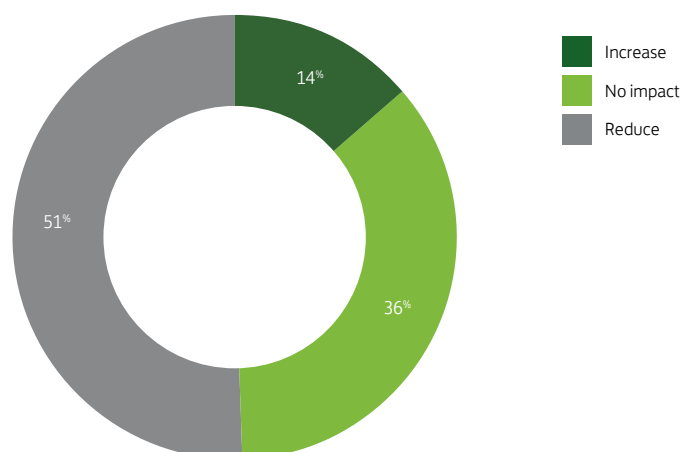
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What are your views on payment rates for associates?



What effect do you think NHS contract reforms will have on your profits?



What effect do you think NHS contract reforms will have on patient care?

