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association of independent specialist medical accountants

AISMA Doctor Newsline

A helpful resource for the practice business

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25 tips to help you boost your earnings

As many practices fight to prevent a serious drop in profits this year, AISMA members* present 25 tips to consider in your practice to help GPs cut expenses and increase their income

1 Firstly, always remember there is a limit to how much costs can be cut before it starts a downward spiral effect on the business itself. So look to ensure you are getting the best value out of essential expenditure.

2 Do not expect to be a high earning practice if your list size is substantially lower than the average per doctor - unless partners are using their time on some lucrative non GMS/PMS contracts. Ensure the practice sustains and builds list size providing this can be done within existing cost resources.

3 Practices have been much keener to employ locums in recent years, rather than cover them internally, and to take on salaried doctors. To some extent this is a lifestyle choice and there is nothing wrong in that.

But in many cases now, lower practice profit means that salaried doctors actually cost as much or more than a partner – and in general they do not have the same degree of commitment to the improvement of the business. Could it now be time to consider offering partnerships?

4 Review what administrative staff are doing and how. Can efficiencies be made? Are training needs discussed regularly and acted on? Training does not need to be expensive courses – in-house mentoring may be much more efficient.

The practices with the lowest staff costs are not usually the most profitable. Those where doctors delegate efficiently to organised, properly trained staff members tend to be the ones that are.

5 Look outside the box for your medical income. Practices are starting to offer certain consultancy, payroll or professional services to each other. This can be very lucrative to those with the time

and resources available. Think about whether you might have the capacity and organisation to provide practice manager and administration support to another practice.

6 Consider moving non NHS income into a separate corporate body. This can be both tax efficient and give you flexibility with your pension planning.

7 With a top tax rate of 50%, no personal allowance and superannuation contributions running at 22.5%, the actual marginal 'take home' income for higher earning GPs is relatively low. Some GPs have decided to reduce their working hours and use locum cover for some sessions. The cost of the locum attracts tax relief at the highest rate of tax.

8 If practice boundaries are abolished then people may consider registering with a practice closer to where they work. Obviously practices will need to retain existing patients, but remember that many people may travel into the practice area for work. It may be worth advertising your presence in local businesses.

9 Where there is house building in the area, consider advertising in the developer's brochure.

10 Review and review again: review the possible costs involved before taking on any new services to ensure the service will be profitable. And always review utility contracts and obtain the best prices.

11 Make a practice commitment to embrace technology more fully to make your communication with/from your patients more effective, and cheaper.

12 Encourage all your patients to register on your website with their email addresses - and offer monthly prizes to all who have registered and use your website for appointment requests and repeat prescriptions.

13 Keep on training your front of house team, nurses and GPs about the importance of a friendly manner - which costs nothing. This could be the little thing that really does make a massive difference to patient views about access availability, and subsequent survey results.

14 Suggest the practice manager liaises with practice managers from other local surgeries to form buying or procurement groups. This could produce significant savings for items like vaccines, stationery and computer supplies.

15 Be involved in consortia and provider groups being established in the area. Find out what is changing or required so you can react quickly at practice level.

16 Use more part time team members - this allows greater flexibility to cover sickness and holidays, reduces overtime payments, and means they do not need to be employed at 'non-peak' times. Audit staff costs and ensure staff mix is most effective for the practice's needs.

17 Produce a leaflet to explain to all who register their email address how to use SKYPE free of charge. Register their SKYPE address and save telephone costs, when you cannot email, by using this free option instead.

18 Don't forget that transfers between spouses are currently exempt from capital gains tax. If there is a large capital gains tax bill on premises or a pharmacy disposal then talk to your accountant about the tax advantages of ownership change and different partnership structures.

19 If you are looking to raise any type of bank finance consider using lower tax-paying spouses of the partners. If recorded and accounted for correctly, a £100,000 loan from a spouse with low earnings, charged and paid at credit card interest rates, can save over £5,000 off your household tax bill each and every year it is in existence.

20 Toner cartridges are expensive so create a log of printer and toner cartridge stock. Ensure that as stock is used it is allocated to a specific printer. Try to bulk purchase to obtain discounts using buying groups.

