



DENTAL NEWSLETTER

September/October 2017

Unhealthy Dental Rumbblings out of Cairns

There are unhealthy dental rumbblings out of Cairns. Cairns dentists are very upset by JCU Dental running a dental facility as a form of charity and in effect eating up their patient base.

We previously reported that JCU experienced significant difficulty with its first graduating class gaining employment, and as a result many continued studying for a further year. There were also rumbblings about the qualifications of some of its academic staff.

More recently a change at the head of dentistry caused disquiet, while what amounts to a heavily discounted/free dental facility is draining the patients of dentists in the greater Cairns area.

The reality is that Australia had an abundance of dentists when this school was set up. The federal health bureaucrats relied on inaccurate dental statistics and supported a heavy dental immigration program as well as the progressive increase of the number of dental schools from 5 to 9. This inevitably effects the outlier and more recent start-up.

There are reports of significant unhappiness within the student body and among Cairns dentists. Aspiring dental students may be better off seeking a different course or seeking entry into a dental school with a better market for its graduates.

Synstrat Dental Valuations and Accounting Services
Speak to Graham Middleton or David Collins 03 9843 7777

Group Practices have their Limitations

Of the multitude of general dental practice accounts viewed by Synstrat overwhelmingly the evidence indicates that size is not the panacea some see it as.

There are extremely profitable two dentist practices typically 1 owner and 1 employed dentist or practices with 1 owner and 2 employed dentists or 2 owners and 1 employed dentist.

There are much larger practices where inefficiencies in practice management and too many part time chairside assistants have destroyed the benefits of growth in size.

Numbers Play Funny Tricks

When the proportion of corporate practices grew from 3% of dental practices to 15% it could be said that it had it

gone up by 400% over about 12 years. On the other hand the proportion of privately owned practices has gone down by 12.37% i.e. 12% of 97%.

With the demand for dentistry rising by 3% per year, resulting in 143% of what it was at the start of that 12 year period then the number of privately owned practices has actually increased!

Many new practices have opened during the time at which corporates have been penetrating the marketing. While many of the new practices have struggled, and some have gone under, some are successful and others will be successful over time.

An observable phenomenon is that corporate dentistry feeds its own competition. As the corporates buy practices some dentists who had hoped to become an owner, or part owner, leave and if they are well known locally and liked by patients they will attract a personal following. Many dentists who are good employees generating significant fees are not subject to a restraint clause and they would be silly to sign a restraint clause. If a corporate buys a practice in which they are employed, then these are the dentists that set up practices and succeed by attracting former patients. If not well known it may take several years to create a viable practice and some will fail. However, enough will succeed to ensure that there is always competition for corporates. The idea that the corporates will control the market is doomed to failure.

When should a dentist consider an offer from a corporate?

There is scarcely a dental practice which hasn't had approaches from dental corporates. However, the corporates are only interested in purchasing practices of a certain size. Successful dentists are better off retaining ownership of their practices until they are close to retirement. Overwhelmingly, the combination of being able to build their goodwill, increase their profit, and often split income and superannuation with a spouse while continuing to own and improve their premises into their late 50's or early 60's before selling a practice at, or near, its peak leads to much better personal financial outcomes.

Have the Health Funds Passed their Zenith?

Scarcely a week goes by without an article in the press damning private health insurance. This is particularly so concerning extras.

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. Dentist 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

Disclosure

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

Silliest Investments of 2017

Despite mounting evidence of massive overbuilding of high rise apartments, there are still people being induced to buy off the plan by slick sales staff offering sweeteners such as guaranteed rent or physical inducements in the form of furnishings etc. These are a sure sign of a market which is collapsing. There is mounting evidence in the form of press reports of the failure of the secondary market to achieve the prices that investors paid off the plan. Off the plan prices have always been inflated to cover the high marketing and sales costs associated with these products. Due to the time that elapses from original acquisition of sites through building approvals, pre-sales, bank approvals, building and turning over keys often a 2 years or more passes between payment of a deposit and getting occupancy of an apartment during which time the market can go into massive oversupply. This market dramatically oversupplies itself every few years and then collapses until excess stock is absorbed over several years. Avoid.

Buy or Start a Practice?

This article is on page 10 of **Synstrat Dental Stories**. This 335 page book is a must read for dentists. It details a series of good and bad practice experiences but names and some details have been changed to preserve identities. It contains valuable insights for practice owners and intending buyers as to what works best and what doesn't. To obtain a copy of this publication, make a tax deductible donation of at least \$30 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 cheryl@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.

Corporate Buyouts & Employed Dentists!

Established employed dentists who work in a practice for a number of years and find that the practice has been sold to a corporate should refuse to sign contracts when corporates buy the practice. If you are not getting a big sign on fee why destroy your alternative of being able to set up a practice of your own? It doesn't make sense.

Bupa Dentists on NSW Dental Council!

NSW Dentists are concerned at the representation of dentists who have appointments with Bupa/Dental Corporation including being employees or contractors. Recently there were three Bupa aligned dentists on NSW Dental Council with a possibility of a fourth being appointed. This is an unhealthy situation particularly as a number of dentists working for Bupa/Dental Corporation practices are possibly as likely to have complaints levelled against them as are other dentists.

From a corporate governance perspective and a good look perspective the representation should be far more representational. NSW dentists are being urged to write to Mr Brad Hazzard, Minister for Health (fax 02 9339 5506) or their local Member of Parliament.

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.

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www.synstrat.com.au**

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