

Are you an entrepreneur?

Caroline Holland discusses possibilities and opportunities for the modern dental care professional.

Have you ever felt that you wanted more from your working life? Or that there is an entrepreneurial side to your personality just bursting to be unleashed? If yes is your answer, the world of dental business is within your grasp because anyone working in the profession can be a partner, director or shareholder of a dental practice.

Technicians and clinical dental technicians (CDTs) were different from others working in the dental profession because they could operate their laboratory as a company. Dentists, meanwhile, could be involved in the business of dentistry, but were not able to incorporate so

usually worked as sole traders or partnerships. But that has all changed; the restrictions and anomalies have been removed and now there is a level playing field.

Today, whether you are a dental nurse, hygienist, therapist, technician or practice manager, you could have a stake in a dental practice, or even own it. Conversely, if you are a dentist who is married to a dental care professional (DCP), you can – and possibly should – go into business with them. This article explores what you need to know and the hurdles which need to be overcome.

But first we hear from Louise Parker, a dental hygienist who is taking advantage of the new opportunities.

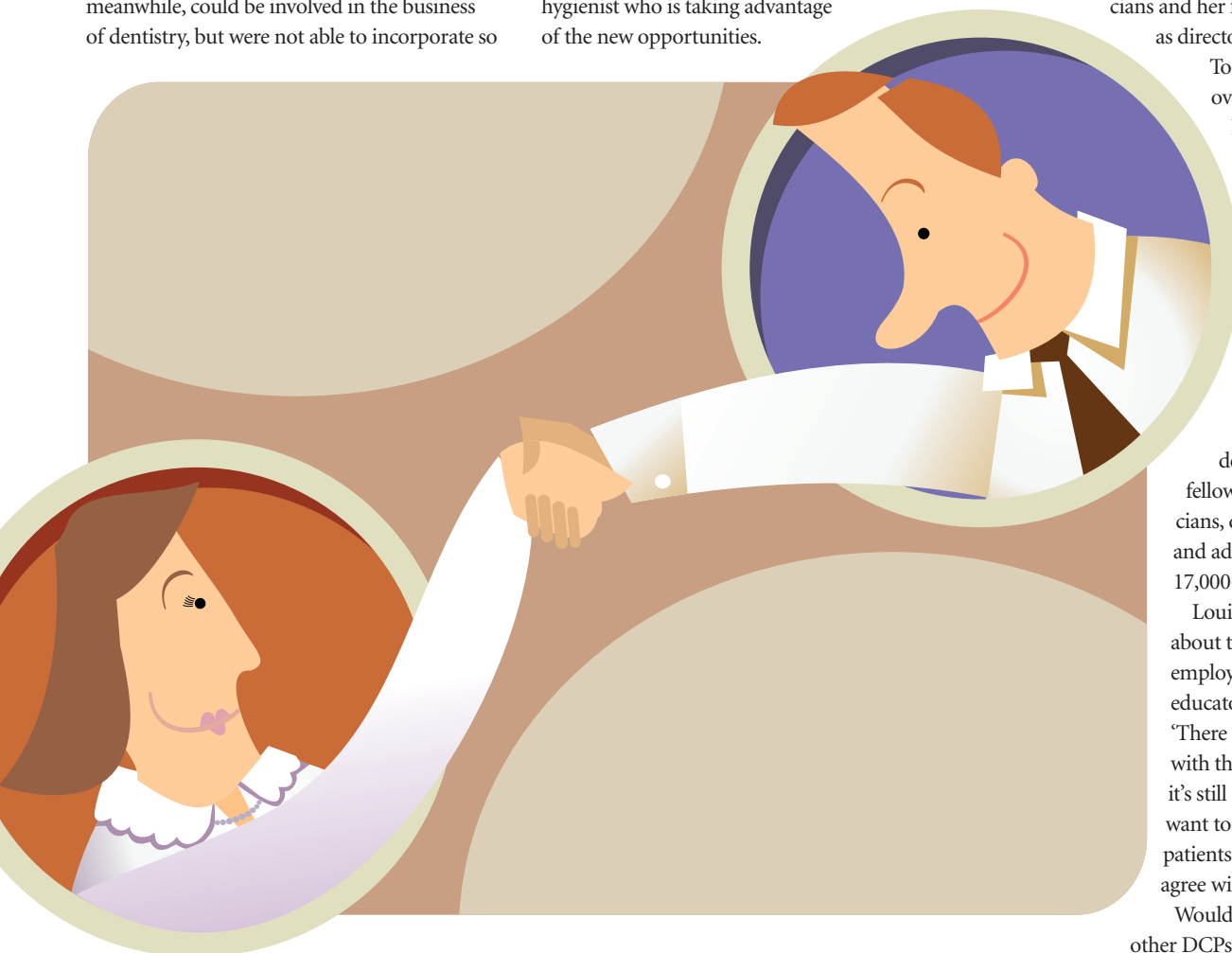
She has exchanged a salary for the less predictable but potentially higher income of a self-employed business-owner. She is forming a limited company, merging three dental practices and two laboratories which she acquired in the course of the last 18 months. The new company is called PT Dixon Dental Care and the two shareholders will be Louise and her father, who is her business advisor.

