GP Practices

Specialist GP Practice Accountants

Newsletter
Autumn 2015

www.hawsons.co.uk

Introduction

Welcome to our Autumn 2015 GP newsletter.

It's September already, where does the time go? That's a question CQC may also be asking, as the regulator still has 80% of practices to inspect before October 2016! Regulation is a central focus in this newsletter with GMS contract changes, CQC inspections, PMS funding cuts and auto enrolment all on the agenda. We also look at succession planning and the possible implications on the back of the GP recruitment crisis. There are some big developments in the sector, particularly from a regulatory and strategic standpoint, therefore proactive planning is more important than ever.

In this issue we look at:

- GP net earnings – will it really improve transparency?
- GP succession – a top strategic priority?
- CQC set to inspect nearly 500 GP practices every month until October 2016
- FAQ: Understanding what the PMS funding changes means for your practice
- Auto enrolment seminars – be fine, not fined!
- Could GPs be set for a more than 1% pay rise?

We hope you enjoy this edition of our newsletter and, as always, please get in touch if you would like any further information.

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Hawsons are specialist GP practice accountants

At Hawsons our dedicated team of specialist medical accountants and tax advisors offer a wealth of experience to GPs and their practices. Our in-depth knowledge and understanding of the sector is applied and we work closely with our clients, ensuring that changes in the medical sector are recognised promptly and appropriate strategies implemented and actions taken.

For more information on our GP practice expertise, including the services we offer and our experience, please visit: **www.hawsons.co.uk/gp**

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INVESTORS IN PEOPLE

GP net earnings – will it really improve transparency?

The NHS Employers and the General Practitioners Committee of the BMA have announced changes to the GMS contract in England for 2015/16. In unprecedented plans to increase the transparency of practices, one of the main changes is the publication of GP earnings. **The changes came into force on April 2015 and it is now a contractual requirement for GMS practices to publish details of GPs' net earnings on their practice's website by 31 March 2016.**

Alongside the mean figure, practices will be required to publish the number of full and part time GPs in the practice.

This includes:

- Income from NHS England, CCGs and local authorities for the provision of GP services that relate to the contract or which have been nationally determined.
- All earnings to be reported are pre-tax, National Insurance and employee pension contributions.
- For contractors the figures are net of practice expenses incurred.

This does not include:

- Income and costs related to premises, dispensing, private work, out of hours or other commitments

Additional transparency?

The changes to the GMS contract in regards to the publication of mean GP net earnings, and the plans to publish individual GP net earnings in 2016/17, aims to introduce a much more transparent system – similar to that of other public sector bodies – but is a move which has been a shock to many in the sector.

The information must be published on the practice's website by 31 March 2016, and must also be made available in hard copy on request. Although NHS England is yet to publish guidance on how mean net earnings should be calculated, they have acknowledged the potential difficulties in dis-aggregating income and expenditure lines in exact terms. The example in the top right shows exactly what practices will have to do when publishing earnings, including the publication of the number of full and part-time GPs in the practice, as well as mean earnings.

For more information please contact your local office.

Example calculation and website wording

Type of GP	Gross earnings (net of expenses)
Full-time contractor GP	£120,000
Full-time salaried GP	£65,000
Full-time salaried GP	£65,000
Part-time contractor GP	£45,000
Locum GP (8 months)	£40,000
Total number of GPs	5
Total earnings	£335,000

**Mean earnings = £335,000/5 = £67,000 – "All GP practices are required to declare the mean earnings (e.g. average pay) for GPs working to deliver NHS services to patients at each practice. The average pay for GPs working in [inset practice name] in the last financial year was £67,000 before tax and NI. This calculation is for 3 full-time GPs, 1 part-time GP and 1 locum GP, who has worked in the practice for more than 6 months."*

What does this mean for your practice?

As you can see from the above example, the calculation mechanisms may actually further blur the real GP net earnings. The general viewpoint is that the mean GP earnings published will have a tendency to be much lower, as they may be heavily influenced by part-time contractor GPs and part-time salaried GPs within the practice. It is therefore extremely likely that, following a consultation in due course, the publication of individual GP net earnings will come into force in 2016/17.

