



**General Dental Practice Committee**

**Submission on pay for England**

**2012-2013**

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## Executive summary

- There is considerable economic pressure on dental practices with adverse trading conditions. Inflation and dental inflation are significant.
- Again this year we have found rising practice expenses, particularly regarding laboratory and materials costs, utilities costs and pressures on staff pay.
- Using the current DDRB formula, we identify a required 2.36 per cent rise with an additional 1.05 per cent for CQC.
- For general dental practitioners the imposition of efficiency savings amount to a cut in taxable income.

### 1. Introduction

- 1.1 This paper provides evidence from the General Dental Practice Committee (GDPC) on rises in expense levels for NHS general dental practice in England. Our research shows that expenses are rising, fuelled by currency exchange rates, gold and precious metal prices, the rise in VAT and rising utilities costs.
- 1.2 We note that, once again, the Secretary of State will decide on whether or not to increase NHS contract values for general dental practitioners. This departure from the established DDRB procedure is not helpful to good working relationships between Government and the profession and will further damage morale and motivation. The imposition of efficiency gains in the last pay round has effectively led to a pay cut for hard-working NHS dentists who are trying to do their best for their patients.
- 1.3 We believe that a formula approach should be used (similar to the formula used in the 39<sup>th</sup> DDRB report) to arrive at a minimum uplift for NHS contract values that takes account of rising practice expenses. This paper provides our calculations for a reasonable rise in practice expenses.

## **2. The economic environment**

2.1 As self-employed business people, general dental practitioners are directly affected by the general business and economic environment. Firms and households are reacting to straitened financial circumstances and have changed their behaviour accordingly: consumers are more cautious about their spending and firms are reluctant to invest or hire new workers. Dentists are having to do the opposite and expand their workforce because of the need to comply with increasing regulation.

### **2.2 The impact of the current economic environment on dental practices as small and medium-sized businesses**

2.2.1 As last year dental practice owners have continued to find borrowing difficult. The inability to borrow, or the ability only to borrow at higher rates, effectively increases dentists' costs and inhibits further investment. Bank charges have also increased and because patients now largely pay with debit or credit cards, the amount paid in merchant charges has also increased. .

2.2.2 General dental practitioners, unlike most NHS health professionals, are vulnerable to the state of the economy because patients have to make financial contributions to the cost of their care. If patient demand falls, practices have to spend money on marketing and may also be subject to clawback where UDA targets are not achieved. Practice overheads still have to be met, despite gaps in appointment books. Our 2011 Dental Business Trends survey<sup>1</sup> found that a third of dentists who had applied for business credit or a loan had experienced difficulties.

### **2.3 Inflation and health inflation**

2.3.1 Inflation as measured by the Consumer Price Index (CPI) stood at 5 per cent in the year ending 31 October 2011. RPI is currently at 5.4 per cent. This has been blamed on a number of factors, including higher oil prices and the past depreciation of Sterling. RPIX, which excludes mortgage costs, stood at 5.6 per cent in October 2011.

2.3.2 Practices are facing a sharp rise in equipment and consumables costs because of the rise in VAT to 20 per cent.

2.3.3 We continue to argue that broad measures of inflation are not an accurate reflection of the rates of inflation faced by dental practitioners. For example, the cost of providing dental care is particularly sensitive to fluctuations in the value of Sterling. This is because a significant proportion of dental materials and equipment is imported and because precious metal prices are denominated in US Dollars.

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<sup>1</sup> BDA Dental Business Trends 2011

- 2.3.4 Precious and base metals prices continue to rise strongly, with gold prices up over 27.5 per cent in the past year; silver saw a 21.8 per cent increase; platinum a 19 per cent increase and palladium a 43 per cent increase in the same period.
- 2.3.5 Increasing costs of electricity and gas impact heavily on dental practices because of the amount of power that is used to run equipment, particularly decontamination and infection control processes. Energy costs have risen and are rising with British Gas, the largest energy supplier, putting up its prices in December by 6.9 per cent for gas and 6.7 per cent for electricity. This was followed by an 18 per cent rise for gas and 16 per cent rise for electricity in August 2011.

### 3. Increasing regulation and administration – CQC/IG

- 3.1 The burden of regulation on dental practitioners remains at an intolerable level. Most contractors were forced to pay £800 for shambolic CQC registration in April and practices have now entered the compliance phase with associated costs. Contractors also now have to demonstrate that they are at level 2 of the DH's information governance requirements.
- 3.2 In 2010-11 practitioners had to devote significant additional time and resources producing evidence of CQC compliance and completely a lengthy and time-consuming registration process. We estimate that dentists have had to spend an average of 2.5 days setting up systems to evidence CQC compliance and prepare all of the paperwork plus operating the checking procedures necessary to maintain compliance. **For a full-time NHS committed practitioner working a 48 week year this represents an ongoing efficiency gain of 1.05 per cent (0.5/48 per cent).**

### 4. Dental practice expenses

- 4.1 Dental practice expenses continue to rise. This section provides evidence of rising expenses that are affecting practice profitability, particularly for highly-committed NHS practices.

