



Healthcare Confidence Index 2022

Dentists Overview

By the side of business



LLOYDS BANK

Overview



Martyn Kendrick
Head of Healthcare Banking Services, Lloyds Bank

Welcome to the Lloyds Bank Healthcare Confidence Index, which has been reporting on the experiences and ambitions of this most vital sector since 2011.

This year's Index shows how healthcare providers are facing up to growing financial pressures from rising energy prices, interest rates and inflation, which are squeezing budgets like never before.

Short-term confidence amongst GPs, dentists and pharmacists has declined during 2022, with GPs showing the sharpest decline and dentists' sentiment proving more robust. Despite falling by three points – the smallest drop on any of the professions – dentists' short-term confidence is the highest of the three at 35.

The profession benefitted from an uplift in private cosmetic work when people had some extra savings in the wake of the pandemic. While this has endured into 2022 to an extent, we can surely expect the current cost-of-living crisis to temper this trend going forward, as households look to reduce spending in the face of bigger bills.

But seven in ten (70%) still expect to grow profits this year, and goodwill values remain high, reflecting the buoyant outlook.

Dentists seem to be growing more optimistic about potential NHS contract reforms too.

This is a profession that has always been resilient and entrepreneurial, and I am sure that dentists will continue to create growth opportunities through any reform, while also working to achieve the best outcomes for their patients.

We're seeing practices market themselves in all kinds of creative ways, including on social media, and broadening the range of services they can offer.

Pressure on margins will be unavoidable in the year ahead, but dentists are agile and adaptable and I'm confident they can come through this testing time in good shape.

Profitability

£
70%

Seven in ten dentists expect profits to grow over the next 12 months.

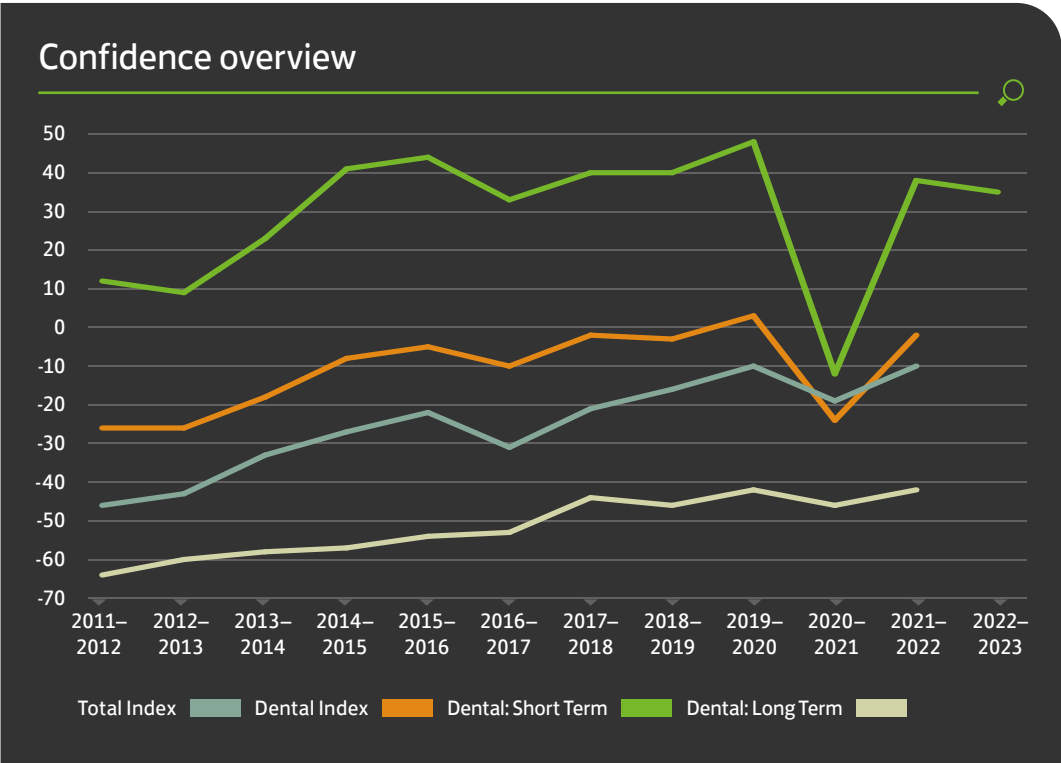
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56%

Over half of dentists expect goodwill values to rise over the next 12 months.

