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A helpful resource for the practice business

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Issue 22 Summer 2013

Time to weed out those choking inefficiencies

Essential business components are missing in some general practices, warns **Kathie Applebee**. So can you now really afford not to tackle these profit-sapping killers?

If anyone was to look at it objectively then general practice must seem remarkably inefficient.

Consider this:

- Highly trained professionals deal with some tasks which apparently could be done by less costly team members.
- Computer systems are frequently under-utilised due to lack of investment in training.
- Premises are generally only occupied for less than half the working week - and very little, if at all, at weekends.

Of course, those of us within general practice understand the reasons for these and other inefficiencies. But, as we know, apparently simple presentations can be symptomatic of some really serious health problems.

Computer training is done in haste between other commitments and is seldom fully successful. Surgeries are open for limited hours because funding for longer opening hours is not available.

However, these constraints are being currently challenged by political imperatives and relentless rising demand. And practices need to change in order to cope with the workload and also to make the books balance. Neither is an easy task but both pose enormous risks if they are ignored.

Objective assessments

Every business needs to monitor and cost its activities. Historically, the emphasis in general practice has been on clinical audit but we also need to count who does what and how long it takes.

This does not mean clipboards and stopwatches, or even a very detailed analysis initially, but rather an almost common-sense review of income and expenditure.

Enhanced services are a good example. There are political imperatives to be taken into account here.

If your practice does not offer certain enhanced services, might patients go elsewhere? Or will private providers be given an opportunity to target your patients?

You should at least understand their cost effectiveness. If services are not profitable, could you change how they are done? An obvious example involves a healthcare assistant, instead of a nurse, being trained to support procedures such as IUCD fittings and minor surgery.

'Soft' workload

But as well as relatively clearly defined areas, there are 'soft' areas of workload to consider too.

Very inefficient working practices are unnecessary costs to the business. And they require GPs to manage fewer patients than they might otherwise be able to have registered with their practices. Expiring repeat prescriptions are a good example of this.

If an expiring repeat signals to the patient that they must see their GP then some will book an appointment.

Those that do not can cause the repeat to become a disruptive query which the duty GP has to assess - sometimes with no prior knowledge of the patient.

Even if the patient does attend a review appointment, the GP may send them away to have blood tests first, therefore using an additional appointment.

But if patients on repeats were managed through a central recall system and were called in for any required tests and investigations prior to a review appointment - and this was replicated across every patient on repeat medication - then thousands of unnecessary queries and duplicate appointments could be avoided.

QOF, enhanced services and IT

Another glaring 'soft' inefficiency involves data entry errors and omissions.

The business principle of doing it right the first time is designed to combat the waste associated with unnecessary mistakes.

In the example of QOF and enhanced services, incorrect or inadequate data entry will result either in claims not being registered, even though the work may have been done, or else frantic additional work in arrears at the year end.

Modern GP systems provide a range of assistance to users, in the form of specialist screens designed to support correctly coded data entry.

But in spite of this, many users prefer to write descriptive entries without essential coding, apparently either unable or unwilling to adapt to the ways in which general practice is now funded.

No business can survive and develop without investment, and spending time on developing data entry expertise, faster computer usage and more efficient patient management systems needs to become an essential component of general practice.

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

OPINION

Bob Senior, AISMA chairman

Plan your GPs' succession to avoid practice tears

Low morale, the pension changes, falling profits and increasing workload are making many GPs seriously consider their retirement.

Unfortunately, the things that are making them want to retire are also putting young doctors off from becoming partners.

Recruiting replacement partners is becoming an increasing challenge as a result.

This affects practices who own their own surgery and those who are tenants in rented surgeries. But the problem is particularly severe for owner occupiers.

Banks' reluctance to offer interest only loans means that for many GPs the only option is a repayment loan. And when they compare their share of the notional rent with the interest and the loan repayment they find themselves potentially out of pocket and hence reluctant to buy in.

Some practices have been so desperate to find a new partner that they have allowed new GPs to opt out of buying into the property.

But that is the start of a slippery slope which could well end badly with the existing property owners not being able to sell their share of the building when they come to retire.

In the past, GPs have generally been reluctant to discuss their retirement plans with their partners until they are more or less ready to hand in their resignation.

While that is perhaps understandable it is not desirable because it does not necessarily allow time for succession planning to be given sufficient thought.

As the practice accountants we are expected to provide our GP clients with proactive advice, and at the moment some of the most important advice that we can give them is to give succession planning sufficient time and attention.

If they don't then we will undoubtedly end up picking up the financial pieces when it all ends in tears!

Tips to ease the profit squeeze

Every GP practice is looking for new ways to boost income and cut expenses. Here, **AISMA** members* share some of their top tips

Consider your work/life balance

Many GPs and their practice managers this year are finding it difficult to come up with any easy ways to increase their profits.