She has also formed a board of directors. While anyone can be a shareholder of a dental company, the majority of the directors must be a registrant of the General Dental Council. Louise has appointed three dentists, two technicians and her father and herself as directors.

Together they will be overseeing a sizeable NHS contract in one of the three practices while ensuring the other two practices operate as successful private enterprises. They must also look after the interests of 30 employees – dentists, therapists, fellow hygienists, technicians, dental nurses and admin staff – and 17,000 patients.

Louise is passionate about the patients and has employed a dental health educator for child patients. 'There may be problems with the NHS,' she says, 'but it's still a marvellous thing. I want to accommodate more patients because I do not agree with dental inequality.'

Would she recommend that other DCPs set up a business?



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‘Oh definitely, definitely. But you must have some business experience. I am a hygienist but I also did a course in health management which was very useful, and you must have money.’ Fortunately, she had both as well as the full backing of the Primary Care Trust and that has made a significant difference with the move to incorporation. She appears to have had all the necessary ingredients for a successful enterprise. But it has not been easy, especially at the outset: ‘There was very little advice available for hygienists because no-one has done this before. I talked to everyone and did a lot of research. Much of it was instinct, whim and sleepless nights.’

She has had considerable support from the Royal Bank of Scotland and Darrell Franciosy, the healthcare development manager for the North of England.

‘We have supported the dental industry for many years, historically by supporting dentists looking to start up a practice. Louise is one of the first cases in the UK of a non-dentist opening a practice and we were pleased to have been able to offer her the financial backing needed for all of her practices. We have a strong appetite in this sector generally, whether providing the right finance solutions for dentists or non-dentists.’

Together, Darrell and Louise will be sharing a platform at the British Society of Dental Hygienists and Therapists (BSDHT) meeting in Wakefield in September, raising awareness of what is possible for the entrepreneurially-minded.

What about dental team members who do not want the responsibility of business ownership but want a stake in the practice?

Business structures

Sole trader

Most dentists and dental care professionals start off as a **sole trader** or a **partnership**. Your self-employed status gives you flexibility and you do not have the restrictions which apply once you incorporate a company – but neither do you have the advantages. As a sole trader, your tax status can be advantageous. If your business is successful, you may consider creating a **limited liability partnership** or a **company**.

The reasons for this might be:

- You want outside investment but this would require giving away a stake in the business, for which you need to be incorporated
- You have valuable assets – such as a practice or an NHS contract – and you want to protect those assets and ensure that family or friends can still benefit
- Tax planning – a different business structure could be more tax effective.

Partnership

Most dental practices are currently owned and run by a partnership of dentists who have agreed to work together. Like **sole traders**, they are not regulated or overseen. However, their personal assets would become vulnerable in the event of a financial crisis. Unless the partnership agreement states otherwise, all partners are equal and share profits and losses. Some dentists operate an expense-sharing partnership where they work in the same building but they do not share any risk. It is possible to form a partnership without a lawyer under the 1890 act although it is best practice to employ a solicitor. If you go into a partnership, make sure there is evidence that this a genuine arrangement, by publicly displaying a plaque featuring the names of both partners. If you form a partnership with a spouse or life partner make sure the business has a joint account.

Limited liability partnerships (LLPs)

LLPs are regulated by the Limited Liability Partnerships Act of 2000 and a partnership agreement is essential. There are particular rules on partnership taxation but most other issues are for the partners to decide. LLPs are controlled by ‘members’, they do not have directors. You must register your LLP with Companies House. Limited



partners are not liable for debts and obligations of the business above and beyond the amount contributed. A partner is not an employee.

Limited company

Many dentists and dental practices are incorporating. There are pros and cons – one disadvantage is that it’s an expensive and potentially time-consuming business. You need to file annual accounts and annual returns with Companies House. The Directors have specified duties. However, a company is a legal entity and this means that the personal assets of its Directors are not up for grabs in the event of bankruptcy. Another advantage is the corporate tax rates are lower than the higher rate of personal income tax. It is possible to create a one-off tax benefit by selling practice good will to the limited company. Limited companies will benefit those dentists who wish to involve staff in partial business ownership. Limited companies also permit external investors to inject funds into the dental business for expansion purposes. This could be on an informal basis where friends of the dental business owners invest, or alternatively, more formally, investment by specialist investors, such as venture capital funds, injecting significant amounts to enable a dental business to expand rapidly. There are two particularly tax effective ways to structure third party investment, the Enterprise Investment Scheme for individuals, and Venture Capital Trust funding, which is a form of institutional investment.

