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How will commissioning affect my income?

By Sally Sidaway | 10 Sep 2012

Sally Sidaway answers key questions about the impact of working for a CCG on both personal and practice income

From April 2013, CCGs will be firmly established, with many GPs holding active commissioning roles – from officer posts to ad hoc work. All parties need to fully understand the implications of a GP taking up a CCG post so that both the GP and the practice are protected against negative financial consequences.

These GPs, their partners and practice managers will need to understand and plan for the changes to working commitments and the resulting effects on both personal and practice income.

Whether embarking on a regular contract or occasional work, GPs will need to consider a fair rate to be paid for skill and experience and then agree this rate with their CCG's remuneration committee.

Roles will be defined across CCGs, but there will need to be scope for negotiation to fit individual circumstances. Loss of sessions at the practice will necessitate backfill of doctor time to maintain patient care and practice profitability.

The costs of replacing the absent GP, whether a salaried or equity partner, will be based on the cost of a salaried GP or locum replacement. Even if partners provide internal locum backfill, costs will still need to be quantified and considered.

The monetary cost may be the easiest element to quantify – practices will also face the hidden cost of the non-clinical work that the absent GP would ordinarily carry out. CCG GP officer post holders will be experienced GPs, carrying out vital roles within their practice beyond their clinical skills.

GPs will also need reassurance about the effects on their personal finances, such as taxation, National Insurance contributions, pensions and seniority entitlement.

How will my partnership profit share be affected?

GPs taking up CCG posts will usually continue to be involved in their practice.

There are three possible ways to adapt profit share when a partner is absent for a number of sessions:

• partnership profit share will be reduced in line with the reduction in sessions worked

• full profit share will remain and the first tranche of percentage share will be from income earned from the CCG

• a mixture of these two solutions.

In any instance, your practice accountant must ensure the accounting treatment is transparent and fair.

What are typical backfill costs?

The costs of filling in for the absent partner's time will need to be taken into consideration when negotiating rates of pay with the CCG.

Geographical variation will exist but, for a two day per week CCG post, consider the following options for backfill:

• Locum GP Average sessional rates might be in the order of £250 (seeing 18 patients). Visits may be additional, or an increased overall rate paid for a full duty session. Whole-day rates may be more favourable. For a two-day absence, costs could be, at minimum: (£250 x four sessions) = £1,000 x 52 weeks = £52,000 per annum

• Salaried GP Geography will affect salary rates, but – for example – a salaried GP may expect to earn between £8,500 and £9,000 per session (London weighting to be considered).For a two-day absence (including on-costs) expenditure could be: (£9,000 x four sessions) = £36,000, plus employer's superannuation at £5,040 and employer's national insurance at £4,968 = £46,008 per annum

An additional amount for non-clinical duties carried out by the absent GP should also be considered.

What about reducing my profit share to pay for my time?

If a GP reduces profit share in exchange for CCG hours, it can be difficult to calculate the worth of each contribution. No two practices are the same; the loss of profit for a GP absent for four sessions will differ from practice to practice.

The quantification of loss of practice earnings when negotiating rates must be considered in collaboration with the practice accountant. A figure for profit per session from your practice accounts must be calculated and should reflect items that may not vary with sessions, such as net property revenue and seniority.

Loss of personal earnings or the costs of backfill for work carried out in practice time must be calculated, too. The aim is that neither an individual GP nor a practice should suffer financially from a GP taking up a CCG post.

LMCs will support GPs in these negotiations, both those involved in commissioning and those who continue to run practices with reduced commitment of some GPs.

How might commissioning affect my employment status?

A GP taking up a CCG role must understand what this will mean to their individual position.

HMRC employment status law is clear, and it should be assumed that an ‘office holder' of a CCG will normally be classed as employed and taxed under PAYE. Non-office holders carrying out ad hoc work will also need to be considered in light of the legislation.

