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AISMA Doctor Newsline

A helpful resource for the practice business

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Going for gold starts with digging at home

Income may be static but many practices' profits could be maintained by better controls. **Bob Senior*** unlocks a treasure trove of in-house areas to review

As GPs face financially challenging times they often think along the lines of: 'I must maintain my profits, despite all the changes the Government is introducing and its drive to reduce costs – but I don't actually want to change anything I am doing'.

That objective is understandable, but in reality quite difficult to achieve. The starting point for any plan needs to be to consider how the practice is doing. That is best done by considering some fundamental questions:

- How well do profits compare with other practices?
- Where is the practice doing well?
- Where could it improve?
- How do income and costs compare per full time partner and per patient?

Looking at the results from the perspective of both a full time partner and a patient should enable the practice to start to come to terms with the underlying issues, which will result in it facing the following options:

- Increase income.
- Reduce costs.
- Improve asset utilisation.
- Share profits less widely.

In many cases we are likely to see the best long term improvement coming from a combination of all of the above.

Improving practice income

As the Government is increasingly moving towards capitation-based funding the best source of income for most practices is their list size. Typically we see the global sum/PMS baseline generating 54 per cent of a practice's income, the QOF 16 per cent and enhanced services nine per cent. Altogether some 79 per cent is capitation based.

PBC provider income can generate significant income, but one has to ask whether it can be relied on in the long term. Then there are hospital appointments, PCT posts and low-value private work. These need looking at very carefully. Yes, they attract income but what hourly rate are they bringing in? Is it actually the most profitable use of a GP's time?

Practice list size

A fundamental issue in practice profitability is the question of how big a list size should a full time (nine session) GP be able to look after. The main factors are the age of the population, deprivation and possibly ethnicity.

While all practices are different the following would not be unreasonable for the different profiles of patient:

> Young (more than 81.4% < 65)	**2,300**
> Middle aged (mainly in their 40s)	**2,100**
> Greater social need	**2,000**
> Significant elderly (more than 25% >65)	**1,850**

Enhanced services

Enhanced services are producing an increasingly large proportion of many practices' income. Given the Government's desire to get GPs to do more work for the money they receive it is likely that this trend will continue.

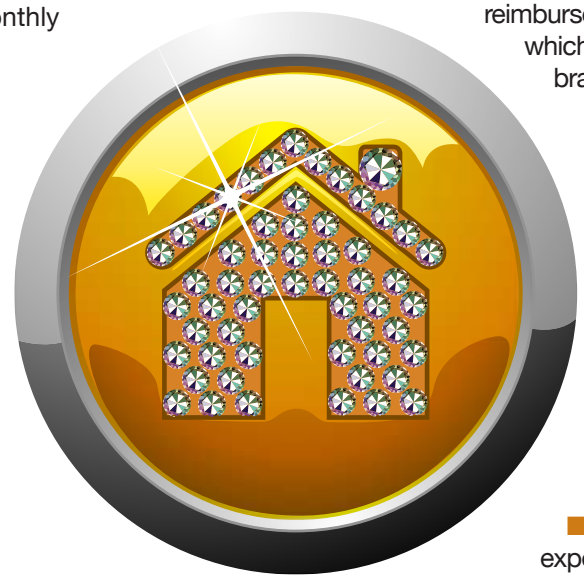
Practices therefore need to ensure that they keep under review all the services that their PCT is prepared to fund. They need to consider if they are able to take on more services profitably and whether services could be offered profitably if they collaborate with other local practices.

Having taken up an enhanced service they need to make sure that the way that information is recorded on the practice's clinical system is fully understood by all staff and consistently followed. They then need to ensure that practice activity levels are regularly reviewed by someone who has a real feel for them and that they are discussed at monthly finance meetings.

Childhood immunisations are an area where results can vary between practices. There is no easy way to ensure that the top targets are achieved, nor perhaps to overcome the objections of those parents who do not want their children immunised.