21 Re-focus on professional/clinical staff roles. Are partners, salaried GPs and nurses making the best use of their respective skills? Could any roles be delegated to others such as phlebotomists and HCAs? By freeing up more clinical time, this could lead to more time available for seeing extra patients, clinics, training or outside appointments.

22 Build relationships with patients via focus groups and ensure you are eligible for the

new patient participation DES. Ensure QOF changes are addressed within the practice.

23 Review prescribing and personally administered drugs, check tariff and ensure reimbursements are greater than the costs incurred.

24 Set an annual income and expenditure budget that delivers the desired profit level and then monitor actual results against it.

And if you've got time…

25 It is all too easy to advise GPs to concentrate upon QOF and enhanced services and look to reduce costs. But there is more to it than that. The key to success is the management of time in order to create the opportunity for doing something.

Time management is all to do with running 'the business'. GPs have to work on, as well as in, the practice. They need a clear organisation chart, proper partner roles, slick systems, appropriate procedures and an understanding of the distinction between 'important' and 'urgent'.

All of this involves reviewing job specifications and training needs, managing patient demand, creating a team atmosphere and delegating properly and appropriately.

Time management creates enjoyment and money, whereas doing nothing and expecting a different outcome is financial suicide.

Look outside the practice to save money inside

Alternative providers can be a lifeline as GPs strive to reduce their expenses. Kathie Applebee looks at areas ripe for outsourcing

Practices are now looking for more ways to cut costs as the economic squeeze continues - and staff will inevitably be in the spotlight.

Staff are invariably the biggest item on the balance sheet. And a significant portion of the expense of taking them on goes to the Treasury in the form of employers' national insurance contributions (NICs) and pension contributions.

A rough calculation suggests that about 24% needs to be added to staff salaries for these extras (less for those not in the NHS pension scheme, or below or outside NIC requirements).

Then if you add in backfill for holidays and sickness leave, depending on their roles, you might be looking at an additional 10% or so.

In reality, for those working on the premises, there are still further costs in the form of items such as equipment, refreshments and even toilet paper.

But an alternative option to direct employment, which is gaining popularity in wider business circles, is outsourcing.

Obviously not every job lends itself to this but even thinking about it might suggest some organisational changes which would improve efficiency and staff value-for-money.

Outsourced staff may have a higher hourly rate but, as long as they are self-employed or agency staff, the overall cost may well work out less without NIC, pension contributions, sickness leave and holiday pay.

The first jobs to consider are in the areas of salaries, pensions and general financial administration.

While the overall financial management needs to stay in house, 'doing the books' is generally fairly straightforward to outsource.

An online search for 'GP payroll', for example, reveals various options, and you can seek references from other practices before making any decisions.

Your accountant may well offer such a service, as well as general bookkeeping. And there are always self-employed bookkeepers available to provide administrative support to small businesses.

If you are concerned about security and privacy, remember that such suppliers cannot afford any breaches due to the damage it would do their own businesses.

Secretarial services have also been relatively popular for outsourcing, usually in the form of someone known to the practice who works at home in a self-employed capacity.

Again, search for 'medical transcription' and you will be offered a multitude of options. However, it may not be the medical typing but administrative correspondence that is the issue as more and more GPs move to digital dictation and do their own online referrals.

Outsourcing recall letters can be done by means of direct mailing, and a search on the term 'direct mail' provides extensive options. This enables you to upload a file of merged recall letters, for example, and they will be printed and posted for less than your true costs.

If you have to organise medical student placements or deal with any commercial activities linked to the practice - or have a project to manage - then you might find sites such as Elance (www.elance com) and Guru (www.guru.com) of interest.

The systems for payment and arbitration are robust and they are simple to use – the only difficulty is choosing from the huge range of people available to work for you.

Although you may prefer to start with UK-based workers, there are no limits as to whom you can contract to work for you – for example:

- To revamp your practice leaflet or website.
- Design a new rota system.
- Write protocols.
- Produce presentations or training materials.
- Take on PA duties.