The content of this panel was based on a chapter written by Alan Suggett, partner in dental specialist chartered accountant firm unw LLP, in the book Dental practice health check by Lesley Bailey, published by Radcliffe Publishing.

They can become shareholders in the business, in the right circumstances. There are cases where practice managers have acquired a stake in their dental practice following incorporation. Working in private practices allows them to use their annual dividend from the business to cover the loan. In some cases once their loans are paid, they will have an additional in dividends annually over and above their salary.

For practices with NHS contracts, however, incorporation cannot be taken for granted. The PCT must first give its blessing. This proved to be an obstacle for a practice manager whose employers wanted her to become a shareholder and to reward her for her commitment. She has worked at the practice for longer than anyone else and without her, the dentist owner would be lost.

But when the practice owner and her spouse began to investigate incorporation, they discovered that their Primary Care Trust prefers to deal with individual practices, not with corporates. With a significant PCT contract, the dentist decided not to rock the boat.

Alan Suggett, a partner with unw Chartered Accountants in Newcastle and a member of the National Association of Dental Accountants (NASDA) understands their dilemma: 'The PCT is worried about losing control to corporates. They would rather deal with a dentist they know than faceless regional managers who are dictating strategy via the balance sheet.'

But, he observes, when the corporate is a small dental practice wanting to involve staff in the business success of the practice, it seems restrictive. 'Their concern is that once the practice is in the hands of a company, the owners no longer need the PCT's permission to reassign the contract and they have no control over who it is sold to.'

For those who own or work in a dental practice, control is also a major issue. After all, for some dentists and DCPs, the practice is their biggest asset. With the guarantee of monthly payments from the Primary Care Trust contact thrown in, it is worth protecting. What would happen if the owner of the practice was to fall ill or die?

If you are a DCP married to a dentist, this asset can be protected by partnership or incorporation. Ray Goodman, a lawyer, NASDA associate member and founder of Goodman Dental, says that if the NHS contract is in joint names, then in the event of the death of one of the partners, the contract automatically passes to the survivor.

Without protection of this kind, the Primary Care Trust could walk into the practice and take over. 'Many people in the dental profession will have spouses or children who are eligible to become a partner, even if it is with a tiny stake.'

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The reasons for the formation of a company or partnership are many and varied (see panel). If you are tempted, make sure you are well advised and turn to an accountant and solicitor with specialist knowledge of the dental marketplace.

And remember, there are also times when it is right NOT to start a company. Glenys Bridges, founder and Managing Director of the Dental Resource Company, warns delegates on her courses that it is not a simple route to riches. She advised two DCPs against company formation because it was something they were going to do as part of a career break while their children were young.

'They thought this was something that they could do on the side before they were reminded of all the responsibilities of owning a practice, employing staff and staying up-to-date with legislation, not to mention submitting annual accounts to Companies House. Fortunately, they thought better of it.'

But if you are not afraid of hard work and have a vision and a flair for business, then there are opportunities out there for the taking.

Case study

How do you encourage staff to remain loyal? This was the question that dentist Nick Park asked himself while preparing to incorporate his practice. His long-term aim was to reduce the amount of time he spent undertaking clinical dentistry and encourage his staff to take on more responsibility. The answer he reached was that staff should share in the wealth they helped to create.

As a result, in March 2007, Nick gave away 20% of the ownership of his practice, Park Dental Care in Sheffield, to 12 of the most long-serving members of his team. This included associate dentists, therapists, hygienists, receptionists and dental nurses. Between them, the team paid a total of £200 for the shareholding.

The incorporation and the structural changes have enabled Nick to reduce the amount of time he spends in the practice. The result, he says, has been beneficial to himself and to his staff.

'It makes good business sense, not least because recruiting and retaining the right staff is stressful and expensive. My virtual gift of 20% of the business to loyal staff may seem overly generous. I believe that time will amply repay such an approach. Their first dividend cheque in November went down quite well.'

According to Nick's accountant, George Manolescuc of Dental Business Solutions, the most difficult part of the process was the shareholders agreement which was drawn up with the help of a corporate lawyer. Apart from this, the process had run smoothly and been executed in a transparent and inclusive way.

He said: 'Nick is a big picture person. He understands that dentistry is a team game.' Of all Dental Business Solutions clients, Nick Park is the only one to incorporate in such an innovative way but George thinks others may follow. 'For the right practice and the right people, it's a great idea.'

To read the full story on the GDP UK website, please visit www.gdpuk.com/nickpark