Making sure that appointments are offered at the right time and following up patient responses, or lack of them, is a permanent grind. But it must be done and can make a significant difference.

Practices need to monitor immunisation numbers achieved very carefully and understand clearly which patients actively do not want their children immunised, as distinct from those who have not got round to it yet. Focus on targeting that latter group and remember that missing a higher target by one child could cost a large practice perhaps £2,000 a quarter!



Drugs reimbursements

Make sure that the practice is not missing out when claiming reimbursement for personally administered drugs. Failing to keep an adequate eye on this part of the business can result in practices very generously subsidising the NHS.

Practices need to give their claims system a health check to make sure they are not missing out. There are typically three things that can go wrong:

- Failing to understand what can be claimed for.
- Failing to produce an FP10 correctly.
- Administering items where the NHS clawback made by the PPA exceeds the discount actually obtained.

A practice can claim for reimbursement of the following personally administered items:

- Vaccines, anaesthetics and injections.
- Certain diagnostic reagents: Dick test, Schick test, protein sensitisation test solutions and tuberculin tests.
- Intrauterine contraceptive devices (including drug-releasing IUCDs, contraceptive caps and diaphragms).
- Pessaries which are appliances.
- Sutures (including skin closure strips).

It is vital to ensure that all clinical staff understand what can be claimed for. They need to ensure that the FP10 actually reflects the precise item used, rather than perhaps a generic equivalent where a branded item has been used. If staff fail to spot that error the practice will simply be reimbursed for the value of the generic item, which may cost less than the actual branded item used.

Practices need to review their operating processes:

- Are the formulary and templates completely up to date?.
- If their clinical system has an automatic generic switch facility, is it working correctly? Could the doctor or nurse administer a branded drug and produce an FP10 showing a generic equivalent?
- Are there manual controls for expensive drugs such as Zolodex and Prostap?
- If a dispensing practice, how is the collection of patient charges controlled?

Can practices reduce their costs?

Having looked at income, a practice's attention needs to then turn to its costs. The most significant will relate to staff and premises. On average a practice spends some 57 per cent of expenditure on ancillary staff so it is vital to pay a lot of attention to this area.

Ancillary staff costs per patient – an example

	1 to 3 FTE	3 to 5 FTE	over 5 FTE
1 site			
Minimum	£23.73	£22.11	£25.56
Average	£36.77	£32.23	£32.21
Maximum	£48.36	£47.41	£44.48
2 sites			
Minimum		£19.01	£27.62
Average		£35.75	£34.26
Maximum		£61.79	£39.19

Ancillary staff cost per patient, a key performance indicator, is affected by several factors:

- The number of sites a practice operates from.
- The list size per site – diseconomies of scale are a major factor for small sites.
- PMS contracts – these often have a higher ratio of nurses than for GMS contracts.
- Dispensing practices with additional dispensing staff.
- The willingness of GPs to hand work over to nurses.

There are currently no nationally available statistics on ancillary staff cost per patient for different sized practices and certainly no regional ones. The example in the table (see left) relates to practices in the central South of England. Your local AISMA member may be able to provide local statistics from their own client bank.

Ideally they should seek to separate PMS from GMS practices and single site from multi site in the following bandings:

- One to three partners.
- Three to five partners.
- More than five partners.

Tax alert!

Be prepared for your 31 July tax payment

Be prepared for your 31 July tax payment writes **Luke Bennett****

How much to pay? You should receive a payslip from HM Revenue & Customs (HMRC) advising you of the amount. Don't assume it is correct! Check it agrees with what your accountant has advised you is due.

How should I pay? The safest and quickest way is electronically. Use your bank's internet or telephone banking facility. You will need to provide your bank with your Unique Tax Reference (UTR - the 10 digit number on your tax return or HMRC statement) and HMRC's bank account details which are:
Account name: HMRC Shipley
Account number: 12001020
Sort code: 08-32-10

Alternatively pay by debit card via https://www.billpayment.co.uk/hmrc . Again you will need your UTR.