The simple choice of course is to either improve income – more patients, extended services or even new services – or cut costs.

But there is a limit to how much cost cutting you can do without affecting the viability of the business.

In many practices now, the stress levels are such that after all the basic considerations to improve profitability the doctors should perhaps be looking at their work/life balance and asking how much it really is worth pushing themselves so hard.

For some GPs, 2013 may be the time they start to concentrate more on personal budgeting and contemplate living on a lower income.

Avoid a 60% tax rate

When your taxable earnings fall into the range of £100,000 - £118,880 you end up effectively paying tax at 60% on the £18,800, because you lose your personal allowances on earnings above £100,000.

This leaves doctors with a quandary.

Do they keep working even harder to get precious little of the money after 60% tax and superannuation on top? Or do they do something different like give up one session a week and enjoy a reduction in their stress levels at the same time?

In a recent case, AISMA accountants showed a doctor that he would lose less than £350 a month in his pocket by doing just one session a week less.

He grabbed the chance. To him that extra time was worth so much more than the money he was losing.

Many GPs in the '60%' tax band now find their net earnings are so low after superannuation contributions - around 27% of the gross earnings if the extra work they do is fully pensionable - that being in this income bracket is hardly worth the extra effort.

Outsource

Consider reducing your wages and associated superannuation costs by outsourcing some of the back office work to more effective non-NHS bodies who can deliver the service at a fixed monthly cost.

Payroll and accounts, for instance, often take the

team in a surgery far longer than is really necessary. This is a big area that can be outsourced to specialist book keepers or accountants, allowing the practice team to concentrate on the medical side. It may also be possible to outsource some note typing and letters.

When a surgery outsources work it also makes another saving because it does not need to have that 'employee' in the NHS superannuation scheme.

Cut locum costs

With doctor employers now having to pay the 14% employer's superannuation on locum fees, it is worth considering using a retired GP or a GP who works through a limited company to save the practice this extra expense.

Alternatively GP partners could agree between themselves to cover each other's annual leave, saving the whole locum expense.

Review contracted advisers

Take a look at any contracts your practice may have with companies offering services such as employment law advice or telecommunication services.

You might be surprised at what your practice has signed up to – especially if this happened before you joined the partnership.

Make diary notes a few months before these contracts are due to end so that you have an opportunity to value the service against cost. You can then shop around for an alternative provider. Or you may decide to give notice of termination anyway.

Always avoid being automatically enrolled for a service that you may not now be using, or could obtain more cheaply elsewhere.

Keep it in the family

External v internal locums. After the new contract in 2004 - when initially there was more cash available - it became the habit for a lot of practices to think: 'Someone's off, let's engage a locum'.

But now they need to think whether that is good use of their money. Clearly there needs to be a balance between cost and burn out. However costs might be reduced if the practice:

- Plans and reviews GP partner sessions in much the same way as for staff rotas, to minimise gaps in session cover.
- Makes sure GP time off has been planned in advance and limits holidays to one GP at a time wherever possible.
- Offers and encourages internal locum sessions to keep the profits within the partnership. An internal locum is likely to be better placed to look after the patients while maintaining the ethos of the practice.

If external locums are still required then make sure you negotiate rates.

More doctors may be willing to do occasional internal locums, particularly in practices who have moved from the full time nine sessions to eight sessions.

By making an active decision each and every time there is a perceived need for a locum, and adhering to the business plan, it will make a big difference to the bottom line.

Think deep before accepting new work

There is more than just the money to consider. When there is a chance of providing a new service, it is easy to look at the gross income and direct costs (perhaps a nurse or a consultant) and see a worthwhile net profit.

But practices often forget to consider:

- What indirect costs are involved - such as use of existing staff and premises - and whether these could be used more profitably in a different way.
- How much GP time is involved, whether it is worth the extra stress, and if it will affect the core medical practice.
- What effect it may have on morale or stress levels in the rest of the team.

On the other side, of course, the practice should consider:

- Does it improve services to your patients?
- Does it encourage patients from elsewhere to join. your practice and bring in more money?
- Might it lead to other profitable services?

Remember the toothpaste

Think about how long you can eke out the last of the toothpaste, when you realise you have nearly run out, compared to how much you use from a new tube. Now apply this to practice costs where there is physical usage of something.

For example - how often do you buy new stationery when there are adequate supplies scattered around the premises?

A trawl around one office for excess pens and pencils produced more than a year's supply that did not need to be bought.

Also investigate if your healthcare team is more generous with dressing supplies when there are plenty around.

Review staffing

If there are plenty of staff then you can be sure they will find things to do and look busy. But do you know what everyone needs to do compared to what they actually do?

