

Profits report

Paul Kendall compares dentists' incomes from NASDA's annual statistics.

Each year the National Association of Specialist Dental Accountants, which represents more than 20 per cent of self-employed dentists in the UK, produces a profits report summarising the results of a sample of their dental clients. They look at both principals and associates and analyse income and expenditure. NASDA provides the only comprehensive independent benchmarking figures against which clients can compare their performance.

This year's report includes the earnings of the second full year of the new National Health Service contract, showing the effect that the contract has had on dentists' net income. For those practices

In the typical practice, increases in both staff and administration costs have accounted for the fall in profits.

with year-ends set in 2008, the key results were as follows:

1. Principal practitioners

The average total fee income generated per principal practitioner in a typical dental practice increased in 2008, to £384,546. This was an increase of £17,232 (4.7 per cent) on the figure achieved in 2007, when the average total gross income per



Paul Kendall
is a Chartered
Accountant at Dodd
and Co.

Type of practice	2008	2007
Typical practice	£141,288	£142,705
NHS practice	£148,020	£149,455
Private practice	£136,534	£130,942
Mixed practice	£140,661	£147,068

● Fig 1 showing average net profit.

Type of practice	2008	2007
Typical practice	36.70%	38.90%
NHS practice	40.40%	42.60%
Private practice	34.60%	35.60%
Mixed practice	36.20%	39.10%

● Fig 2 shows that net profit percentage has fallen in each type of practice.

principal was around £367,314.

For the third year running private income has exceeded NHS income with the gap widening between the two, resulting in a ratio that is now 54 per cent private to 46 per cent NHS.

The shift towards more private work has again increased the gross profits in those practices, but an increase in turnover in NHS practices has not been enough to match an increase in material and laboratory fees, which has resulted in a decrease in gross profit in those practices. The gross profit is the total income minus the direct costs, for example, dental materials, lab costs and payments to associates.

The average gross profit per principal practitioner in the typical dental practice rose by 2.9 per cent from £249,904 in 2007 to £257,189 in 2008.

The net profit is the gross profit less all the practice overheads, including staff costs and premises costs. Increases in those costs and overheads have resulted in

the average net profit per principal falling slightly in the year. The average net profit per principal practitioner in a typical dental practice in 2008 was £141,288 compared with £142,705 in 2007, a decrease of less than one per cent.

The data shows that in the typical practice, increases in both staff and administration costs have accounted for the fall in profits. The staff costs represent 18 per cent (17.6 per cent in 2007) of turnover and the administration costs represent 13.9 per cent (13.1 per cent in 2007).

The figures are based on a 'typical dental practice', which is calculated as an average of the results of NHS practices, private practices and mixed practices. The average net profits for these practices are shown in fig 1.

The increase in NHS practices' net profits has been less than one per cent, whereas private practices have shown a 4.3 per cent rise. Mixed practices have seen their net profits fall by 4.3 per cent.

The net profit percentage (the ➔

net profit as a percentage of the total income of the practice) has fallen in each type of practice (fig 2).

The net profit percentages have fallen as costs have risen faster than income in all types of practices. The private practices have been able to increase income to offset the increase in costs whereas the NHS practices have been unable to do this.

The 'typical' practice average has been affected by the drop in the NHS fall in profits. Whether the NHS practices will see a continued fall in their profits will depend on the number and value of the UDAs in their contracts, and whether they can achieve any cost savings. NASDA has seen UDA values as low as £16.20 and as high as £37.84

This profits report was compiled from a survey of 500 practices and 500 associate dentists from across the UK. NASDA was formed in 1998 by its specialist member firms to provide a forum to further the knowledge of its members. The purpose of the association is to ensure its members' clients receive a high quality service. Through its contacts in the dental profession, it can ensure that its members and their clients stay up-to-date.

this year, with the average being £24.38.

2. Associates

Associates saw an increase in their average gross earnings of 0.5 per cent in 2008. The average gross earnings are £83,302 per associate after deducting the payment to principal; this figure was £82,864 per associate in 2007.

However the average net profit per associate has decreased

this year dropping from £70,396 in 2007 to £70,299 in 2008. This is the second year that their earnings have dropped. Although the drop in itself is relatively minor, when the cost of living is taken into account, they have suffered a significant drop in income over the past two years. ■

Paul Kendall can be contacted on 01768 864466. For NASDA details see www.nasda.org.uk

Second opinion

Doctors' leaders have called for the abolition of prescription charges. The British Medical Association says the current system is not working and is 'iniquitous' for many patients. The Government said that charges provided 'valuable income to the NHS, which goes towards the safety and speed of healthcare'.

This call coincided with the Government's announcement of a rise of 10p in the prescription charge. There was also an uplift in Band 1 and Band 2, but not Band 3 dental charges. But dentists' leaders did not call for their abolition. Why not? And what would be the effect on dentists and NHS dental services?

There might be some advantages. The whole banding system and units of dental activity are tied in to patient charges and could be abolished if charges went. Last month in *The Dentist*, Colin Brown reported on the Conservative's ideas for a 'registration and per capita system'. Implicit in this is the abolition of patients' charges, unless they would charge people for being registered.

With the BDA and almost all dentists being vehemently opposed to UDAs, why not campaign for their abolition and the end of patients' charges? After all the £500 or so million it would cost would be small beer beside the amounts lavished on the

banks. The profession could then concentrate on seeing patients rather than collecting money.

Tempting though the vision is, there are two major stumbling blocks. The first is that demand would increase substantially. Excess demand was why the charges were introduced in the first place causing an overspend. Although this would not happen under the new contract, could the profession cope with increased demand? With about 15,000 full time equivalent dentists it would mean about 4,000 patients each.

The second stumbling block could arise if an incoming Conservative Government were to argue that, as patients often pay the full cost (or more) of their treatment, that they should pay privately. The only people then entitled to NHS dentistry would be those who are exempt from charges. With considerably fewer patients to treat the dental budget could be slashed, something that could well appeal to an incoming Tory Chancellor. But would they have the political courage to do this?

Doctors can call for prescription charges to be abolished. They do not have capacity problems, and such a move would not affect their incomes. NHS dentistry has become a cumbersome way to ensure that everyone has access to free or cheap dentistry. Why does the profession still support it? ■