

'The doctors are not happy'

Does **Jeanette Brown's** cautionary tale of a partnership on the brink ring any warning bells in your practice?

If you've ever been on the receiving end of this statement, you'll remember the sudden sinking feeling in the pit of your stomach. I have acted as a medical accountant to GP practices for more years than I care to admit and, over the years, I have to admit to receiving this kind of phone call a couple of times. With all the chat in the medical press about falling incomes, a mere 0.28% pay rise from the DDRB for GMS and the scary 'fairer funding letters' now being received by PMS practices, I am reminded of a situation that cropped up a couple of years ago.

Crash and burn

The call came from the practice manager of a small dispensing practice. I had been to the accounts meeting a couple of days previously and had presented the four partners with a drawings policy for the forthcoming year. Unfortunately, it showed that the doctors had to take a pay cut. While no one said anything to me at the meeting, the doctors had obviously digested the information and asked the practice manager to give me a call. I am also a licensed insolvency practitioner and, at the same time, I was dealing with the liquidation of a small engineering company with the same number of directors. While I worked through both of the cases at the same time, I couldn't help but draw parallels between them. I found that each of the issues I was meeting in the engineering business was mirrored in the practice. What struck me was that we often forget that GP practices fall into the category of a 'business' rather than being simply a recipient of funds from the NHS. There are no guarantees, profits can fall as well as rise, income streams can disappear and costs can run out of control if you take your eye off the ball. My engineering company crashed and burned; my rural dispenser struggled on. So, here is their story. I have called the practice 'GPP'.

1 Loss of income
Two partners had recently retired. The first had taken a keen interest in GPP's profitable dispensary. None of the new partners had taken on this crucial leading role and the dispensary profits had plummeted. The second retiree had two lucrative deals with local care homes but none of the other partners wished to take on the role as it involved a significant time commitment.

2 Recruitment and succession
Of the two new partners recruited, one was very young and the other within five years of retirement. The young GP demanded his drawings were equal to the net salary he had been receiving from his previous practice. He had been promised an extremely high fixed share of profits to persuade him to come to the practice. Then, a series of unexpected 'mishaps' led to locum cover being required. While some reimbursement was available, it did not cover the overall cost.

3 Runaway staff costs
One of the recently retired senior partners had 'unofficially' kept an eye on staff matters. When she left, so did a number of staff members, but their replacements were more expensive, and no one had thought to challenge this. There was also a 'spat' between two of the receptionists and with no 'staff partner' to sort it out, the situation ended up at an Industrial Tribunal.

4 Keeping an eye on the ball
Two of the senior nurses had decided to take responsibility for ordering their own drug supplies. Since there was no one taking the lead for the dispensary, this resulted in significant over-ordering of stock and a huge write-off of out-of-date drugs. Due to the intense pressure, the two original partners decided to



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award themselves an extra two weeks of holiday. While this reaction was completely understandable, they hadn't considered the chaos and cost of finding suitable cover for the patients while they were away.

So, what happened next?

This is where I received my phone call from the practice manager. She continued: 'They do not understand where all the money has gone and they want to know what you are going to do about it. And they don't want to reduce their drawings. In fact they want a pay rise. Oh and can you please have a word with the bank manager for me as she wants to know why we keep hitting up against our

overdraft limit.'

I would have liked to report a happy ending – but, sadly not, as I lost the client. Worst still, the last I heard, the PCT had become involved with the practice following the departure of two of the other partners.

Is there a moral to this tale?

I think so. A GP practice is no different from any other business. Things can – and do – go wrong and, if both businesses had taken the time to objectively analyse the key issues they faced such as succession, maintaining income streams and staff structures, then they could have survived.