When should I pay? The due date for the tax payment is 31 July 2009. Interest is charged at 2.5 per cent if you pay late. No interest is paid to you if you pay early or pay too much! Allow for time for the payment to be processed by your bank.

What if I can't afford it? The 31 July 2009 is a payment on account of your 2008-09 liability and is set at 50% of your 2007-08 liability. If there are reasonable grounds to believe that your 2008-09 liability will be lower than the previous year, you can apply to reduce your payment. You will need to speak to your accountant about this, as you have to consider not just profit levels, but superannuation contributions and changes in the tax rates and bands.

If there are no grounds to reduce the payment on account, paying by credit card may buy you some time. This can be done via the same website https://www.billpayment.co.uk/hmrc but a 1.25% surcharge is added by HMRC in addition to any interest charged by your credit card provider, so this can prove expensive.
Another option is to approach HMRC to agree a 'time to pay' arrangement. Although interest will still be charged, surcharges are avoided providing you stick to the agreement made with HMRC. More information is available at http://www.hmrc.gov.uk/pbr2008/business-payment.htm

Financial Diary

Topical jottings of a money-minded GP

Top Tips

- Save tax by claiming all personal business expenses, gift aid and considering pension contributions.
- Save personal expenses by reviewing income protection plans and other financial policies.
- Save business expenses by negotiating discounts from suppliers for loyalty and finding out if PCTs or Health Boards have negotiated deals with national companies such as mobile phone contracts.

Financial review nets over £700 a year

There is no new money locally for primary care. To maintain take home income, practices need to squeeze expenses and on a personal level one should review ways of reducing tax bills and personal expenses. These are the themes of this diary.

I have just taken advantage of a personal finances review - and will save over £700 a year on income protection alone.

I had two policies, the first was started many years ago when I was a young doctor. I took the second policy out five years ago. I had not realised that I was over protected. I have an option with the original policy to increase the amount covered without the need for a medical and the extra cost is pro rata on the existing premiums. This is a great deal so I have cancelled the other policy and overall save £58 a month.

Beating the loss of personal allowances

The other area of personal finance I discussed was a stakeholder pension. I already pay into stakeholder pensions for my wife and children. However I have an old personal pension that I have not contributed to for many years.

I am paying four per cent a year in fees to the investment company - so I have decided to transfer it into a stakeholder pension as the charge is only one per cent. I have also started paying in contributions again as I am going to be just above the £100,000 tax threshold.

If I pay in a relatively small amount to a stakeholder pension I will get under this threshold with higher tax relief on the pension contributions. I am not sure how much money this will save me but it avoids the loss of personal allowances that was announced in the Budget for anyone earning more than £100K. The phase out of allowances above £100,000 gives an effective tax rate of 60 per cent for income earned between £100K and £112,950.

Log it as you go to pay your way

The other way to reduce tax is to log every personal business expense and log all gift aid. Two of my partners are poor at doing this. They go on educational courses, for example, and never record details of their expenses and course fees.

One of them I know has spent over £750 on educational courses in the last year and never claimed any of it against tax. The other way of saving tax that some of my colleagues never bother with is keeping a note of every charitable donation they make by gift aid.

Over the course of a year this can mount up when one includes subscriptions to the likes of the National Trust and the never ending sponsor forms that appear in the staff room. My gift aid total was £572 this last tax year. I can claim back £102.96 of this. Furthermore this might just make the difference to be getting under the £100,000 threshold.

Don't be shy to ask for a discount

Since the credit crunch started I have been very happy to ask for discount in shops. Recently I negotiated 30 per cent off a new pair of shoes, a free ski helmet worth £60 with a pair of skis, a free leather laptop case worth £110 with a new laptop and 20% off a tent and some camping equipment.

