

medical update

A healthcare publication brought to you by Moore and Smalley Chartered Accountants and Business Advisors



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.

This is the second of a two part article looking at maintaining profit levels.

Childhood Immunisations

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 to be 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 immunising, as distinct from those who have not yet got round to it. 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 Prostag?
- 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 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
- And the willingness of GPs to hand work over to nurses.

There are currently no nationally available statistics on ancillary staff costs per patient for different sized practices and certainly no regional ones. The example in the table below relates to practices in the central south of England. If you would like local comparatives, please contact us.

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.

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

This article first appeared in the Summer 2009 issue of AISMA Doctor Newline, the newsletter of the Association of Independent Specialist Medical Accountants.

Now promise to make these New Year resolutions!

MANY GPs and their practice managers would greatly benefit financially in 2010 by making some New Year's resolutions to their accountants. AISMA member firms set out what they would like to see.

GPs' practice managers are generally very good at providing the practice records to the accountant soon after the accounting date - but accountants can spend a lot of time chasing expenses claim details from individual partners.

AISMA accountants find the annual 'big chase' one of their greatest problems and it is the area they complained about most when they were asked for their resolution ideas.

Most GPs need to know their tax and superannuation bills well in advance of the due payment dates and although estimated calculations can often be prepared, these may have to be revisited on numerous occasions, as information from individual partners becomes available. This means more time spent by the accountant - and a bigger bill for the GP.

The practice tax return cannot be produced, and the individual GPs' tax calculations cannot be finalised, until the expenses figures for all partners are available.

So, no prizes for guessing that the top of the new year's resolution wish list is this -

I promise to:

- 1** Provide my accountants with my personal expense claim information when they are preparing the practice's annual accounts. This will ensure that my accountant is able to compare partners' expenses claims to check they are reasonable.

It will also enable my accountant to provide more accurate estimates of superannuation and taxation liabilities with the accounts.

I will remember that partnership tax returns and Annual Certificates of Pensionable Profits cannot be completed without partners' expenses claims and completion is often delayed due to one partner's late expenses claim.

And I will be mindful that late submission of a partnership tax return will result in a £100 penalty for each partner.

The other resolutions I promise are to:

- 2** Remember that successful businesses set their objectives then manage the business to achieve them.

With my partners I realise we should resolve to set objectives for the practice over two to three years, create a plan and budget designed to achieve those objectives, then manage and monitor the practice to ensure that progress is on course. We should also be aware that an AISMA accountant is best placed to help us at all of these stages.

- 3** Resolve to exercise greater control over practice expenditure.

This means being aware of and authorising expenditure before it is incurred - not when it is time to write the cheque, which is too late.

- 4** Ensure that I can defend the amount that I claim as business usage for my cars, in the event of a challenge from HM Revenue and Customs.

I will take notice that the best way to achieve this is to keep a record of actual mileage (business and private) for a period of three or four weeks, in order to establish evidence for the pattern of usage.

In addition, I will ensure this procedure is updated whenever the pattern of usage changes.

- 5** Stop recording practice finances on the back of an envelope. I now do realise it is becoming more and more essential for GP practices to control their finances to ensure profits are maintained.

In my practice we will consider investing, as you advise, in a computerised system which can produce information for practice use, as well as assisting you.

I have noted that several systems are available - GP accounts by Iris, Quickbooks by Intuit, and for those who have some accounting experience, Sage.

My first step will be to obtain details from the providers now (see below), and then to discuss with my accountant about the setting up of the software, production of reports, and the use of the information produced. I recognise this should be done before the commencement of my financial year.

www.quickbooks.intuit.co.uk
www.healthcare.iris.co.uk
www.sage.co.uk

6 Provide my accountant with as much detail as possible about my income from the PCT.

Too often in the past, when I have been asked after a year or more what a certain receipt is for, I have had no idea.

I recognise it is relatively easy to record more detail shortly after receiving the receipt than it is several months later. This will then allow my accountant to do a more detailed comparison of income from one year to another, and across practices.

7 Not to take on any new borrowing without talking to my accountant about it first.

I accept my accountant will have a good idea of the best rates available in the present market and may be able to get me a much better deal than the one I am offered.

8 Not only provide all my personal tax information to my accountant by the date requested, as I have promised (or even earlier), but give it in the way that has been requested, where applicable, using my accountant's own questionnaire.

I recognise that this questionnaire has been drafted for a reason, ie, to record everything my accountant can think of.

Now I realise that my own spreadsheet is most unlikely to contain all the information the accountant needs, such as provision of GP Solo forms or related data, and a detailed log of the business use of my car.