Overview (continued)

While we found sustainability is moving up the agenda, many healthcare professionals seem unaware of the impact of incoming sustainability rules on their operations. When we asked dentists about their awareness of the UK net zero target and the implications for their businesses, almost half (49%) said they are aware of net zero, but don't yet know what it means for their business.

While the country is working towards achieving net zero emissions by 2050, healthcare firms have more pressing deadlines approaching in 2027 and 2030 to ensure the energy efficiency of their buildings, which could be particularly expensive for those in older premises. With fewer than a third (28%) taking action to make their premises more energy efficient, many practices have an opportunity to reduce their energy outgoings, helping futureproof their businesses and bring down bills.



Employment

35%

Over a third of dentists plan to retire in the next ten years.

49%

Half of dentists struggle to find the right quality of applicants for new dental associates.

I hope you find this report informative. We have also produced similar reports for GPs and pharmacists, as well as a special report which takes an in-depth look at sustainability across all three sectors. You can view these at lloydsbank.com/healthcare-index

If the reports raise any questions, please get in touch with your Lloyds Bank Relationship Manager, who will be happy to help.

There is a drop off in data points for the total index and short term view for dentists due to the data collection not being available this year.

Expert opinion



Andy Acton
Director, Frank Taylor
Associates

Last year, dentists got a boost from accidental savers, who had been unable to splash out on things like holidays during the pandemic, so were spending their money on essential and cosmetic dental treatments instead.

While that has continued to an extent, energy bills, inflation and interest rates are now starting to bite and we have more NHS reform looming, which will all have contributed to dentists' declining sentiment.

As such, short-term confidence fell from 38 to 35, though this is still higher than GPs and pharmacists.

Like last year, three quarters (75%) think NHS services to patients will worsen over the next five years, which likely reflects the good experience dentists have had in the private sector recently, though we can confidently expect an uplift in NHS work going forward because of pressures on the cost of living.

75%

think NHS services to patients will worsen over the next five years.

That said, seven in ten (70%) expect to grow profits this year, which is really positive, given the wider economic environment.

Supporting that, almost half (47%) would like to do less NHS work and see more private patients, while a fifth (19%) would like to go fully private.

It will be interesting to see how attitudes change in the coming year as it's possible the level of private work will recede and the NHS offers reliable recurring income, albeit less profitable.

And two thirds (67%) say they would encourage friends or family to enter dentistry, which I think is great for the future of the profession.

47%

would like to do less NHS work and see more private patients.

Looking at goodwill values, three quarters (74%) think they will rise just a little or stay the same, because goodwill values are high at the moment and have been for many years, so I don't think there's a huge amount of headroom for them to rise significantly without increased practice performance to support a higher goodwill value.

The proportion of practices with payment plans is gradually increasing as many will have seen the benefits of this model during lockdown for maintaining cash flow when they couldn't open.

Having a consistent income also makes practices more attractive to lenders and supports goodwill values.

67%

say they would encourage friends or family to enter dentistry.

Expert opinion (continued)

When we asked dentists about the impact of NHS contract reform, the proportion who thought reform would boost profits more than doubled, from 14% to 35%, as did the proportion thinking standards would improve, from 13% to 23%.

I share their positive outlook; recent reforms have generated some marginal improvements for dentists and they will be optimistic that more are to come.

But clearly there are more immediate concerns, key challenges for the year ahead are inflation (91%), energy prices (88%) and interest rates (69%).