On the back of these successes I asked my practice manager to negotiate discounts from some of the surgery suppliers. She is not comfortable with this so I have stepped in. We have used the same pharmacist for years for dressings and other supplies. I promised to retain our business for three years in return for seven per cent discount. He has agreed to this. We have also used the same office equipment suppliers for years. I offered them the same deal as the pharmacist. They were happy with this as long as we maintained a certain level of business. These discounts are probably worth about £1,400 a year.

Mobile calls cut by half

The other area where we have saved some money is on mobile phones. All the partners have been able to sign up to a commercial contract that the local health authority has negotiated.

Rates are very competitive and should see our mobile phone costs cut in half. The partners that want to can still use smart phones with email and web browsing. They pay a little bit more that those with ordinary phones but still save significant sums of money.

A clued up team pays off

If your team still struggles to understand your NHS income this year then you won't be able to maximise it, warns **Kathie Applebee**

Newcomers to general practice tend to be confused by the ways in which practices are funded by the NHS.

Items of income may be ticked off and entered in ledgers (hopefully electronic) but a broad understanding may still elude those at the receiving end of PCO statements.

Unless the sources are understood and maximised, the practice cannot claim to be managing its financial affairs, as a key part of the income/expenditure balance is working to increase income.

The main NHS income for the average practice is derived from three areas: patient numbers (the global sum payment), QOF (the Quality and Outcomes Framework) and enhanced services.

Other usually lesser sources include reimbursements, such as for rent and rates; GP related income such as seniority payments; and items relating to patients such as personally administered (PA) drugs and appliances, and dispensed items for dispensing practices.

The balance of the funding for patient numbers changed from 1 April 2009, when the reliance on the MPIG (Minimum Practice Income Guarantee) payments was reduced. This reduction has been compensated for by means of an increase in the global sum payments.

The combined amounts should show an average increase of 0.07% although there may be winners and losers in such adjustments. The aim of this change (described in an NHS circular entitled Fairer Funding of GP Services) is to reduce reliance on the MPIG which was designed as a temporary measure after the introduction of the 2004 GP contract.

The size of practice NHS income is dependent on three key variables: the numbers of patients registered with the practice, the types of services provided for them, and the accuracy and robustness of the systems for claiming for the latter.

Although increasing patient numbers may be limited by the location of the practice (amongst other factors), maximising the other elements of NHS income is under greater practice control.

For the QOF and enhanced services, practices should be seeking constantly to increase the income in proportion to the numbers of patients.

Patient groups

This means actively investigating patient groups for those who might be missing from QOF disease registers.

And I make no apology for re-emphasising advice given in this issue's lead story - it means setting up systems for maximising enhanced services' income by signing up for all possible services and actively targeting patients (such as chasing up defaulters for childhood immunisations and smears). And of course a practice should ensure that all possible income is claimed by means of accurate data entry and reporting.

Although the latter activities may seem like work for the data and quality staff, they are vital to the practice's financial management.

Monitoring income is a far more active management role than just entering and checking off ledger items.

Sadly for some practices, however, the latter clerical task may still be considered to be the prime financial management responsibility.

Kathie Applebee, organisational psychologist for primary care, and strategic management partner at Tamar Valley Health Group Practice
www.practiceservices.co.uk

The values for 2009-2010

■ The global sum (capitation) payments are based on the Carr-Hill formula which results in a weighted patient population, each earning £63.21 (previously £56.20) for the practice. This amount has been adjusted this year to reduce the MPIG correction factor payments which were introduced in 2004 to compensate for losses to practice income caused by inadequacies in the Carr-Hill formula.

■ QOF points are worth £126.77 each for an average-sized practice. GMS practices can earn up to 1,000 while PMS practices lose 104.

■ The Contractor's Population Index (CPI) is used to calculate the size of each practice in relation to the average sizes below:
- 5,891 patients in England and Wales
- 5,095 in Scotland
- 4,937 in N. Ireland

■ QOF income in the clinical domain varies due to prevalence: high prevalence (above national average) in a disease area inflates the values of the points (for that disease area only) and correspondingly reduces it for disease areas with below average prevalence.