Usually these GPs will be regarded as ‘employees on flexible terms' by HMRC. Detailed guidance on the factors that HMRC will consider is now available on the Department of Health website.

It may be possible for GPs to make a case for the income to be treated as self-employed, but this will need to be agreed with HMRC on a case-by-case basis and your accountant will be able to advise.

What are the implications for my personal finances?

There are broadly four areas where a change of employment status will affect a GP's personal finances.

1 Tax Earnings will be taxed under PAYE by deduction at source from monthly salary. Income tax rates will be based on
individual total taxable earnings from all sources. CCG earnings will be taxed at the same rates whether they are classed as employed or self-employed. Employed earnings will be taxed on a GP's self-assessment tax return, with credit given for any tax deducted at source. Under PAYE, the appropriate tax code will need to be applied. Your accountant should liaise with HMRC to ensure this is correct.

2 Expenses The rules for tax relief on expenses for an employee are different from those for the self-employed. Tax relief will be given where expenses are incurred wholly, exclusively and necessarily for the purposes of the salaried engagement. Mileage to and from CCGs is not allowable. CCGs are likely to pay mileage allowance for travel for CCG purposes. Changes in circumstance may affect

overall business mileage percentages that a GP is entitled to claim. If other expenses are incurred, a GP should take advice on the tax relief available.

3 National insurance There is a difference in how national insurance is paid on employed earnings compared with self-employed earnings. As an employee there will be two tranches of national insurance payable:

• Class I employer's national insurance – payable by employer

• Class I employee's national insurance – payable by deduction at source from employee.

National Insurance contributions are higher under employed status and are shared by both employer (CCG) and employee (GP). Applying 2012/13 rates, the additional burden on a gross salary of £150,000 compared with the same level of self-employed earnings is:

• additional total National Insurance payable by employee of £910

• additional employer's National Insurance of £19,667.

Clearly the bulk of the additional cost lies with the CCG as the employer, not with the employed doctor.

4 Pensions From April 2013, all CCG earnings for GPs will be fully superannuable under the NHS pension regulations, assuming the CCG is an NHS employing authority. It will not be possible to choose whether this income is superannuated.

GPs who have applied for fixed protection and have ceased making pension contributions will need to ensure the terms of the fixed protection are adhered to. GPs in this position should take advice from their independent financial adviser. Responsibility for the 14% employer's element of superannuation lies with the CCG. Employee and added-years contributions will be paid by the GP by monthly deduction at source.

The CCG post is treated as employed service and will be lodged in NHS pension scheme records as ‘officer' service. At present, on retirement either the GP will receive a separate officer pension for the CCG post or an adjusted GP pension (in which some or all officer service is treated as if it were a GP service). Of the two, the GP will receive whichever pension is calculated to be the higher sum.

GPs working in an employed post will continue to have all these earnings superannuated, but they may see a reduction in cost for the employer's element of the superannuation, now payable by the CCG.

They may also pay employee contributions at a lower-tier rate on these earnings, resulting from the way their earnings are now split. There will be no adverse effect on the pension, assuming total pensionable earnings remain constant. Practices will need to ensure new partnership share agreements are lodged with the NHS Commissioning Board.

Will working for a CCG affect my seniority entitlement?

For GPs taking up CCG posts, there could be a detrimental effect on full seniority entitlement. Pensionable earnings from employed CCG posts will not be taken into consideration when eligibility for full seniority is measured. It is possible that a GP will see seniority entitlement reduced from 100% to 60%, and in rare situations seniority entitlement may be lost. The situation for individual GPs will differ, so it is advisable to seek advice from your accountant. Seniority may also need to be brought into negotiations with CCGs to ensure rates of pay are set with consideration for all factors.

Should I change my partnership agreement?

Partnership agreements should be checked to ensure enough flexibility to allow a partner to take up a CCG post and to retract permission if the situation does not work out from a practice point of view.

If you think yours needs to change, consult a lawyer.

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