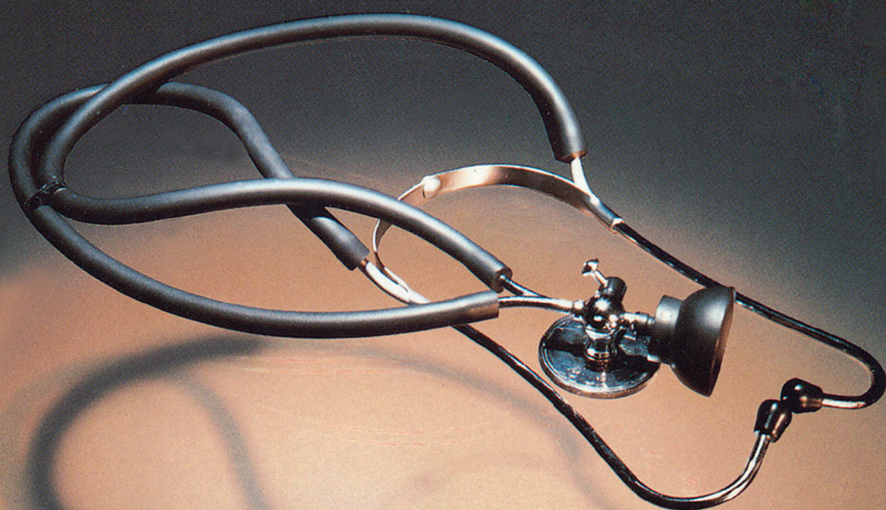
INCOME GENERATION IN GENERAL PRACTICE



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Income Generation in General Practice

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CRC Press
Taylor & Francis Group
Boca Raton London New York

CRC Press is an imprint of the
Taylor & Francis Group, an **informa** business

First published 1991 by Radcliffe Publishing

Published 2016 by CRC Press
Taylor & Francis Group
6000 Broken Sound Parkway NW, Suite 300
Boca Raton, FL 33487-2742

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CRC Press is an imprint of Taylor & Francis Group, an Informa business

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ISBN 13: 978-1-870905-02-2 (pbk)

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British Library Cataloguing in Publication Data

Sanderson, Andrew F.
Income generation in general practice.
1. General practice. Finance
I. Title
362.170905

Typeset by Advance Typesetting Ltd, Oxford

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Acknowledgements

THERE are a number of people who I would like to thank for their help towards this book. Firstly my family who have put up with my typing and printer late into the night. Secondly my partner Alan Sensier, my friend David Elleanor and my accountant Peter Willey who all did proof-reading and offered valuable advice. Next to thank are my trainees, for whom the project was originally started. Finally Kenneth Clarke, former Secretary of State, who irritated me sufficiently to finish the book.

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Preface

GENERAL practice as we have been told many times is a business, and businesses are there to generate income. There is plenty of advice on the clinical aspect of general practice, and some on management in the speciality, but the only advice on generating income is to be found in the free journals and newspapers. The object of this book is to put together general advice for those new to general practice so that they do not spend years working hard and not taking the rewards owing to them.

I do not pretend to provide comprehensive instructions on every possible route to income generation – that would take a multi-volume textbook. This book can only contain general advice with some specific clarification of the Statement of Fees and Allowances (the Red Book), as it is the Red Book which controls our income.

Throughout the book I have used the masculine to refer to a general practitioner (GP). This is purely for brevity, and is not meant to slight female GPs. Indeed, having two sisters who have been in practice, I dare not.

It has been said that the good GP will each night read a chapter of the Bible and a chapter of the Red Book. Certainly each GP should, if he wants full reward for his labours, have an up-to-date copy of the Red Book. Failure to read and understand this document before starting a new project has cost most GPs some income and has cost some of us a great deal of money. Witness the practitioner who decided to build new premises, without Red Book advice. He apparently appointed an architect who designed a surgery whose cost was many tens of thousands of pounds more than was allowed under the regulations. After finding out the awful truth, the architect was instructed to bring the cost within the tight limits permitted, but he was unable to do so. The episode finished with the doctor having lots of plans but no building. He also still had to pay the architect approaching £20,000 in fees for which there was no reimbursement.

General considerations

Several times each year, the medical press contains reports of the deliberations of the General Medical Council. Several of these are stories of doctors who have tried to defraud their patients, other doctors, the Family Health Services Authority (FHSA) or the Inland Revenue. Excepting moral considerations, fraud is stupid. A doctor earns by legitimate means from medical practice say £30,000 per year, and will continue to do so for the rest of his working life, if he behaves. If he then tries to get a few hundred or thousand more by underhand methods he is liable to lose his job and with it his earning potential and also much of his pension. Getting a new job in general practice after being found guilty of fraud will be difficult, what do you put on your CV? It would be extremely foolish to tempt fate in this manner.