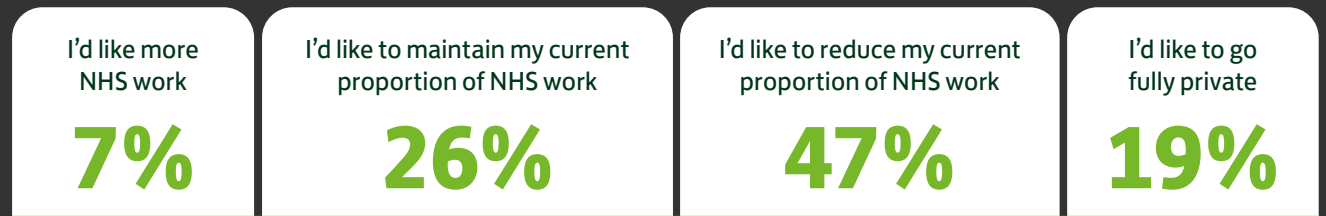
These are all issues outside of their influence, so I'd urge dentists to focus on growing their income through things like marketing and growing their service offer.

But we're also likely to see dentists forced to pass increased costs on to patients.

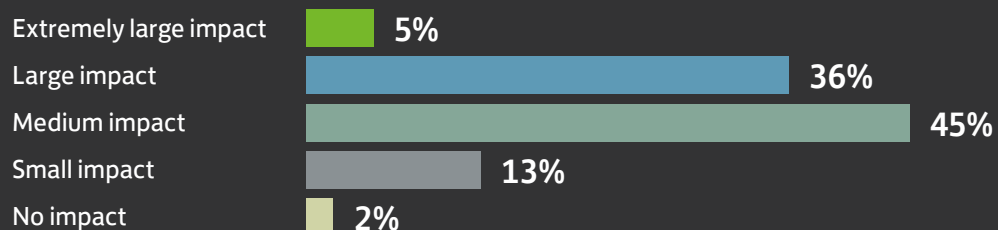
For more of the latest insights into the issues affecting GPs and pharmacists, and for a deeper dive into sustainability, you can read the full series of Lloyds Bank Healthcare Index 2022 sector reports at lloydsbank.com/healthcare-index



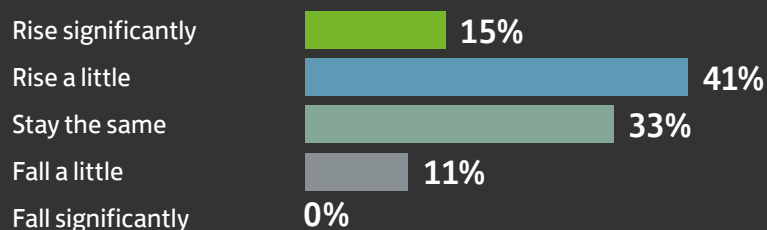
If you have NHS patients, what are your plans for the future?



To what extent do you expect inflation/the cost of living to impact on your business?



What are your expectations for goodwill values over the next year?



Some values in this report may add up to 99% or 101% as a result of rounding to the nearest whole number for each individual data point.

Case study

Dentistry & aesthetics practice becomes one of the UK's most sustainable

Bluebell Dentistry & Aesthetics has become one of the most sustainable in the UK with the help of a £1.5 million loan from Lloyds Bank.

The practice has moved into a new, more sustainable building – which is primed to meet the government's net zero targets and features energy saving measures such as sensor lights that turn on and off automatically, solar panels and fast electric vehicle charging points. It also aims to become completely paperless, with notices and advertisements around the nine-surgery practice displayed on interactive digital boards. To support bookings and online consultations, the business is also launching its own app to further help reduce its carbon footprint as patients can be assessed without needing to travel into the practice.

These measures have helped the practice to achieve an 'A' rating for its EPC and means it's supporting patients' impact on the environment.



Important information

This article is produced for general information only and should not be relied on as offering advice for any specific set of circumstances.

For more information on our support for healthcare businesses and to read the results for all our sectors visit lloydsbank.com/healthcare-index or speak to your Relationship Manager.

Please contact us if you'd like this information in an alternative format such as Braille, large print or audio.

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