



## DENTAL NEWSLETTER

February 2017

### Slavery Abolished? Yes or No

Sometimes a practice is sold to a corporate with an employed dentist pressured to sign a new contract. The new contract effectively binds them to the new owner, and imposes rigid conditions including exclusion zones. Dentists should not sign these contracts, but should keep their practice options open.

If it is a condition of the sale by the corporate to the vendor, and the vendor is getting a hefty price as a result of the employee forgoing their right to set up their own practice, then it is in order for the employee to demand a fee for greatly enhancing the sale price of the practice.

### HICAPS

In July 2016 the ADA told a Productivity Commission enquiry into confidential data sharing, that Private Health Insurers, who also owned dental surgeries, were misusing data obtained through the HICAPS payment system for their commercial advantage. This is a privacy issue.

Recently Whitecoats own numbers revealed that the risks to dentists far outweigh the slight benefits in belonging to Whitecoat. Letting Whitecoat cull your practice data because you might receive a fraction of 1 patient referred per year, is senseless. Whitecoat is controlled by a group of major health funds who may utilise the data against dentists.

### What Dentists Want of the ADA

Dentists overwhelmingly advise us that they want more action from all levels of the ADA to curb the abuses of health funds. Health funds will only be persuaded to change via cancellation of extras policies. Refer to 'A 2026 dental retrospective on the battle against health funds' at [Synstrat.com.au](http://Synstrat.com.au), under dentistry publications.

### PR Whitewash for HBF?

An article under the by line of Sarah-Jane Tasker, in the weekend Australian of 4 & 5 February, headed 'More Bravery in Health Care Needed - HBF' reads like it could have been written by a HBF PR person, complete with a cool picture of HBF boss Rob Bransby extolling the virtues of the Health Insurance Sector, driving efficiencies without being specific. Dentists know how hard big PHI's work to rip 22% margin off the top of extra's cover. Would dentists buy a used car from Rob Bransby? PR Consultants are good at putting lipstick on pigs. The fact that so many consumers buy extras cover, which only pays out 78c in the dollar of premiums, is proof that it is possible.

### Big Pay Raises for Health Insurance Executives

According to The Age of 6 February 2017, as Health Minister Greg Hunt gets set to announce a big rise in health cover premiums, on top of increases since 2012, consumer health advocates noted that bosses of large health funds have about doubled their multimillion dollar remuneration in the same period. Ex Medibank CEO George Savvides climbed from \$1.4 million in 2014 to \$2.4 million in 2016. His successor, Craig Drummond, has signed on for a base salary of \$1.5 million plus incentives, which could add a further \$4.5 million. NIB CEO Mark Fitzgibbon's pay packet increased by 95% between 2014 and 2016, powered by a share package that vested last year. His salary and bonuses rose from \$893,000 to \$1.746 million.

BUPA which is owned in Britain, does not disclose the pay of its Australian CEO. Why Australians buy extras cover off Bupa which remits its profits to British owners is a mystery. Australian policy holders are effectively cross subsidising Bupa's UK operations.

HCF provides only a pay pool for their 8 most senior executives – roughly \$7 million.

Since 2014 the Federal Government approved industry wide premium rises of 6.2%, 6.18%, 5.595% and 4.8%, following submissions by the Funds.

### Extras Clients Being Screwed

The Australian Prudential Regulation Authority has reported a 6% decline in payments for dental, chiropractic, physiotherapy and optical extras.

"With average premiums rising close to 50% since 2009, and value being eroded in the form of junk policies – there is an increased responsibility on health insurance to justify their bloated bottom lines" said Choice Director of Campaigns, Matt Levey.

Consumers ask – 'where is the money going?'

### 22%!

The big health insurers rake off 22% of extras cover premiums, paying out only 78% in extras benefits.

It's no wonder that consumers are questioning the value of private health insurance! The odds of getting value for money from extras 'so called insurance' are so skewed against policy holders, that Synstrat routinely advises its non-dental clients to cancel extras cover.

## Independent Dental Network (IDN)

### Keeping control of your practice

IDN provides dentists who wish to retain their freedom from the encroachment of large health funds the tools to market their practice and offer patients an ethical and more beneficial choice of dental insurance, including an ability to switch to a mutual fund which doesn't interfere with patient choice of dentists by discriminatory rebate setting, and which offers patients superior value for their insurance dollar. Alternatively, patients can opt out of extras insurance and contribute to a savings plan (with accounts run in a major bank) to pay for planned dental treatment.