There are ethical points which ought to be made. Patients put their trust in GPs and we cannot afford to abuse that trust.

Similarly the government, as the employing contractor, is owed value for money. In consequence we ought to spend taxpayers' money with care. We may make more income by using a higher priced treatment; but it is immoral to give an expensive treatment when a cheaper one will do equally well.

Talking to some doctors, it may seem that their income is above average, despite the fact that they drive a 5-year-old Ford Escort and live in a hovel. It may be that when speaking of their income, they have forgotten about the expenses portion of the money which comes from the FHSA.

When our remuneration is calculated by the Review Body, there are two parts to their deliberations. They have to decide upon the average pay for a GP, and then work out the approximate cost to him of running his practice for the current year. The latter is classed as expenses, is not superannuable, and is added to the former. This is why, when you look at the slips from the FHSA, the gross amount payable and the superannuable income are different.

'To tax and to please, no more than to love and to be wise, is not given to men' (Edmund Burke). Nevertheless we have to pay taxes. The trick is to make them as painless as possible. I have met a GP who pretends that taxes do not exist and twice a year is presented with a nasty reminder which takes 2 months' pay to cover. Your accountant should be able to estimate your tax liability for the

current year, so that you can put aside sufficient money each month to cover the tax bill. It may be more appropriate to do this as a practice rather than as individuals, remembering that in a partnership you are liable for your partners' debts. Thus if your partner does not pay his tax, the man from the Inland Revenue will come to you for his money.

Much of the income coming from an FHSA to a partnership may be dependent upon there being a partnership as defined by the regulations. To have a partnership, the largest share of income from the practice must not be more than three times the smallest. This may seem to be easy, but on occasions it can be a problem. Take a partnership of three where two partners have parity of 36% and a new partner joined a year ago on 28% for 2 years. This practice then takes on a part-time partner doing no night shifts, but 25 hours a week to ensure a basic practice allowance. The agreement is that the new partner should have 10%. The existing partners would take 32%, 32% and 28%. They no longer have a partnership in the eyes of the FHSA. Some other arrangement must be made so that the two on parity are not getting more than three times the share of the part-timer. A solution could be to give the junior partner in the old practice parity.

As well as this, each partner must do a reasonable share of general medical services. You cannot have one partner who spends most of his time doing private or sessional work outside the practice, or who is semi-retired. This can be a trap for the woman in practice with her husband.

In some areas a FHSA may require a certificate from an independent solicitor stating that a partnership agreement conforming to certain criteria exists.

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March 1991

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1 Basic Practice Allowance
(SFA paragraphs 12.1 – 20.4)

THE basic practice allowance (BPA). (SFA para. 12.1 – 18.12) currently provides the average GP with about 20% of his income. It is important that the conditions set down in the Red Book are fulfilled, as the local FHSA has the power to withdraw some or all of the basic practice allowance payable to a doctor if they are not.

Essentially, the conditions require the doctor to have 1200 patients on his list, and to devote a substantial part of his time to his practice. The latter part is defined as an average over the year of 26 hours per week. The time spent in the practice must also be spread over 5 days, so you cannot cram your 26 hours into 1 or 2 days. There are provisions in the Red Book and your terms of service for those who want to work less time. You can work more than 26 hours spread over 4 days if you are doing some other 'health related activity' on th 5th day. If you do not want to work 26 hours, you can work between 19 and 26 hours (three-quarters time). You can work between 13 and 19 hours (half-time). Alternatively you can share a full-time job with someone else. The amount of BPA money you get, will depend upon the time you spend in the practice.

Within a practice, each partner does not have to have 1200 patients, as long as the partnership has an average of 1200 per doctor. Here you must ensure that you have a partnership as is defined in the regulations.

There are some additions to the BPA which are available. The amount of money you get is proportional to the amount of basic practice allowance received.

The designated area allowance (SFA para. 14.1 – 14.11) is paid to doctors working in an underdoctored area. There are two levels of designation. Level 1 is paid when an area has had at least 3000 patients per doctor for at least 3 years. Level 2 is paid when the area has had 3000 patients per doctor for at least 1 year. You can graduate from level 2 to level 1.

Seniority payments (SFA para. 16.1 – 17) are, along with the postgraduate education allowance, the payments most commonly