There has been talk in recent years of practices sharing back office systems and having single points of access. This is rather more complicated where practices have developed very personalised ways of dealing with patients' queries and booking needs.

However, some of these options are effectively being outsourced to the practice computer system and this should not be overlooked as a potential resource for replacing at least some of the hours of any departing administrative staff.

Kathie Applebee, organisation psychologist for primary care, and strategic management partner at Tamar Valley Health Group Practice

Opinion

Treat yourself now to ease taxing pains ahead

Bob Senior, Chairman, AISMA

The Health Bill process will now continue its course following 'the pause' and the Government will, no doubt, amend it to reflect the 'improvements' recommended by the NHS Future Forum.

Quite how some of the changes will work in practice is obviously generating a tremendous amount of debate in the profession.

At the same time GPs are awaiting the next stage of the Hutton review into public sector pensions. Will Ministers accept the recommendations? How will subsequent discussions with the BMA go?

One key point in the review, moving away from final salary schemes to a career average scheme, will not affect GPs - but other changes will. In particular the issues of increasing the normal retirement age, and increasing pension contributions by perhaps 8%, are causing great concern to GPs.

Now both of these subjects are vitally important to GPs but they must take great care not to focus on them exclusively. They must avoid the mistake of focusing so much on what is coming over the horizon at them that they fail to spot they are about to trip over the kerb in front of them.

GP partners have not yet felt the pain of actually paying the higher taxes that the Chancellor has introduced in recent years. That will hit them in the pocket in January 2012, followed for many by a second bite in January 2013.

If GPs want to avoid their actual after tax income falling significantly then they need to focus on improving their operating efficiency now. Plenty of expert tips within this edition of AISMA Doctor Newsline provide detailed advice on how to do that.

Screws set to tighten on PMS GPs

A long legal process now threatens PMS practices with a new round of cost-cutting talks, warns lawyer **Andrew Lockhart-Mirams**

Back in 2006, orthodontist Eddie Crouch challenged a series of clauses inserted into his new dental contract by Birmingham PCT.

Health bosses argued that these, and wording in the regulations, allowed his Personal Dental Services (PDS) agreement to be terminated by notice without there being any cause or default on his part.

Initially the case went to the NHS Litigation Authority, where the clause was upheld, and then to the High Court and the Court of Appeal by way of a judicial review. The British Dental Association regarded the case as so important to its members that it intervened and called in my firm of solicitors.

In the Court of Appeal, Lord Dyson noted: 'It is no tribute to the drafting of the PDS regulations that such a fundamental question as to whether the relevant body has a freestanding right to terminate the agreement without cause should have given rise to so much debate and difficulty.'

Of course, the tenor of this comment is applicable to a large number of the regulations and directions governing the NHS which are bewilderingly drafted and unclear to the inexperienced.

The Court of Appeal held that the right sought by the PCT was 'exorbitant' and it declared the regulations did not confer termination powers.

Given the similar wording across the medical and dental regulations it was then thought that no unilateral right existed to terminate these contracts.

But it appears the Department of Health did not want PMS GPs to be in the same position. In April last year it amended the regulations to 'clarify' the

meaning of PMS termination provisions.

Since these came into force many PCTs have begun PMS reviews and some have proposed very dramatic changes to the original agreements.

A typical PCT negotiating tactic has been to either expressly, or tacitly, tell PMS practices that if changes are not agreed then it will simply use the new regulations to terminate existing agreements on six months notice and tender for new contracts on less favourable terms.

Various PCTs across the country have issued termination notices without being able to cite any default by practices.

Proposed PMS changes typically involve a substantial reduction in the amounts payable to practices, with the removal of growth monies and introduction of a fixed price per patient, plus Key Performance Indicators (KPIs).

Challenging the new regulations

Then in June a group of 20 GPs from Havering and Greenwich PCT areas challenged the validity of the new regulations and judicial review proceedings were held in the Administrative Court on 8 June. In Greenwich termination notices had been issued, but not in the Havering area, at the time of writing.

The practices, through their barrister, deployed various arguments against the regulations. Principally they tried arguing that the new regulations were unlawfully introduced by the Health Secretary and no termination notices should be introduced.

