

NASDA Dental Practice Statistics 2008/09

Private practice suffers in 08/09

The upward curve in private practice profits suffered a setback in the financial year 08/09 when the average net profit dropped by 4.3 per cent below the profits achieved in 07/08. This is one of the key findings from the annual dental practice statistics benchmarking exercise carried out by the National Association of Specialist Dental Accountants (NASDA) and announced at their press conference on March 17th.

Each year NASDA produces a report summarising the results of a sample of their dental clients. This year the report was produced from a sample population of 500 practices and 500 associates. The figures produced by NASDA are averages so while they paint a picture they are not necessarily representative of any one single practice or individual.

The gross profit of the typical dental practice (NHS, private and mixed practices) fell from £257,189 in 2007/8 to £255,085 in 2008/9. However as private and mixed practices were able to reduce their costs the gross profit as a percentage of the income of the typical practice has actually increased in the year from 66.9% in 2008 to 67.3% in 2009.

Meanwhile, NHS practices saw increases in their direct costs and as a result their gross profit percentage fell from 67.8% in 2008 to 67.4% in 2009. Private practices saw a 4.3 per cent fall in net profits while mixed practices profits fell by 1.4 per cent.

In addition to examining the income and expenses of typical practices, NASDA statistics offer a breakdown of the average fee income and profits of dentists. These figures show that in 08/09, a private dentist's total fee income was less than in 06/07 and 07/08. This trend was reversed for principals in NHS practices whose net profit rose by 8.9 per cent. The reasons for this are probably the onset of the recession combined with increased spending on the NHS. This was £1,997 million in 08/09 compared to £1740 million the year before and an increase in patient charge revenue from £472m in 07/08 to £571m in 08/09*. Additionally, the trend is for NHS practices to be larger and they are more likely to utilise performers, resulting in the profit per principal increasing. Also, larger NHS practices tend to be better at negotiating for additional udas.

The additional work being carried out by associates is reflected by the 4.0 per cent increase in 2009 of their average gross earnings. The average gross earnings were £86,651 per associate after deducting the payment to principal; this figure was £83,302 per associate in 2008.

As a result the average net profit per associate has increased this year to £72,988 from £70,299 in 2008. This is the first increase in their earnings in the last three years. While associate costs have risen in NHS and mixed practices, they have fallen in private practices.

Ian Simpson, who is responsible for the benchmarking exercise and who is a Partner in Specialist Dental Accountants Humphrey and Co, said at the annual press conference that the statistics reflect the onset of the recession combined with the Department of Health's commitment to improved access to NHS dentistry.

Nick Ledingham, Chairman of NASDA and Senior Partner in Specialist Dental Accountants Morris and Co, predicted that there may well be a continued downward turn in 09/10. He observed that while gross profits declined, current dental practice values remain steady.

Alan Suggett, a member of NASDA's technical committee and a Partner in unw LLP, presented the latest results of his quarterly dental practice goodwill survey. This showed that the average deal value in the last quarter, culminating January 31st 2010, was 86 per cent of turnover, an increase of one per cent on the previous quarter while valuations were at 92.3 per cent, a decrease of two per cent.

* Source: The Department of Health

The National Association of Specialist Dental Accountants (NASDA) was formed in 1998 to promote high standards in dental accountancy and business advice. It now consists of around 37 firms throughout the UK as well as a lawyers' group with 12 law firms specialising in dental issues. Members abide by the standards of the NASDA charter and meet twice a year to share information. To speak to a member in your area, go to the website at www.nasda.org.uk

The gross profit of a practice is the total income minus the direct costs, for example dental materials, lab costs and payments to associates.

For more information, contact Caroline Holland on 020 8679 9595 or caroline@carolineholland.eu