



## DENTAL NEWSLETTER

June 2016

### The New Zealand Back Door

Not all dentists commencing practice in Australia come via the ADC system. A recently graduated foreign trained dentist who had passed the ADEC examination said that several of his friends who had failed the exam have simply gone to work in New Zealand. After a period of time in NZ they have the right to enter Australia and work.

### Health Fund Exposure?

The ADA appears to be taking the health fund threat more seriously on a national basis: at last! A big part of the problem has been that individual dentists in Perth and Adelaide and elsewhere acted out of personal greed and short-term self-interest by choosing to roll over and become preferred providers to the dominant private health insurer in their location. If the established dentists in those cities had turned their backs on the insurers, they would have been rendered powerless. Only now that the insurers are shamelessly squeezing dentists, destroying their goodwill, and restricting patient choice and treatments, are dentists reluctantly asking themselves whether they continue to feed the PHI beast. When they have nothing left to feed that beast it will devour them.

### Tactics

The ADA campaign will only be successful if it persuades a lot of leading dentists to join in, visiting their colleagues and seeking pledges of support to terminate agreements with the big health funds and participate in an orchestrated campaign to educate their patients to either terminate their extras cover or switch to a small not for profit fund, being a fund which will not place unreasonable restrictions on either patient or dentist. The ADA could also produce briefing material for dental patients and run training sessions for receptionists.

### The Fall-back Position

In the long-term all private dental practitioners will be better off if extras cover is eradicated out of the health insurance sector, and their HICAPS machines returned. Their next best position is for patients to be persuaded with good and proper reasons to switch their cover to one of a range of small not for profit health funds, such as Defence Health, HIF, Australian Unity, Teachers' Health Fund, St Luke's and Frank, who do not have a dominant position in their local market. Both dentists and their patients will be better off because they won't have powerful, self-interested funds gouging profits from extras simply because they have the local market dominance which enables them to ban some procedures

and create situations where they can gouge 22% or more out of each dollar of extras insurance.

### The Core of the Problem

In the past the ADA National President and ADA National CEO made the strategic error of lobbying for more dental schools and an unnecessary dental immigration program. This created a horde of surplus dentists who rushed to sign preferred provider agreements with health funds in order to build their practices. This in turn led to health funds acquiring a dominance over the dental profession. As the inevitability of the transfer of market power to health funds became more apparent, the CEO who had advocated for the dental immigration program was powerless to stop the disaster from steadily engulfing the dental profession. Worse still, the ADA in various localities encouraged the health funds. It has taken years before an ADA President has been able to speak out forcefully against the health funds, and even then much longer for anything resembling a coordinated national effort to be made. The Pharmacy Guild hasn't lobbied for more pharmacies. It used its influence to get and maintain government agreement restricting the number of pharmacies.

### Where To?

Dentists who decide not to join their colleagues in a concerted action weaken the cause of all dentists, and the PHI beast will devour them as well.

Despite the fact that the insurers are enjoying record profit margins, the number of new policies recorded have hit the lowest number in almost a decade, according to Credit Suisse. A weakening economy, low wage growth and premiums which greatly exceed CPI and wage growth, have combined to push the health insurance industry to a saturation point under current regulatory settings. This makes them desperate to gouge from those members who have been sufficiently ill-informed by misleading advertising to maintain extras cover.

The private health insurance industry has a massive problem. Without the ability to gouge big profits from extras cover, it would struggle to maintain a satisfactory level of service in the hospital cover sphere, and certainly Bupa would not be able to remit large amounts of profit to the UK, nor would Medibank or nib be able to make significant profits for shareholders.

### A Tip for the ADA

The end of the financial year usually brings around a rash of financial tips from financial writers. The tips are fairly basic in nature. The ADA at both state and federal

level should make a concerted effort to ensure that every journalist of a leading newspaper in Australia is well-informed concerning the shortcomings of extras cover in private health insurance.

Dentists should seriously consider joining **Independent Dental Network (IDN)**. IDN will provide dentists with the tools they need to fight predatory health funds.

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

Synstrat is at pains to point out that we have no financial interest in this organisation. Our concern is the profitability of our many dental clients.

### Pass it on

If you have friends in a dental chat line or a dental study group who are not receiving our newsletter, please email it to them. If they wish to be added to our distribution list, they may contact [annie@synstrat.com.au](mailto:annie@synstrat.com.au)

### When Will Medibank's Share Price Bubble Burst?

According to stockbroking analyst Stewart Oldfield [www.afr.com/personal-finance/](http://www.afr.com/personal-finance/) June 2016, surveys show Medibank at the bottom of health funds when it comes to customer service. The gap has widened since it listed in November 2014. He quoted a customer as saying 'My premium has gone up by 10% and about 8%. That's about 20% in two years and we rarely claim anything. It can't go on. My view is that this is straight gouging following the privatisation.' The company points out that across the health insurance industry, policy switching and downsizing were on the rise.

Surveys show that less people believe private health insurance is good value for money. Analysts say that cost growth in the health sector is unsustainable.

### Marriage Breakdown – Property Settlement Valuations

To avoid protracted dispute, valuation by a jointly appointed valuer is required. Synstrat has been valuing dental practices for 22 years and has a wealth of data. Our valuations are rarely challenged because they are recognised as being the most authoritative in Australia. Telephone David Collins or Graham Middleton on 03 9843 7777.

### Everybody's Going Electronic!

Help us to save the planet by electing to receive the Dental Newsletter by email. In addition to the newsletter, information not provided in the newsletter is periodically emailed to dentists on our distribution list. Please email [annie@synstrat.com.au](mailto:annie@synstrat.com.au) to register your email address, and advise the postal address we currently send your newsletter to.

### Synstrat Publications

**Buying and Selling General & Specialist Dental Practices** (booklet size) and **50 Rules for Success as a Dentist** (booklet size) are both available **free** on request.

A more substantial publication, **Synstrat Dental Stories**, can be obtained by making 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, including medical aid and meals to enable kids to participate in learning.

The charity is administered by volunteers, and hence every dollar collected is spent on those in need. Once

you have made your donation, please email confirmation of your donation along with your postal address to [annie@synstrat.com.au](mailto:annie@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.

### Synstrat Dental Practice Valuations

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 features of a practice. As accountants to many dentists we also witness the finalised purchase and sale agreements, and this is a critical tool in assessing the market. Telephone David Collins or Graham Middleton on 03 9843 7777.

### Disputes Between Dentists and Dental Specialists

These are almost never solved by lawyers. Before rushing to a lawyer, whose understanding of the business aspects of dentistry is scant, ring Jenny O'Brien on 03 9843 7777 for an appointment with David Collins or Graham Middleton. Fees apply.

### 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.

### Buying a Practice – Accounting Advice

We meet dentists who, because of wrong advice, exposed themselves to greater capital gains tax on eventual sale far into the future. If buying Telephone Graham Middleton or David Collins on 03 9843 7777.

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 or David Collins

Telephone: 03 9843 7777

Email: [dental@synstrat.com.au](mailto:dental@synstrat.com.au)

Internet: [www.synstrat.com.au](http://www.synstrat.com.au)

Prepared by Synstrat Management Pty Ltd for clients of the Synstrat Group. Synstrat Management Pty Ltd is the holder of Australian Financial Services Licence number 227169.

### Disclaimer

The information contained herein is of a general nature and no specific action should be taken without individual advice. Speak with Synstrat staff as appropriate.