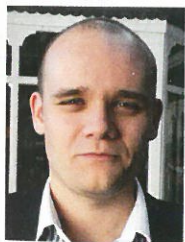


A spotlight on NHS contracts

Luke Moore continues his series on the potential pitfalls associated with practice sales and acquisitions.



When buying or selling a dental practice with an NHS contract, there are specific elements that need to be reviewed prior to completion. It's important to be aware of the possible complications ahead of time so they can be avoided or managed effectively, encouraging a



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smooth and successful transaction.

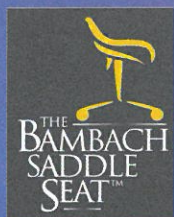
Breach

While it is not uncommon for dental practices to have a historic breach notice, more than one could be a cause for concern. With two notices on record, there is a higher risk that NHS England will attempt to re-base the contract in order to save money or redistribute funds. Technically there is also a risk of cancellation entirely, but this has only occurred once to my knowledge and there were a number of reasons why this provider had their contract cancelled. Accordingly, avoiding any kind of underperformance of an NHS contract, especially in the year leading up to a sale, will help to make the practice as appealing for potential buyers as possible. For anyone

contemplating the purchase of a practice that may be struggling to meet its targets, remember that the greater the underperformance now, the greater the risk for you in the future.

Investigations

Even if a practice has received no breach notices, open investigations must be declared early on in the sale process to prevent problems later on. Last minute disclosures of this nature will likely make a buyer nervous about what else has been kept secret from them. That said, while an open investigation may delay a transaction, it is not necessarily something that should put a buyer off completely. Sometimes they can be the result of whistleblowing by disgruntled staff who have just found out about the practice sale, for



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* Electromyographic Study of the Dynamic sitting Position Suitable for Dentists M.T.H. Verkindere, C.Iacomb, and J.P.H. Lodder - Information Dentaire VOL. 80 No. 12, 26 March 1998 PPS 911-916). See web-site for the original paper and other references.



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Example, and are therefore quickly resolved. The key is to be open and honest from the start.

The same goes for disputes with the local area team. Once again, though, resolving and avoiding any disputes when approaching a sale is the best way to prevent delays to the transaction or frightening off potential buyers.

Entities

A few years back, many companies – including dental practices – were encouraged to incorporate. Financially, this moved the value of the business into the limited company. When it comes to selling the practice, it is that limited company that is sold. Whether you're buying or selling, it's crucial to make sure that the NHS contract is owned by the limited company and not the individual person. If it is still in the name of an individual, there needs to be formal legal paperwork such as deed of trust to confirm the company's title, otherwise bank funding will be an issue. This is because where there are any discrepancies, there is a huge potential for legal liabilities and the risk of having to pay out large sums of money. There will also be problems when it comes to the handover and this would undoubtedly delay the transaction considerably. This can be avoided by simply checking the assets belonging to the limited company prior to going to market.

Opening hours

The NHS dental contracts issued in 2006 stated each practice's required opening hours. However, as practices have evolved they may have unwittingly deviated from the original agreement. No longer opening Saturday mornings is a common area where practices can fall short of their contracted hours. It is consequently important for buyers to ensure that the practice is meeting the terms of the existing NHS contract as part of the due diligence process.

Vital signs report

This indicates where the practice stands in terms of volume of recalls against the local and national averages. If one of these figures is particularly high, this is something a buyer should be wary of as it could leave the business open to investigation in the future. It's important for vendors to assess how they're doing against the benchmarks in the lead up to a sale in order to improve where necessary and increase selling potential.

End dates

Many professionals are not aware that some NHS dental contracts actually have an end date, such as PDS contracts for minor oral surgery. The vendor will be expected to produce and share their contracts and where end dates aren't far away, this can significantly impair the goodwill of the practice.

NHS contracts still offer a lot of benefits for practice purchasers, making them an attractive option. To help the transaction and change over process go as smoothly as possible, it helps to work with experts in the field who can help both vendors and buyers prepare all the necessary paperwork and make all the right checks, preventing delays and encouraging successful transactions.