Is there any rationalisation that can take place by not replacing leavers?

Most practices will have looked at this already but it should be an ongoing project to look at efficiencies.

Join a buying group

Save costs by joining a buying group or consider setting one up in your area to obtain maximum discounts on expenses such as:

- drugs and medical supplies
- cleaning supplies
- stationery
- telephone and mobile charges
- insurances and
- maintenance contracts.

Buy all in one

Think about obtaining quotes for a practice policy for locum insurance and medical defence subscriptions instead of individual partner policies. These can often be cheaper.

Share your staff

Look at ways in which staff can be shared between individual practices, especially expensive staff such as business managers, nurse practitioners, nurses, and salaried GPs.

Then you can benefit from their knowledge and experience at a reduction of the full cost.

By employing a shared salaried GP between individual practices you could save on expensive locum costs too.

Set up a staff suggestion scheme

Your staff will most likely have ideas for cost savings and/or running the practice more efficiently.

But if they are not asked they may not tell you. Do not let them keep these ideas to themselves.

You have got nothing to lose by setting up a staff suggestion scheme. Staff should feel more involved in the practice and glad to be asked.

And there is another bonus. In addition, subject to certain conditions, there are tax breaks on incentives and reward payments.

See **http://tinyurl.com/ovugyjn**

Don't pay your salaried GP pension contributions twice!

When paying a salaried GP, employer and employee pension contributions are dealt with through the payroll process as is the case for all other staff.

However these contributions must not be included in the monthly payment to the NHS Pension Scheme.

Contributions for salaried GPs are deducted by the NHS from the monthly payment to the practice along with the contributions for the partners. So if the practice also pays NHS Pensions it has paid the contributions twice.

This is a common mistake to make, particularly for practices that have not previously employed a GP.

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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Special care needed for staff redundancy

Staff redundancies in general practice are a sad sign of the times. **Joanne White** offers this quick guide to help GPs and their practice managers get it right if the worst comes to the worst

Due to the on-going recession and the pressures imposed by the NHS reforms, many GP businesses are resorting to cost-cutting measures in order to make ends meet.

Wage bills in GP practices tend to be a disproportionately high business expense and there are numerous lawful ways to reduce staffing costs, provided the correct procedures are followed.

They include overtime bans and removal of benefits. But there will be times when practices have no choice but to reduce the head-count by making redundancies.

Although there is no obligation on employers to try alternative ways to avoid redundancies, it is advisable to at least consider alternatives and, even if they are disregarded, to keep evidence of the fact that they have been considered. At the very least, practices have an obligation to do all they can to avoid redundancies and so it should be a last, not a first resort.

Redundancy is often mis-used as a reason for dismissal, which could have serious tax implications, depending on the circumstances. A failure to follow a correct redundancy procedure can also prove costly for practices.

The main focus of this article is implementing the correct redundancy procedure and to set out some of the proposed legislative changes designed to reduce the financial liability when defending an unfair dismissal claim.

A genuine redundancy situation

Labeling a dismissal as a redundancy is a common practice for various reasons, including when a practice wishes to dismiss an employee who perhaps is under-performing. The benefits of this are two-fold. Firstly the business dismisses the employee without the need to go through a time-consuming disciplinary procedure and secondly it allows the employee to retain certain benefits. For example, the job seeker's allowance is more readily available if the employee has been made redundant, rather than having been dismissed for misconduct.

But the law is very clear that it is the role, not the individual that is redundant. Mis-use of a redundancy situation, particularly when a redundancy payment is made, could amount to a breach of HMRC's tax rules. It is therefore important to ensure that any redundancy arises from a genuine situation.

To be a genuine redundancy situation, one of the following three scenarios needs to exist:

- A workplace closure meaning that all staff are facing redundancy.
- Less staff are needed to do a particular type of work.
- There is a reduction in the type of work carried out at the practice.

Any situation that does not fit into one of the above categories is not a genuine redundancy situation and making redundancies in these circumstances is risky.

The correct procedure

Where there is a genuine redundancy situation, the procedures are different depending on the number of proposed dismissals. Where a practice proposes

to dismiss less than 20 employees at one time it is important to follow the individual consultation procedure.

If there was any practice ever proposing to dismiss more than 20 employees at one time, this is known as collective consultation. Here I will focus on individual consultation, albeit the time limits for collective consultation are also provided.

The consultation process

There is no maximum statutory time limit for any consultation process for individual consultation, nor is there a minimum time limit for consultation. However, for collective consultation, if there are 20-99 proposed redundancies within a 90 day period or less, there must be a minimum of 30 days' consultation before dismissals can take effect. If there are 100 or more proposed redundancies within a 90 day period or less, there must be a minimum of 45 days' consultation before dismissals can take effect. In addition, where 20 or more dismissals are proposed, there are other obligations, such as notification to the Secretary of State for Business, Innovation and Skills (commonly known as BIS). Failure to do this is a criminal offence.