#### 4.2 Staff costs

- 4.2.2 Staff costs remain the highest proportion of practice expenses (30 per cent) and are the biggest factor in dental inflation. The 2011 Dental Business Trends survey showed that over 19 per cent of respondents in the last year increased dental nurse staffing levels. In the past year, all groups of dental care professionals across the UK received, on average, an hourly pay award well in excess of the zero per cent awarded to NHS dentists in 2011-12. The BDA Dental Business Trends Survey 2011 (DBT 2011) shows that practice owners in England had had to award their dental nurses a mean hourly pay rise of 3.3 per cent. Table 2 gives the uplifts for all staff groups in practice. This is well above the £250 plus £30 employer's National Insurance Contribution (approximately 1.75 per cent of average pay).

- 4.2.3 In order to remain competitive with NHS pay for dental care professionals, dental practice owners will be under pressure to award their staff at least £250 again this year. These costs will have to be met from practice income. If these costs are not funded, then effectively dentists will see their taxable incomes fall not just in real terms but in cash terms too.

*Table 2: Mean percentage rises in hourly pay by staff group in 2010-11*

	Mean	Count	Unweighted count
Dental nurses	4.63	393	302
Receptionists	4.26	299	230
Practice Managers	5.09	205	158
Employed hygienists	3.77	125	96
Employed therapists	3.57	30	23

Source: BDA DBT 2011

- 4.2.3 Employer's national insurance contributions increased by 1.0 per cent on 1 April 2011. This cost represents an average rise in practice expenses of 0.65 per cent per cent.
- 4.2.4 As well as pay, dentists have to fund appropriate training for their teams to meet CQC requirements and enable the clinical staff to fulfil their CPD obligations. Many practices also fund GDC registration fees.

### **4.3 NHS work – quantity**

- 4.3.1 The amount of laboratory-based dental care has continued to rise in 2010-11, as the contractual arrangements introduced in 2006 are now fully settled. The relative proportion of Band 3 courses of treatment continues to rise and is now 5.6 per cent. This will mean an increased proportion of practice expenses being taken up by laboratory costs and overall practice expenses will rise.

### **4.4 Materials costs**

- 4.4.1 Practice owners responding to the DBT 2011 reported substantial rises in materials and equipment costs.

*Table 3: Reported changes in materials costs in 2010/11 compared with the previous year for 75 to 100 per cent NHS practices - England*

<b>Increased substantially</b>	<b>Increased somewhat</b>	<b>Stayed essentially the same</b>	<b>Decreased somewhat</b>	<b>Decreased substantially</b>	<b>Count</b>	<b>Un-weighted count</b>
47.9%	46.9%	5%	0.2%	0%	715	757

#### 4.5 Laboratory costs

Practice owners are reporting rises in laboratory prices since last year.

*Table 4 Changes in laboratory prices since 2010-2011 for 75 to 100 per cent NHS practices - England*

<i>Increased substantial -ly</i>	<i>Increased somewhat</i>	<i>Stayed essentially the same</i>	<i>Decreased somewhat</i>	<i>Decreased substantially</i>	<i>Count</i>	<i>Unweighted count</i>
25%	61.6%	12.8%	0.6%	0%	213	164

#### 4.6 Equipment and consumables prices

4.6.1 There has been a similar story with equipment and consumables costs with practice owners reporting substantial rises.

*Table 5 Changes in equipment and consumables prices since 2010-2011 for 75 to 100 per cent NHS practices - England*

<i>Increased substantial -ly</i>	<i>Increased somewhat</i>	<i>Stayed essentially the same</i>	<i>Decreased somewhat</i>	<i>Decreased substantially</i>	<i>Count</i>	<i>Unweighted count</i>
51.8%	45.1%	3.0%	0.0%	0.0%	213	164

#### 4.7 Decontamination costs

4.7.1 The initial outlay and on-going decontamination costs are placing considerable financial pressure on many practices. This is particularly true for more committed NHS practices. The DBT survey 2011 found that 15.2 per cent of practices had installed a new autoclave in the last six months and 9.7 per cent a washer disinfectant.

