

finance.

The £1m practice

Geoff Long gives some hot tips on how to become a millionaire.



Geoff Long
is a specialist dental accountant.

During the past 15 years I have probably visited around 20 per cent of dental practices in the UK. One of the most common problems I come across in the dental profession is under performance. Dentists seem to find a comfort zone within which they are happy to work which is way below the potential of their practices. It is the '...as long as I gross £700 a day, I'm OK Geoff,' mentality.

In my estimation most dental practices operate at 40 to 50 per cent of their true capability.

New practice

When a young dentist buys his first practice his success or failure will hang on whether the patients perceive him as a 'nice person'. Patients will think you are a nice person if:

- You listen to them
- You smile when you talk to them
- You do not hurt. If so, study law.
- Your work stays in for more than six weeks. If not use stronger glue.

Until you educate them otherwise, the quality of your work and postgraduate CPD will mean nothing to them.

Location

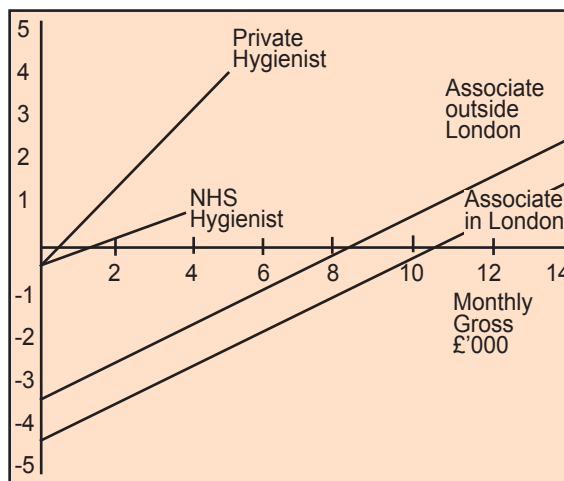
I am continually amazed by the number of dentists who set up practices in London. London has a dental practice in almost every square mile, with many overseas dentists further adding to the competition. Overheads are also much higher, particularly rent and staff costs (a Harley Street nurse can command £30,000 to £35,000 per year). Many patients have a much smaller disposable income in London because their wages are eaten up by the high cost of living.

The exact opposite is true for practices outside London. I can think of four practices in one small town in the north west all grossing over £1m; a rarity indeed in the capital!

Marketing

A professionally produced high quality brochure is a must for any dental practice these days. A budget of £2,500 to £3,000 will produce the sort of quality necessary. Indeed, I have seen dentists spend as much as £15,000 on their brochure – and still make a handsome return out of it. The brochure should:

1. List your dental services
 2. Explain your dental philosophy
- Don't forget to have it proof read by a nine-year-old. Any words he can't understand means the brochure is too complicated.



● Fig. Profitability of associates and hygienists.

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Scale and polish

There are two ways to rapidly expand a practice. One is to ortho-lead the growth, the other is to hygiene lead it. A hygienist, working a private book, will add £10,000pa to your profits for each day of the week she works (fig).

One of my pet hates is dentists who do hygienists' work. They usually manage to reduce the hygiene visit to a chargeable offence, taking three minutes 52 seconds at the upper end and one minute 21 seconds at the lower end. The result is the patient leaves the surgery feeling cheated and muttering, 'I wish I could earn £25 for three minutes work!'

If you leave the cleaning to the hygienist you will have more time to put together complex treatment planning, instead of the '£50' dentistry widely practised at the moment.

Associates

Associates are generally detrimental to practice profitability. The reason is twofold:

- Low grossing
- Instability (fig 1)

The monthly break even point →

For an associate is usually £8,000 to £9,500 depending on practice overheads (fig 1). Many associates work part-time or do not make the break-even gross.

I took a sample of associates' pay and the results were staggering. Depending upon ability, an associate can earn the principal anything in the range -£20,000 to +£10,000 a year profit. On top of that, taking on an associate will probably add £10,000 to your practice overdraft whilst you fund the increased overheads for the first few months. If you added all the associates in the country together they would produce no net cumulative profit for their principals as a whole! What a waste of time.

To overcome this inbuilt problem with associate's profitability I have rewritten the associate contract to include a more representative proportion of a practice's fixed overheads. This helps the associate appreciate how expensive it is to run a business and also transfers some of the financial risk from the principal to the associate. It also strengthens the associate's self-employed status under the new health service contract.

On top of that there's the problem of instability. The minute they get their gross to £10,000 a month, they invariably leave to start their own practice or get another job. To overcome this problem, the principal needs a much more sophisticated recruitment strategy than sticking an advert in the back of a dental journal.

Craneofiscal drag

The problem of craneofiscal drag involves the dentist costing out the treatment plan at say £375, but when facing the patient £175 or even worse £120 comes out of his mouth.

To get this widespread malaise out of your system, practise in front of the mirror:

'I'm so frightened I'll do it for free.'
'Don't worry about the cost, I will pay you, Mr Patient.'

Good, feel better now you've got that off your chest?

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Put together a price list, display it in reception and stick to it. It is surprising the response you get from patients when you offer them treatment plans of differing sophistication. Remember: '... patients will always buy the best quality dentistry they can afford, providing the choice is given and the quality of solution is perceived...'

If you don't believe it, think about the car you drive, and why you bought it.

Ethical selling

Many dentists hate the idea of selling dentistry. It conjures up images of slick salesmen talking people into expensive items they do not really want. '... I can't do that Geoff, it's so unprofessional...' they say.

This brings me to the concept of ethical selling, that is, informing patients of the range of clinical options available to solve their dental problem, along with the associated costs. Dentists are often surprised by the uptake of sophisticated treatment plans by patients who they never imagined cared about their oral health!

To assist in selling dentistry, buy yourself an intra-oral camera. A picture is worth a thousand words. A tooth magnified 40 times can be very persuasive when you are selling dentistry.

Unlike some, I am not the sort of dental accountant who simply says 'leave the NHS and go private'. There is a lot more to it than that. Profitable practices are usually mixed, retaining a small NHS element as part of their overall independent provision.

Next, buy yourself a desk with two chairs, to sit the patient at when discussing treatment options. Don't try selling when the patient is at 45 degrees with a bright light shining in his eyes. All he wants to do is to get out of your chair as quickly as possible!

Word of mouth

Eighty per cent of your marketing effort should be aimed at word of mouth recommendations. Only 20 per cent should be placing adverts in service directories.

During the years I have seen some excellent dentistry, but few dentists have systems in place to ask patients for a recommendation. This is important because patients are often busy people themselves and forget all about your excellent dentistry the moment they walk out of the door. In any case you've a state of the art surgery with all mod cons – you obviously don't need any new patients do you? If only they knew the truth. Put together, these ideas form the starting point for your plan to gross a million! ■

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