The detailed and complex contract guidance, which sets out what income and expenditure to include and not to include, may also further inhibit the current process. Without proper guidance and further help from NHS England the figures published could be completely different from the actual mean GP earnings. In fact, as an example, if there were 10 calculations into the mean earnings for GPs working within a particular practice, it is likely each figure would be completely different. The process has set out to introduce a much more transparent system, but unfortunately looks too onerous to implement in practice.

A potential consequence on recruitment?

Another consequence that may arise from this process, which has been overlooked by many, is the potential impact the publications may have on GPs themselves. In certain areas of the UK where GPs' incomes are significantly lower, for one reason or another, there may be a decline in GPs wanting to work in that area or at specific practices, which would in turn have a considerable impact on the sustainability and succession plans of many practices.

GP succession – a top strategic priority?

Over recent years there has been a strong focus in the media and the national press on the recruitment crisis in the GP workforce. The primary focal point of many reports has been on the lack of new GPs entering the sector, as there has been, and still is, a shortfall of junior doctors wanting to become GPs. In 2013, only 20% of medical students across the UK chose to work in general practice once they had completed their foundation training, 30% below the national target of 50% by 2016.

Jeremy Hunt, Health Secretary, unveiled his 'new deal' for GPs on 19 June 2015, promising to pledge additional funds in an attempt to take urgent action in addressing the shortage of GPs. The 'new deal', however, was met with scrutiny across the profession because of a lack of detail and clarification over implementation. Now, with too few younger medics wanting to enter the sector and so many doctors close to retirement age, or expecting to retire before the age of 60, the Royal College of General Practitioners (RCGP) has warned that more than 500 practices are under threat of closure. Is succession becoming a real concern for GP practices?

Many GPs are set to leave in sector in the next 5 years

A recent study by the BBC, involving 1,005 GPs across the UK, revealed that 56% of doctors expect to retire or leave general practice before the age of 60, despite a £10m plan to attempt to encourage more GPs to delay or come back from retirement. The results of the report are summarised below, with percentages rounded:

- 25% of GPs definitely leaving the service before 60
- 30% will probably leave
- 32% probably not leaving
- 6% definitely not leaving
- 6% don't know

The average GP retires at 59, so these results are not necessarily a surprise. What is worrying, however, is that in some parts of the UK 1 in 4 family doctors are over the age of 55 – and there are currently at least 10,000 family doctors aged 55 or over across the nation.

Is GP succession a top strategic priority?

With so many GP practices likely to be transitioning to the next generation over the next 2 to 5 years, succession planning is certainly a central management issue for many involved in the sector.

Scott Sanderson, Healthcare Partner at Hawsons, said: "As many GP practices are experiencing or are set to experience partner changes in the near future it is worrying that, in our experience, the process is often not optimally prepared for. Transition plans are rarely in place or are often overly ambitious when they are – failing to give a long enough lead time for successor partners. Research has highlighted what is a major concern for many practices across the UK, and with the number of GPs leaving the sector, to retire or pursue another profession, continuing to outnumber the new entrants coming in; this really is a central management issue for many practices."

A trend to more salaried GPs – a changing tradition?

"The lack of successors is also a particularly important point when it comes to succession planning for GPs. Previously; it was often assumed that the next generation would want to become partners. However, the profession has changed significantly and an individual's work-life-balance is becoming an increasingly important part of working in a practice. As such, we have seen a trend in the number of salaried GPs rising in recent years, and the number of GP partners continually falling. The number of salaried/other GPs shows an increase of 7,441 between 2003 and 2013. This is a noteworthy increase of 434.6%, rising from 1,712 to 9,153 in 10 years. This again further highlights the continuing tendency to work in in the profession as a salaried GP rather than as a partner, particularly since the introduction of the new GP contract in April 2004. This has huge implications on succession planning."

"With so many family doctors across the UK approaching retirement age – including 90% of GPs in some practices – the next 2 to 5 years promises to be eventual for all involved in the sector. It is therefore vital that GP practices across the UK recognise the need for succession planning and determine over what time-frame the issue will arise."

For more information please contact Scott on ss@hawsons.co.uk or 0114 266 7141.

CQC set to inspect nearly 500 GP practices every month until October 2016

It's been almost one year since CQC introduced new style inspections of GP practices and out-of-hours services in England, a big revamp which led to the first ever ratings of practices. The regulator set a deadline to inspect all 7,700 practices across England by October 2016 - a two year period – but is now facing a big challenge of meeting that deadline.

