



DENTAL NEWSLETTER

December 2016

Lessons from Dentists

Having just spoken to dental audiences in four states, plus a variety of study groups in Victoria and being endlessly engaged in interpreting dental practice financials, the key issues and observations facing dentists are confirmed as:-

1. The massive oversupply of dentists gave health funds leverage.
2. The intrusion of health insurance funds into dentistry creates the means by which the largest funds can rip off members with extras/ancillaries cover. An impressive list of authorities agree that extras insurance is a waste of money.
3. **Killing personal referral**
Once a practice takes on a run-down look, existing patients keep coming, but they stop referring their friends for fear of embarrassment. If this is recognised in a timely manner, and premises are renovated, personal referrals recover. Don't leave it too long.
4. The last person to notice that the décor has deteriorated is often the practice owner.
5. **Best investment**
Paying for a professional interior decorator to redo the waiting room is often the best investment the practice owner can make.
6. **Patient relationships**
The manner in which all staff relate to the patient is the most important aspect of dental marketing followed by the appearance of the practice premises. Contrary to popular opinion, comparative data shows that social media is a poor third.
7. **Wasting money on marketing**
Spending lots of money on social media if a practice's appearance is sub-standard, or personal communication with patients is poor, is money wasted.
8. **Websites are necessary, but their impact is diminishing**
Yes, you need to have a website, but patients will overwhelmingly come by personal referral, and access a website to make an appointment, or check the practice address. Keep websites clean and simple as patients won't read much detail.
9. **Advertising.** Dentists letterbox drops have proven to be a waste of money; as has local newspaper advertising.
10. **Warning patients**
All dentists have an ethical responsibility to alert their patients that extras insurance cover is unacceptably expensive, and restricts the treatment options that a dentist can provide.
11. **Dentists are best equipped to warn patients**
The evidence lies in the fact that patients who trust their dentist sufficiently to refer friends and relatives, will listen to their advice that most will be better off dropping extras/ancillary cover, and paying for treatment direct.
12. **Dishonest health fund tactics**
Health funds increasingly push their patients to leave good practices and go to unproven practices who signed on as preferred providers.
13. **Practice names**
The best names are geographic names for example, Doncaster Dental or Collins Street Dental – avoid the temptation to become yet another practice using "Smile" in its title.
14. **Practice Builders v Practice Destroyers**
Practice builders create a stream of personal referrals and multiple appointments. Practice destroyers see a patient once and they don't come back. A practice which has achieved a good level of referrals from busy dentists cannot afford to introduce them to a practice destroyer.
15. **Practising in darkness**
Most dentists admit that they have no idea as to how their practice compares with either average or best practice performance. This knowledge is critical to making good decisions in respect of your practice. Synstrat is the only accounting group in Australia which has maintained a continuously updating database of dental practice benchmark performance for 22 years. For further information, speak to Graham Middleton or if he is unavailable speak to Jenny O'Brien.

Graham Middleton

Practice Value and Valuation

Well located practices with proven reliable fee bases, sound profitability per dollar of fees who are not preferred providers, and who have long term occupancy of suitable premises, attractively presented at reasonable occupancy costs related to benchmarks, fetch good prices

BUT poorly located practices with a fluctuating fee base, and high overheads including rent relative to fees, who are locked into preferred provider contracts to major funds with poorly presented premises, are worth a great deal less per dollar of fees.

For Practice Valuations contact Synstrat. As advisers to many dentists, we also witness finalised purchase and sale agreements, and this is a critical tool in assessing the market. Telephone *Graham Middleton, David Collins or Jenny O'Brien* on 03 9843 7777 or email dental@synstrat.com.au

Sales to Corporates

Younger practice owners with good practices are much wealthier long term by maintaining ownership until their late 50's or early 60's, employing their spouse or co-owning a practices where appropriate, splitting superannuation contributions with their spouse, owning and improving their premises and building their practices goodwill value.

The value obtained by selling to a corporate while you have many good years of dentistry left, rarely compensates for the advantages given up.

We hear enough sad tales from dentists who sold to corporates to know that the rosy picture painted is often quite different to subsequent experiences.

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 dental@synstrat.com.au

Ruining Practice Value

Signing up to become a preferred provider ultimately destroys practice goodwill value. Dentists in other states should ask dentists in Perth or Adelaide what is happening to them and their practices.

Life Insurance and Investment Advice for Dentists

For competitive quotes in respect of income protection, business overheads, term life and trauma insurance cover, speak to Cameron Darnley (03) 9843 7777. Cameron, Graham Middleton and Roger Armitage also provide investment advice to Dentists.

How to Blow \$4 million – 2016 values

A typical younger dental practice owner with a sound practice which can be built up and produce nice profits over the next 30 years, and then be sold for a good sum at retirement, is estimated to be \$4 million worse off long term if they let a preferred provider dominate their patient list, destroy their fee base, limit their treatment and make their practice virtually unsalable at retirement.

Independent Dentist Network

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

Contact merv@independentdentist.com.au

Synstrat has no financial interest in IDN other than the fact that many clients are threatened by the health fund insurers, and we wish to see them insulate their practices.

Conflict of Interest – Dentists and Health Funds

As the number one issue facing the dental profession is the damaging intrusion of health insurers into practices, it follows that dentists with managerial, directorial or consultancies involved with health funds, should not be in official ADA positions because they have a conflict of interest with their profession.

This would be akin to a Reserve Bank official, being a shareholder of a currency trading business, an APRA official involved in an insurance business, an ASIC official in the financial services business or a health department executive being on the board of a private hospital network.

ADA Inc

For much of its life, ADA Inc has not had an employee who has actually owned a dental practice! Had they had experienced dental employees, they would have realised much earlier that dentists were in oversupply and the threat posed by health insurers.

Please notify us of your email address

Help us to save the planet by electing to receive the Dental Newsletter by email. Additional information not provided in the newsletter is periodically emailed to dentists on our distribution list. Please email dental@synstrat.com.au to register your email address, and advise the postal address we currently send your newsletter to.

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.

Visit 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:
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