The health insurance industry heavily advertises extras (ancillary) cover because that's where it makes the big profit. Overall the industry only pays out 78 cents per dollar of extras premium, which in turn covers only 52% of treatment costs. Dentists are aware, that's a rip-off. Every member practice retains its own identity while belonging to IDN, which gives it the marketing tools to promote itself under its own name.

Contact [merv@independentdentists.com.au](mailto:merv@independentdentists.com.au)

### Disclosure

*Neither Synstrat Group nor Synstrat's directors have any financial interest in Independent Dental Network other than the interests of our dental clients.*

### Negotiating Associate/Partnership Agreements

Whereas an equity buy/sell agreement is basically a device for transferring part ownership in a practice from one dentist to another, the truly important document is the one governing the relationship between two or more associated dentists or partners. Each relationship is uniquely different. Most lawyers don't have experience in drawing such agreements, they grab a partnership document from a dissimilar business, such as a butcher shop, delete butcher and insert dentist in various places and pretend it is an appropriate document. It rarely is and doesn't deal with important issues adequately. Synstrat advises dentists buying into practices in terms of whether an existing agreement which they will become party to is adequate, or whether an agreement to be drawn up between the associates/partners deals with the critical issues, such as:-

- One associate through injury or illness being unable to continue in dental practice; or
- What happens when one wants to sell out; or
- How do they resolve a major difference without lawyers; or
- Agreeing on the matters which must be agreed on and matters over which each has autonomy

If you are preparing to purchase part of a dental practice, and would like guidance on these matters please contact Graham Middleton on 03 9843 7777.

### smile.com.au

Synstrats advice to clients is to avoid signing agreements with this organisation, which is closely aligned with a number of health insurers.

### The Big Practice Con

This story is on page 39 of **Synstrat Dental Stories** and is very similar to an actual event. It's a must read for those buying practices. To obtain a copy of this publication, make a tax deductible donation to the **Delany**

**Foundation**, a charity which brings hope and opportunity into the lives of young people deprived of education in Australia, Papua New Guinea, Kenya and Ghana. Once you have made your donation, please email confirmation of your donation along with your postal address to [natasha@synstrat.com.au](mailto:natasha@synstrat.com.au) and a copy will be sent to you. Donations can be made by mail to:

Delany Foundation  
PO Box 429  
Casula Mall NSW 2170

Or via direct debit to the Delany Foundation Ancillary Trust, BSB 062 784 CBA account number 4050 5402. Should you have any difficulties, contact Matthew Mahoney on 0419 202 787 or 02 9600 8184.

### Pass It On

Our email list only reaches a proportion of dentists. If you belong to a dental chat line, by all means forward this newsletter onto them. If they wish to be added to our distribution list, they may provide their details via email to [natasha@synstrat.com.au](mailto:natasha@synstrat.com.au).

Register your email address to receive our newsletters electronically, plus additional exclusive information which is only emailed to dentists on our distribution list. Send your details to [dental@synstrat.com.au](mailto:dental@synstrat.com.au).

### Practice Accounting Services

Synstrat is the only accounting group in Australia which maintains an active, continuously updating database of dental practice benchmarking performance. This is essential in assessing and advising performance of a practice. Telephone David Collins or Graham Middleton on 03 9843 7777.

### Independent Financial Planning and Life Insurance for Dentists

Synstrat is experienced at providing financial plans for dentists. These take into account dental practice profitability and benchmarks, as well as ownership of premises and other family assets and other financial issues. Telephone Graham Middleton, Cameron Darnley or Roger Armitage, each of whom are experienced financial planners, on 03 9843 7777. Cameron can also assist with life insurance. Synstrat Management Pty Ltd holds its own licence. It is not obliged to recommend the products of a particular bank or insurance company

**Visit [www.synstrat.com.au](http://www.synstrat.com.au) for more information on these topics.**

**THE SYNSTRAT GROUP ARE AUSTRALIA'S MOST EXPERIENCED DENTAL PRACTICE BUSINESS ADVISERS, FINANCIAL ADVISERS, ACCOUNTANTS AND VALUERS**  
**For further information on this subject, please call:**  
**Graham Middleton, David Collins and Paul Steel**  
**Telephone: 03 9843 7777**  
**Email: [dental@synstrat.com.au](mailto:dental@synstrat.com.au)**  
**Internet: [www.synstrat.com.au](http://www.synstrat.com.au)**

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