80% of GP practices in England are yet to be inspected

Since October 2014, when the new style GP inspections came into force, CQC has only inspected 1,500 of the 7,700 practices across England. That means that 80% - over 6,000 practices – are still waiting to be assessed and officially rated by the regulator.

Scott Sanderson, Healthcare Partner at Hawsons, said: "In order for CQC to meet their deadline of October 2016, the pace in which inspections take place is going to have to increase significantly. The first 10% of practice inspections took 7 months; the second 10% took 4 months. Now, with only 13 months of the deadline remaining, the regulator is going to have to bring that average down considerably, resulting in nearly 500 practices being inspected every month! Whether or not that is a realistic target only time will tell, but what is for sure is that CQC are going to have to up their resources in order to meet the deadline."

Inspection results so far

So far the picture has been very positive for GP practices. Out of the 1,500 GP practices inspected and officially rated by CQC to date, nearly 85% of practices have received the top two ratings, 'good' or 'outstanding', by the regulator.

The table below shows the official ratings of GP practices to date:

Rating	Number of practices	Percentage of practices
Outstanding	60	4%
Good	1,200	80%
Requires Improvement	180	12%
Inadequate	60	4%

Commenting on the GP inspection results so far Scott said: "The official ratings of those inspected GP practices is welcome news and demonstrates what a good service GPs are providing to patients. However, with so many practices having passed with flying colours it does lead you to question whether the resources could have, and perhaps should have, been spent elsewhere; improving practices with known problems, for example. The inspection reports so far do indicate that CQC may take a 'lighter-touch' in how they regulate the sector in the future, as many have suggested, and focus on those practices that do require improvement. It will be interesting to see what strategy CQC use in the future. CQC have announced that they will not be changing the way in which they inspect practices until after 2016."

Preparing for your CQC inspection

It is important to remember that a proactive approach is not just about preparing for your inspection day; it's about continually improving the standards and performance of your practice. We recently published an article on our website about how GP practices can prepare with detailed tips for before, during and after your inspection. It's worth a read! Some of the essential advice we gave was to make the most of previous inspection reports, brief staff and inform patients and record the inspection debrief.

Read more here: http://www.hawsons.co.uk/preparing-for-your-gp-cqc-inspection

For more information please contact your local office specialist.

FAQ: Understanding what the PMS funding changes mean for your practice

The PMS funding changes – part of the national drive for equitable funding – may see a large number of redundancies, reduced service offerings and even practice closures over the next few years. Reviews in one CCG area indicate that as many as half of practices fear they will be at risk of closure following the loss of PMS premium funding. The looming 'collapse' has led to practices being warned by the CCG to make sure they prepare for GMS level earnings as PMS spending is brought in line their GMS counterparts.

Reaction from GPs at a PMS practice

GPs at a Sheffield PMS practice have said, following the funding cuts, it could be forced to close as it will lose £260,000 of funding per year - more than a fifth of its current annual budget – in an interview with the Sheffield Star.

Dr Kate Bellingham said: "We are facing massive financial challenges at the moment and don't know how we are going to remain viable…If we lose the full 21% I can't see how we can continue to operate."

> It is not yet clear what impact the loss of substantial PMS premium funding - for roughly 40% of all practices, covering nearly 20 million patients - will have on PMS practice viability and sustainability over the next few years. There will undoubtedly be some practices who are hit harder than others and estimates suggest that some PMS practices could lose up to as much as £300,000 or £400,000 worth of funding.

In this article we look at some of the FAQ surrounding PMS funding and provide advice on how you can start preparing your practice for GMS level earnings.

FAQ: Preparing for GMS level earnings

What is happening to PMS practice funding?

NHS England is currently reviewing PMS contracts as part of its drive for equitable funding. The reviews of PMS funding are set to withdraw as much as £260m worth of funding. Those funds are then likely to be given to area teams, who will use the money to achieve local outcomes in line with local area plans. Given the current recruitment crisis and increased regulation facing GPs it is essential that all funds freed up from these PMS reviews are reinvested back into local, struggling practices.

How will the PMS funding changes impact practices?