9 Remember that my accountants are not thought readers and, if my partners and I have divided drawings between ourselves in any way other than the profit sharing ratio during our financial year, then we promise to provide a schedule explaining what we have done and why.

I understand that 'prior shares of profit' can then be allocated where appropriate, rather than having to have the accountant redo the draft accounts later, when my partners and I suddenly realise that our current accounts have big differences that we were not expecting.

10 Keep a spreadsheet in my practice of all our claims for payment or reimbursement so we can check the schedules returned each month with our payments, against what we expect to receive. On this schedule we will have a record of what we claimed and received in the same period last year.

This way, when we meet our accountants to review the accounts, we will not spend unnecessary time asking why exactly our income for particular categories is different this year – we will already know. And our accountants will then have a useful schedule to double check against their figures.

This article first appeared in the Winter 2009/2010 issue of AISMA Doctor Newline, the newsletter of the Association of Independent Specialist Medical Accountants.

Book your accountant for a 2010 route planner

JANUARY sees us all looking ahead in the hope of a better year than before - but can GP practices realistically do that?

Having largely completed the round of 2008-09 accounts, tax and superannuation compliance work - which generally showed a trend towards reduced practice profits - is it likely that 2009-10 and 2010-11 will tell us a different story?

A few new, enhanced services, careful cost controls, GMS practices with little or no correction factor, the odd PBC freed-up resource and deanery grant seem to be the only glimmers of good news.

Difficult negotiations with PCOs, particularly for PMS and APMS contract values, reduced fees for dispensing and personally administered drugs, harder targets for QOF points, together with the impact of prevalence, the continuous whittling away at the MPIG correction factor, and generally increasing overheads may only mean standing still at best.

In addition, practices will have to gear up for Care Quality Commission accreditation, balanced scorecard performance reviews with PCTs, and the inevitable squeeze on PCO budgets, imposed by huge national debt problems.

The start of the year must therefore be the time for practices to dust off their strategic plans and update them, review cash flow forecasts and get prepared for a tightening of belts.

Planning ahead is particularly difficult right now, as political changes following a general election are by no means clear.

Signs of an early warning of contract changes beyond April do not seem to be materialising either. But it should be possible to spend some time usefully assessing strengths and opportunities and fully understanding the 'bottom line' implications of proposals.

In my opinion your first New Year's resolution should be to book an extra meeting with your AISMA accountant as soon as possible to take these issues forward, for both the practice and at an individual level, for the partners.

Local AISMA accountants are well placed to assist with this process and to help you evaluate what is achievable in the most tax and pension-efficient way.

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Contact

Deborah Wood
Healthcare partner
01253 404404

deborah.wood@mooreandsmalley.co.uk



FREE GP SEMINAR

Wednesday 3rd March 2010

WE have teamed up with the Royal Bank of Scotland and George Davies Solicitors to bring you a fantastic free seminar, focusing on the issues facing GPs when retiring from partnerships.

The seminar will be held at the Farington Lodge in Preston on Wednesday 3rd March from 12.30pm to 3.00pm.

The seminar will focus on a recent case study prepared by Jennifer Lewis, a solicitor at George Davies, for GP Magazine, which highlighted the issues faced by one retiring GP who had not put the right documentation in place to govern the ownership of the practice premises.

We will examine:

- Who owns what in relation to the premises
- How to manage and record partners' shares in the premises to avoid disputes
- What happens to the partnership and ownership of the practice premises if a partner retires

David Walker and Dave Gleeson will be presenting from Moore and Smalley on tax and pension planning arising from property ownership.

Finally, Gary Swift from RBS will discuss "funding – a new way".

This will be a fairly informal seminar and we hope that there will be lots of participation from the audience, so feel free to come armed with any questions or issues that you would like to raise about your business. The event will include lunch.

If you would like to book spaces for you and your colleagues on this free event, or if you require further details, then please contact:

Sarah Bradshaw on 01772 821021
sarah.bradshaw@mooreandsmalley.co.uk

Please feel free to invite any of your colleagues or contacts to whom you think this will be of interest.



Your specialist team



Deborah Wood
Healthcare partner
deborah.wood@mooreandsmalley.co.uk



Paul Clare
Healthcare senior manager
paul.clare@mooreandsmalley.co.uk



David Walker
Healthcare tax consultant
david.walker@mooreandsmalley.co.uk



Elizabeth Hall
Financial planning director
elizabeth.hall@mooreandsmalley.co.uk



Jean Kelly
Healthcare senior manager
jean.kelly@mooreandsmalley.co.uk