Regardless of the length of the consultation process, the focus should be on ensuring that it is meaningful and lasts long enough for all options short of redundancy to be explored.

Individual consultation

As a general rule, Employment Tribunals will expect a practice to adopt a three stage process when implementing redundancies:

- To give as much warning of the impending redundancy as is reasonably practical.
- To consult with the affected employee/s.
- To consider, and if applicable, offer suitable alternative vacancies to the employee/s.

Selection criteria

The first step is to consider which employees are at risk of redundancy. Unless an individual has a unique role within the practice, it is necessary to pool all employees with interchangeable roles, for example all secretarial staff or nurses. A list of selection criteria should then be created, before scoring each employee against it. Practices are at liberty to create their own selection criteria, provided it is objective and non-discriminatory. For example, while it is acceptable to include an employee's sickness record, certain absences should not be counted – for example pregnancy-related absences or absences for conditions that could amount to a disability under the Equality Act 2010.

Typical selection criteria include disciplinary record, absence record, key skills and necessary experience in the role. Last in/first out should be

avoided as the sole criteria although it could be used as a tie-breaker if necessary. Once each employee in the pool has been scored, the employee/s with the lowest score/s should be put at risk of redundancy.

At risk letter

A letter should be sent to each employee at risk, setting out the reason the practice is considering making redundancies and saying that a consultation process will take place before any decisions are made.

It is important that at each stage of the process, reference should be made to a 'proposed' redundancy to avoid a complaint that the decision has already been made.

The letter should invite the employee to a meeting to discuss the situation and how it affects them personally. Although there is no statutory right for the employee to be accompanied to consultation meetings, there is a statutory right for them to be accompanied at the meeting that ultimately confirms their redundancy and so it is advisable to allow them to be accompanied at all stages of the process.

First consultation meeting

There are no rules as to how many consultation meetings should take place but best practice is to have at least two. The first meeting should focus on discussing the situation with the employee and what the practice will consider to avoid their role being made redundant.

Following this meeting, the employee also has an obligation to consider any alternatives to avoid their role being made redundant.

Second consultation meeting

After two to three days, a letter should then be sent to the employee, inviting them to a second meeting. As this letter may ultimately confirm their dismissal, they have the right to be accompanied and this right should be confirmed in the letter.

It should also confirm that this meeting may confirm their redundancy if there are no existing alternatives. The focus should be exploration of any ideas the employee has come up with to avoid redundancy and any suitable alternative roles within the practice that the employee may wish to be considered for.

Best practice is to allow the employee to view all vacant positions within the practice, even if the practice does not consider the vacancy to be suitable.

Ultimately if no alternatives are available and all options have been explored, redundancy can be confirmed. This should be confirmed in writing and at the same time, the employee should be given the right to appeal the decision.

The main risk of getting the redundancy procedure wrong is a claim for unfair dismissal. This can be a costly process for practices both in terms of legal fees in defending a claim and the compensation that could be awarded to the employee in the event that they win.

Proposals due to take effect this summer will limit the financial liability for a practice in unfair dismissal claims. These changes include:

- Introduction of fees for claims issued in the Employment Tribunal. This means that any employee wishing to issue a claim must first pay a fee of approximately £250 before they can proceed. The aim of this change is to prevent vexatious claims from employees with little or no prospect of success whose main aim is to secure an early settlement from the practice.
- Introduction of a new cap on the compensatory award. This will mean that the cap will either be the current cap of £74,200 or 12 months' salary of the employee, whichever is lower.
- Giving Judges greater power to strike-out weak claims. In addition to the fee, employees will also be subject to a sifting process by a Judge. Currently, all claims proceed unless and until a mini hearing is conducted part-way through proceedings, by which time employers have already spent a considerable sum of money defending the claim.
- The introduction of pre-termination 'settlement agreements'. In broad terms employers and employees will be allowed to enter into certain confidential discussions about termination of employment, which will be inadmissible in ordinary unfair dismissal claims. It is similar to, but has very important differences from the 'without prejudice' rule currently in force. These include the omission of the requirement that the initial termination settlement offer must be in writing and add a requirement that an employee must have a minimum of 10 calendar days to consider any offer.

While the aim of these proposed changes is designed to assist employers reduce their financial liability for unfair dismissal claims, best practice should be to focus on prevention rather than cure.

If you ensure that the above steps are taken in a redundancy situation then this will certainly assist.

Joanne White is an associate specialising in employment law at Heatons LLP