Many practices across England fear closure following the loss of significant PMS funding, but the true impact will vary from practice to practice. It looks like PMS practices are set to lose, on average, between £50,000 and £150,000 worth of additional funding. There will also be circumstances where practices could lose up to as much as £400,000. Those practices in particular may have to make significant operational and/or strategic changes to ensure their financial viability.

Is this the end of the PMS contract?

NHS England has suggested that it wants to keep all of the different contractual models, but this seems unlikely in practice. If you are being funded on GMS level earnings - with tens (if not hundreds) of thousands of pounds less in funding per year - then you may have to bring your service back in line with your GMS counterparts. In fact, more than 600 PMS practices (roughly 1 in 5) have already agreed to return to a GMS contract.

How can practices prepare for GMS level earnings?

Those 2,400 or so PMS practices that have not yet returned to GMS contracts will have to make operational and strategic preparations before doing so, such as:

- Monitor risks to financial sustainability, including a review of fixed costs vs. variable costs.
- Review staffing rotas to ensure operating at a cost-effective manner whilst still offering a quality service to patients.
- Carryout a cost review for general practice expenses such as utilities, insurances etc.

For more information or advice following the PMS funding changes please contact your local office specialist.

Auto enrolment seminars – be fine, not fined!

There are hundreds of thousands of smaller companies – including GP practices - across the UK that are approaching their staging dates and by 2017 every employer in the UK must automatically enrol their employees into an employer pension scheme.

The law on workplace pensions has changed, but there are still many cloudy areas surrounding the regulation, particularly eligible employees and employer duties. We would therefore like to invite you to one of our seminars on preparing for auto enrolment, by Erica Dietsch, Independent Financial Adviser at Hawsons Wealth Management Limited.

- **Does my existing scheme meet minimum criteria?**
- **Are there enough schemes left for me?**
- **Will I be able to get a scheme at short notice?**
- **I am a new business, when is my staging date?**
- **What if I am a sole director, do I have duties?**

If you have any questions regarding auto enrolment, including those mentioned above, then please come to one of our free seminars in September and October – Sheffield (29th September) – Doncaster (1st October) – Northampton (8th October). The seminars will provide an overview of auto enrolment and employer duties, covering who the new law applies to and what you need to do as an employer. You will also have the opportunity to ask our Hawsons Wealth Management Limited experts any additional questions. For more information and free registration, please visit: **www.hawsons.co.uk/auto-enrolment-seminar**

Could GPs be set for a more than 1% pay rise?

The Treasury has opened the door for GPs to receive a pay rise of above the announced 1%

The Chancellor announced in the Summer 2015 Budget that a 1% capped pay rise would be awarded to all public sector workers, including GPs, each year for the four years from 2016/17. However, Greg Hands, Chief Secretary to the Treasury, has now said that the pay rise will be 'targeted' and 'used to address recruitment and retention pressures' across the public sector, which is potentially good news for GPs. The outcome of this is that some groups of public sector workers may receive more than 1% and some less than 1%.

We spoke to Scott Sanderson, Healthcare Partner at Hawsons, to discuss what the announcement could mean for GPs.

What is your initial reaction to the latest announcement?

"The reaction that a 1% pay rise will not be guaranteed after it was promised barely 2 months ago will be one of shock and anger for many groups of public sector workers. The demands on the NHS have never been greater and this announcement – which could lead to a real term reduction in pay for many in healthcare – is certainly not welcome news for the majority, who would have been expecting a 1% pay rise across the board."

Could GPs be set for a more than 1% pay rise?

"The concerns over recruitment in general practice is well documented, particularly with a lack of new doctors coming into the sector and with so many GPs set to retire or leave general practice in the next 2-5 years the shortage of GPs is expected to increase. We recently published an article questioning whether or not, due to the recruitment pressures and looming threat of practice closures, GP succession should be a top strategic priority for practices across England – there is certainly an urgent need for action."

"Looking at the announcement, the comments from Greg Hands could therefore indicate that GPs could be set for a higher than 1% pay rise next year, which would be welcome news after another challenging year. This may not happen of course, and GPs could actually receive less than the 1% pay rise should the Government choose to invest elsewhere in the public sector. The announcement from the Treasury lacks detail and calcification and we will have to wait for further news to see what the real impact on general practice and GPs' pay will be."

For more information please contact Scott on ss@hawsons.co.uk or 0114 266 7141.

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