Red Flag Update

Important updates for GP practices

10 TOP TIPS TO BOOST PRACTICE PROFITS

As the financial heat burns ever bigger holes in your bank balances, a fresh look at spending and earnings could still help many practices ease the pain.

The current economic climate is proving to be challenging for everyone. High inflation has led to significant increases in costs, and the Bank of England's attempts to curb this through raising bank base rates are yet to have a positive impact.
Those with borrowings on variable interest rates, whether for residential mortgages or business loans, are feeling the squeeze more than others.

So:

1. Try to avoid providing a gold-plated service for bronze money

The imposed contract for 2023-24 saw a paltry £2.58 increase per weighted patient to the global sum. After factoring in the resulting rise in the out of hours opt out cost (4.75% of the global sum and temporary resident payments), the actual increase is 2.46%.

Add in other contract funding streams, such as QOF and enhanced services, and total income from core services is between £140 and £150 per patient. From that, you must fund staff, consumables, premises, and overheads.

Your individual profit share is dependent on how you spend the funding received. Therefore, you must consider how patients access the services you provide. You are running a business. But you do not receive additional funding for providing an excellent service.

2. Be mindful of staffing

The average practice spends £76 per patient on its staff. That is 74.3% of your global sum and is the largest practice expense. While the following will not boost profits overnight, they are key considerations for any business:

- Ensure that you are getting full value out of every team member.
- Carry out periodic appraisals and set objectives.
- When staff leave, do you need to employ direct replacements?
- Benchmark your salaries with other local surgeries; perhaps those in your PCN?
- Can staff be shared across your PCN (but watch out for VAT implications)?
- Can technology cut out some of the administrative functions?
- Overtime can easily get out of hand. Ensure that appropriate controls are in place. The practice is reliant on its staff, and it needs to be invested in appropriately.

3. Limit the use of external locums

Locums are very expensive. The costs of using them are raised further if they are members of the NHS Pension Scheme, as you will also have to pay the employer's superannuation contributions of 14.38% on 90% of their locum fee.
You should consider the following before making use of them:

- Can rotas and holidays be managed better to limit need?
- They will not necessarily be aware of your systems and could lose you further money. For example, if you are a dispensing practice they may prescribe drugs which are not profitable.
- If locums are needed to cover absence (such as illness or maternity leave), make sure you claim the NHS locum allowances available.
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Review your locum insurance policy to make sure it is adequate for your practice and you personally.

4. Do not chase every income stream available

You must consider the costs versus the reward in every scenario. Examples:

- Is it worth chasing every QOF point available?
- Is that research project worth the time needed?
- Are there any income sources worth focusing on? Learning disability checks are usually a beneficial use of time (if you have the available resource and expertise).
- Outside appointments (such as GPwSI or LMC work) can be great for the individual, but will the costs of backfill exceed the income?

5. Embrace your PCN

Working at scale is the inevitable direction of travel, for now. As such, active engagement with your network is a necessity.

ARRS funding is the one area where investment has been made in primary care, so maximising this and perhaps changing how patients access your services is vital.

However, you must take advice on tax and VAT implications, and be aware that loose collaborations of network members mean that all partners are jointly and severally liable for any debts incurred.

6. Use a specialist medical accountant

Your practice accounts should detail all income streams received. How can you understand how your business is funded and ensure that all income you are entitled to is received if this is not done?

It is important to separate out income from non-NHS sources; to not do so could see your pensionable profits, and therefore your superannuation contributions, being overstated.

Profit-sharing is not always straight-forward. Separate capital accounts are needed for property, other fixed assets and working capital.

Your annual meeting with your accountant should not be just about the accounts. Your accountant can get your record-keeping and management reporting in order. They should be seen as your business partner, not an unwelcome overhead.

7. Keep your practice and personal finances in order

For the practice:

- Review income statements religiously.
- Check superannuation is being collected correctly.
- Use appropriate accounting software.
- Prepare and monitor budgets against actuals.
- Watch practice cash flow.
- Put appropriate controls in place for debt recovery.

For you personally:

- Maintain records of all expenses incurred for business purposes to reduce tax and superannuation liabilities.
- Put enough aside from your monthly drawings for your tax liabilities (assuming the practice does not pay them).
- Pass your tax information to your accountant promptly.
- Use a recommended IFA for investment advice.

8. Understand your surgery premises

If you own the property:

- Make sure that three yearly rent reviews take place.
- Consider use of third parties to potentially obtain a higher rent reimbursement.
- Be sure that the valuation clause in your partnership agreement is based on notional rent reimbursement rather than alternate use.
- Consider how repair costs are allocated between the partners if not all partners own the building.
- Update the land registry for changes in ownership.
- Plan for partnership changes and end dates on any fixed-rate loans in place.
- Claim tax relief on interest paid on business loans.

If you rent the property:

- Watch out for dilapidation and rent review clauses in lease agreement.

For both:

- Consider dilapidation provisions in your annual accounts.

9. Personally administered income

Make sure you are claiming for all income that you are due. Issues we see include:

- It can be difficult to know what can be claimed.
- There are complex processes for submitting claims.
- There can be inconsistent use of clinical system templates.
- It can be difficult to reconcile payments with claims.

You should consider having an expert come into the practice to review and improve your procedures.

10. Look at your own partnership

- Ensure your partnership agreement is fit for purpose and signed by all partners. Poor agreements can lead to costly disputes.
- Work as a collective and not in silos.
- Be aligned on ethos and getting work/life balances right.
- Ensure that regular management meetings take place. Your practice manager is a key cog in your business.
- Watch for signs of burn-out and excessive stress in your partners.
- Plan for partner retirements.
- Identify potential future partners in your existing team - and within your students/ registrars if you are a training practice.

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This article first appeared In the Summer 2023 issue of AISMA Doctor Newsline.

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