But judgment in the case, from Mr Justice Nichols on 15 June 2011, confirmed the regulations' legality.

Now this could open the way for PCTs who want to negotiate revised PMS terms to go ahead, using the substantial threat of PMS contract termination because they know the regulations give them this power.

With a new single contract to be introduced, possibly in 2012 to replace GMS, PMS and possibly APMS, some PCTs may be prepared to leave contractual arrangements as they are. But many will see this judgment as the door to cost cutting.

Practices faced with PCT negotiations, backed by the threat of termination, will need advice on their financial situation under the revised agreements compared to the GMS contract and their present position. These differences could be substantial, and implemented in a relatively short timescale.

Meanwhile PMS contractors can still revert to GMS and many will be asking their accountants to consider the financial implications.

This is possibly quite urgent work as there may only be a short period for a reversion notice to be effectively served after receipt of a termination notice.

Lockharts is happy to assist and advise practices on PCT negotiations and issues of tactics and timing.

Some practices are considering how to reduce costs and possible savings that could be made in line with reduced budgets. We can advise on the legal processes they must adopt if these considerations include factors such as reducing staff levels.

Andrew Lockhart-Mirams is senior partner at Lockharts Solicitors, London alm@lockharts.co.uk

Taxman will show no patience with GPs

GPs are being warned by **AISMA** to keep their tax affairs in first class working order as HM Revenue and Customs (HMRC) tightens its grip on the medical profession

A stringent late filing penalty regime has been underway since April this year.

Replacing the standard one-off £100 penalty for late filing of self-assessment tax returns, a staged system introduces fines that mount up the longer the length of delay.

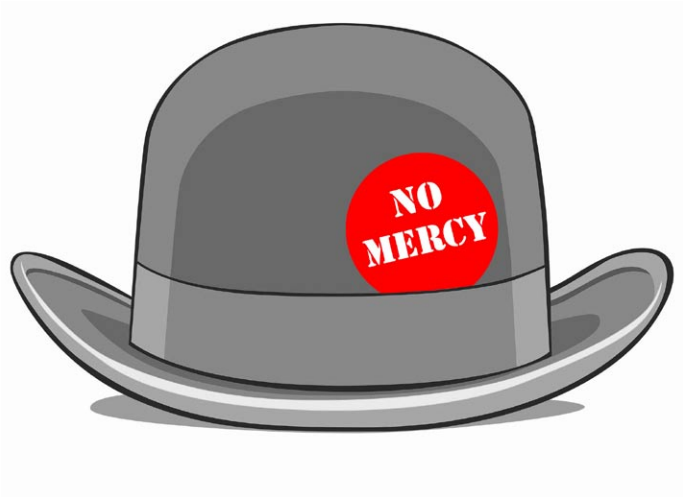
Doctors sending their tax return one day late will pay £100 and then £10 a day up to a maximum of £900 for the first three months.

Delays of six months mean doctors paying a further £300 or 5% of the tax due and another £300 or 5% of tax due for being late by 12 months.

These penalties for late filing are in addition to the surcharges for late payment of tax and the penalties for errors in tax returns which can amount to 100% of the tax due in cases of deliberate understatement and concealment.

Tax expert Bob Trunchion warned: 'HMRC put the medical profession under the spotlight last year with the introduction of the Tax Health Plan, which was an attempt to identify doctors who are deliberately avoiding tax.

'It has signalled its intention to keep a close eye on doctors who are increasingly likely to face inquiries and investigations.'



Mr Trunchion advised accountants at AISMA's annual conference that if doctors had no evidence to support income and expenses, HMRC was likely to come down extremely hard.

Luke Bennett, AISMA committee member, said: 'Tax returns that include inaccuracies, through careless mistake or deliberate error, will incur substantial penalties that could be as much as 100% of the potential lost revenue.

'Doctors are facing unprecedented pressure from HMRC and should turn to a competent specialist medical accountant to help them keep their affairs in order.'

AISMA Doctor Newsline is published by the Association of Independent Specialist Medical Accountants, a national network of specialist accountancy firms providing expert advice to medical practices throughout the UK. www.aisma.org.uk

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