#### 4.8 Costs of electricity and water

4.8.1 Fifty-one per cent of practices in the Dental Business Trends survey reported rises in utility bills due to increasing decontamination requirements. Of those that said they were facing increased costs for electricity and water, a breakdown of the rises is given below.

*Table 6 Percentage increases in quarterly water and electricity bills*

	0 - 10%	10.1 - 20%	20.01 - 30%	30.1% - 40%	40.1% - 50%	Count	Unweighted count
Electricity	2.4	18,	33,1	22.8	10,2	165	127
Water	32.	27.	17.0	14.2	3.8	138	106

*Dental Business Trends 2011*

#### 4.9 Turnover and profitability

- 4.9.1 This year we will use two main sources of information on dentists' earnings and profitability: the DBT 2011 survey and the NHS Information Centre's *Dentists Earnings and Expenses England and Wales* report for 2009-10. The 2009-10 *Dental Earnings and Expenses* report revealed that average taxable income for primary care dentists in 2009/10 fell by 5.2 per cent. Average business expenses for all primary care dentists rose by 3.2 per cent.
- 4.9.2 We asked practice owners in England to tell us how their turnover and profitability had changed since the last financial year. Nineteen per cent reported turnover increasing somewhat or substantially and 34.2 per cent reported it had decreased somewhat or substantially. So, for 46.9 per cent of the respondents, turnover had stayed the same.
- 4.9.3 Expenses showed a different trend, with 92.6 per cent of respondents saying they had increased substantially or somewhat, with 6.5 per cent saying they had stayed the same. As a result, profitability was generally down. Seven per cent of respondents said it had gone up somewhat or substantially, 17.5 per cent reported it had stayed the same, with 75.6 per cent stating profits had decreased somewhat or substantially.
- 4.9.4 The 2009-10 *Dental Earnings and Expenses* report revealed that practice owners' expenses had risen by 3.1 per cent from 2008-09.



*Table 7: Percentage of practice owners reporting that their practice turnover and/or practice profitability has decreased over the last financial year (2009-10) by NHS commitment - England*

	Profit decreased somewhat	Profit decreased substantially	Count	Unweighted count
All England	51.0%	24.6%	602	463
0-24% NHS	47.9%	22.9%	250	192
25-74% NHS	50.5%	21.6%	126	97
75-100% NHS	55.9%	28.0%	209	161

*Source: BDA DBT 2011*

- 4.9.5 This year we asked practice owners whether the business costs they had sustained in the 2010-11 financial year had met their expectations. Seventy-one per cent in England reported they had exceeded their expectations, 28 per cent reported that they were in line with expectations, zero per cent said they were below expectations and 1.0 per cent didn't know. This shows dramatically how difficult it has been in the past year for practice owners to plan and budget due to rising costs.

## **5. Efficiency gains in general dental practice**

- 5.1 The only way of achieving efficiency gains is to reduce the incomes of the owner and the self-employed dentists and DCPs who are key members of the dental team. Employment law prevents cuts being made to the pay of existing members of staff without their consent.
- 5.2 Dental practices were forced to make efficiency gains of 4 per cent in 2011-12. The DBT 2011 survey asked practice owners what their preference would be if they had to make efficiency gains. The most popular choice, supported by 39.6 per cent of respondents, was increasing preventive dentistry.
- 5.3 In view of the increasing costs of running a practice, demonstrated above, GDC cannot agree to additional unfunded work.

## **6 The formula**

- 6.1 We believe that a modified version of the formula used in the 39<sup>th</sup> DDRB report should be used again to give a minimum rise for general dental practice contract

values. Using the DDRB formula and the latest annual figures for RPI and RPIX, an expenses-to-earnings ratio of 54 per cent (as suggested by the Department in its evidence to the DDRB 2010), 30 per cent for staff costs and 22 per cent for laboratories and materials costs (from the DEE 2009/10 report), with other costs being 48 per cent, **the uplift according to the formula is 2.36 per cent.**

$$\text{Uplift 2012-13} = 0.460 * x + 0.16 * \text{pay rise} + 0.12 * \text{RPIX} + 0.26 * \text{RPI}$$

where

<i>x</i>	= 0 per cent income uplift
<i>£280 pay rise for staff earning under £21,000</i>	= 1.75 per cent
<i>RPIX</i>	= 5.6 per cent
<i>RPI</i>	= 5.4 per cent

$$= 0.28 + 0.672 + 1.404 = 2.36 \text{ per cent.}$$

6.2 If we include the additional 1.05 per cent for CQC this gives 3.41 per cent.

## Conclusions

7.1 We believe that in order to retain the services of general dental practitioners there needs to be a minimum contract value rise of 3.41 per cent.

**John Milne**  
**Chair**  
**General Dental Practice Committee**