



REPRESENTING  
THE UK  
DENTAL INDUSTRY

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## **Sector-Specific Support for the Dental and Medical Devices Industry: Loans for HealthTech Companies**

### **Background & Context**

The UK HealthTech sector, with a £24bn annual turnover across over 4,000 companies, is an essential component in the delivery of patient care and in driving the country's economic growth in line with the Life Sciences Industrial Strategy and Sector Deal. Within this sector, the dental industry, represented by the British Dental Industry Association (BDIA), accounts for annual sales of approximately £750m, and supports the total annual spend on UK high street dentistry of £7.84bn through the provision of over 45,000 products to around 11,500 dental practices across the UK.

Alongside colleagues at the Association of British HealthTech Industries (ABHI), the BDIA is setting out the challenges facing the sector and the support that we believe is necessary to protect it.

### **The effects of COVID-19**

Health services face an enormous challenge in responding to COVID-19 and in resuming more widespread treatment. Operating under social distancing measures, the wearing of enhanced PPE, more robust infection prevention measures and patient reluctance to attend hospitals and dental surgeries, are all impacting on activity. For dentistry, all routine treatment ceased on 23<sup>rd</sup> March, with resumption in England not beginning until 8<sup>th</sup> June, and gradual resumption across the Devolved Administrations not commencing until July. During this time manufacturers and suppliers operated with a significant reduction in demand and revenue, in many cases at, or close to, zero. Specifically, within dentistry, restrictions on Aerosol Generating Procedures (AGPs) means that treatment activity will remain at a significantly reduced level for an extended period and, as a result, income to the dental industry could be reduced by c. 65%. The Office of the Chief Dental Officer (England) has suggested that activity levels will remain around 33% of 'normal' for some time.

The industry is concerned that the expected levels of income will not support the costs involved in manufacturing, ordering and holding stock, warehouse operation, distribution and product service and support rightly required by its customers. Companies are currently relying heavily on the Government's job retention scheme, but, even if it were to continue indefinitely, with a very significantly reduced revenue stream and no real certainty about when this will recover fully, businesses are facing the danger of simply not being viable. Companies also face pressure on working capital and the resulting challenges of maintaining stock levels and purchasing raw materials for when procedures restart, threatening the availability of some products when they will be most needed.

The return to treatment cannot be maintained without a healthy and robust medical and dental devices industry and supply chain to support it. Without additional support from Government, many companies will face significant financial difficulty and this, in turn, risks jeopardising the provision of medical and dental treatment as activity is resumed, along with job losses.

### **The limitations of existing Business Support Schemes**

Existing measures such as the Coronavirus Business Interruption Loan Scheme and Job Retention Scheme have been welcomed by industry, but these measures are not sufficient to support it through a prolonged period of drastically reduced income as it supports a gradual return to wider treatment. Further, as these measures come to an end the industry is faced with meeting the full costs of manufacturing, ordering and holding stock, warehouse operation, distribution and product service and support despite a drastic reduction in income.

The CBILS also offered restrictive lending criteria that did not take into account the unique situation facing companies during the pandemic and their potential viability and future profitability without the effect of COVID-19. Further, without the certainty of knowing when income will return to 'normal' levels companies will be vulnerable to the interest due on such loans if they are not repaid within 12 months. It is likely that it will be considerably more than 12 months before NHS medical and dental treatment, and private dental treatment returns to anything like its pre-COVID capacity, and activity regarded as "non-urgent" will likely be affected for considerably longer.

The Bounce Back Loan Scheme's cap of £50,000 means that it is not large enough for companies supplying a significant amount of stock. The Future fund is not applicable to Limited companies wishing to stay a private business and Innovate UK funding is only for companies currently in an Innovate UK funded project.

Further, commercially available options for loans from the financial markets are subject to interest rates and sureties that are prohibitive for many companies.

### **A proposal**

The challenges facing the HealthTech sector mark it out as a special case and, therefore, require targeted support beyond the existing support measures in order to protect the nation's general and oral health, safeguard jobs, maintain product availability and facilitate the recovery of both NHS and private treatment. We would suggest that funding is urgently identified to allow companies interest free drawdown loans of up to £1m, which would be repayable once the business has returned to a positive cash-flow situation

Private limited companies supplying products in the UK should qualify if they have been selling into the NHS or dental sector for 5 years and can demonstrate reasonable profitability over this period. They need to demonstrate a good trading history that has only been interrupted by COVID-19.

### **Uptake**

There are over 4,000 companies in the HealthTech sector, the vast majority of these are SMEs. It is difficult to estimate the likely uptake of this offer and it would, obviously, depend on eligibility criteria. For the dental and medical devices sector, we believe that there could be up to 1,000 companies supporting 50,000 jobs who fulfil the descriptions above, and there would be a subset of those who might apply.

### **Industry examples**

The BDIA, working alongside ABHI, can arrange for companies experiencing the difficulties described above to meet with officials to expand on these proposals.