S{}ince the 2006 dental con-
tract was imposed upon the profession the Department of
Health no longer allowed den-
tists to set up practices within the NHS without its expressed say-
so. A plethora of new words such as ‘commissioning’ and ‘tender-
ing’ came into force on the basis that new practices could be set up
based on local need rather than where dentists want to live.

Whilst the cost/benefit of this exercise has been heavily de-
bated, the reality of modern day dentistry now means that the
traditional evolution of dental associate to principal has been
messily severed.

A few associates might be an
to compete with tenders from current practice owners
or corporate bodies, however the vast majority will probably
not. Recently the Carlyle Group
(Carlyle) announced that it has
signed a binding agreement to acquire Integrated Dental
Holdings (IDH) and simultane-
ously merge it with Associated
Dental Practices (ADP) in part-
nership with private equity firm
Palamon Capital Partners (Pala-
mon). The Carlyle group clearly
sees growth opportunities within
the NHS and private sector. So
when this merger goes ahead,
what are the chances that an in-
dividual associate or group of
associates can compete with a
practice that has 1.3 billion patients
in the UK.

The number of dentists looking to buy a den-
tal practice far outweighs the numbers of practices
put up for sale.

At present, the number of den-
tists looking to buy a dental prac-
tice far outweighs the numbers of practices put up for sale - and the
list appears to be growing. With
such high demand, those dentists
who decide to make the invest-
ment now have to face a tough set
of choices ranging from acquir-
ing finance (albeit at extortionate
bank rates), judging the valuation
of the goodwill and entering into
a workforce which is probably the most over-regulated industry in the
UK.

GDP Mohammad Ishaq of the Dental Studio and Implant Cen-
tre, Cottingham, made the transi-
tion between associate to princi-
pal a few years ago and points out
that, unlike buying a house, those
looking to buy a dental practice
should be very aware that the valuation of the practice is broken
down based on the skill and
experience of the buyer, and not
just on external market forces.

According to Mr Ishaq, securing
the goodwill of the practice is an
important part of the business
of dentistry and, unless the buyer
can provide a similar level of den-
tistry to the seller, the goodwill of
the practice may go down.

The process of buying a den-
tal practice can in some ways be
similar to buying a house. The
valuation of a house is based on
more than just the costs of the
bricks and mortar - essential-
ly it is based on what the highest
bidder is prepared to pay. When
buying a dental practice, a large
part of the cost comes down to
the goodwill paid to the seller in
order to carry on the busi-
ness concerns of the practice, such
as having a patient base to
work from. In many cases this
goodwill is based upon the gross
fees received by the seller, so
it is important that any prospec-
tive buyer must consider whether
or not they can keep their patients
based on the type of dentistry
they provide.

It is also important to look
at how the goodwill valuation
is broken down. A low good-
will value based on a seller who
mostly provides advanced den-
tistry such as implants or aes-
thetic dentistry may actually
be very expensive if the buyer
cannot ‘match’ the level of den-
tistry provided, likewise a high
goodwill value based upon
relatively simple daily to day den-
tistry may seem cheap, espe-
cially if the buyer can offer the pa-
tient base more advanced forms of
treatment.

Rajesh Varma from Hitchin
Dental Care has been in practice
for five years and points out that
in this time much has changed with regards to the
legislation of how a business is
tasked to provide its services.

Rajesh highlights an important
point that most practice own-
ers are already aware of, which
is that not all associates make
their principals a profit and these
dentists would probably be fi-
nancially better off remaining as
an associate.

As a dentist who has recently
made the transition between as-
sociate and principal I can say
that there are more obvious
advantages and disadvantages of both
pathways. For many the allure of
having a higher degree of control
over their clinical practice and a
higher financial reward seems
greater than the business risks
associated with being a practice
owner. However as practice valu-
ations continue to rollercoaster in
an upwards direction, the
risk/benefit ratio becomes much
closer, making the transition
from associate to principal riskier
than perhaps it may have been in
the past. The fact that banks are
still lending for new practices
highlights that they consider the
dental sector to be a safe bet, but
gone are the days when putting
up a sign saying ‘accepting new
patients’ was enough to secure a patient base to work
from and just being a safe pair of
hands was good enough to satisfy
the regulatory authorities. Asso-
ciates who are currently looking
to buy a dental practice must re-
member that in the modern day
time it is just as important to under-
stand ridiculous business indus-
ty jargon such as ‘outcomes’ and ‘quality frameworks’ as actually
fixing teeth.

About the author
Neel Kothari qualified as a den-
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