■ Income for enhanced services varies according to the service: overall, they have increased by 1.74% in this NHS financial year (1 April 2009 – 31 March 2010).

Details of the 2009-10 funding changes are contained in Fairer Funding of GP Services, dated 3 April 2009, Gateway reference 11615 which can be found at http://tiny.cc/8aszC

DON'T front your kids' car cover

GPs trying to save their children's insurance costs could pay a bigger price than they expect. **Robin Stride** reports

You knew it was coming one day and suddenly here it is. Your son or daughter wants to learn to drive.

It's often an emotional time for parents, culminating (hopefully) in seeing your teenager drive off alone in the car for the first time after passing the test.

But it can be a very expensive time financially too as parents face the double-whammy of getting their children on the road at around the time when they are already about to fork out thousands of pounds to send them away to university.

There are driving lessons to pay for and possibly a newly acquired vehicle too. Then comes the shock of seeing your youngster facing a four-figure car insurance bill. Little wonder, therefore, that many parents decide to ease the financial burden on their child or themselves by putting him or her on their own insurance as an additional driver when they are the main driver.

But if you are thinking of this, or have already done so….. STOP!

What you would be doing is known as 'fronting' and, unknown to thousands of kind-hearted mums and dads, it is illegal. And the 'doctor's kid' could end up in court with unwelcome local publicity for you both.

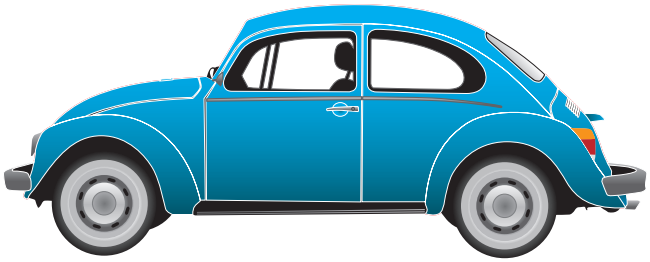
According to the UK's leading price comparison website, a fifth of drivers have, or are considering, insuring their child's car in their name and then adding the child as a second named driver even if they will be the main driver of that vehicle.

In a recent survey, from moneysupermarket.com, 31 per cent of motorists thought fronting was allowed while 35 per cent were unsure.

Cut those costs! tips to help your kids

- **Shop around** - The Association of British Insurers says you can save 35 per cent by comparing as few as five insurance providers.
- **Buy online** - Many car insurance providers offer discounts to customers this way.
- **Mileage limit** - Consider a mileage limit or to only drive at certain hours of the day.
- **Car security** - Make sure you have an alarm and immobiliser.
- **Drive a car with a smaller engine** - A newer, more reliable car that is less likely to be used by 'boy racers' will have a cheaper premium.
- **Pass Plus** - This is a certificate where a young driver who has already passed his or her driving test receives specific lessons in night, motorway and town traffic driving; achieving Pass Plus can earn significant discounts (as much as 35%) on your car insurance.

Source: moneysupermarket.com



Fraud

The company's Steve Sweeney, head of motor insurance, said he was staggered to see the lack of awareness around the practise of fronting. And he was worried at how large a percentage of motorists thought it was legal or did not know.

He warns: 'Fronting is illegal and will be classified as fraud by an insurer. Those considering lying to their insurer to save money are playing a very risky game.

'A motorist claiming to be the main driver, when this isn't the case, is a dangerous move. It may save you some money but if caught, your insurance will be invalidated and a younger driver could face court, charged with driving without insurance'.

Insurance for an 18 year-old male can start at a heart-breaking £2,600 but, he adds, it is not worth skimping on this cost to find your insurance not paying out in the event of an accident.

Having their own insurance policy will at least allow your child to build up their own no claims discount and so cut the policy cost in the future.

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