Making collaboration work

Faye Armstrong explains how practices can work together successfully.

● The first pre-requisite of a successful collaboration is to have a group of like-minded and committed practices where all parties are committed to achieving the same goals.

At its best, collaborative working can be a dynamic, efficient and cost effective way of providing a new service, or a way of improving how an existing activity is done.

At its worst collaboration can increase working costs, create VAT liabilities and prevent a new activity from forging ahead.

Careful planning will help make sure that collaboration fits into the first category, not the second.

A collaboration can range from two practices simply sharing a member of staff or a piece of equipment, to something as complex as developing, tendering and providing a new service, perhaps under the CCG framework.

The first pre-requisite of a successful collaboration is to have a group of like-minded and committed practices involved. The goals of the collaboration should be set out at the very outset, to make sure that all parties are committed to achieving them, and have the time and resources required. One of the most

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common reasons for a collaboration to fail is for one party to feel that another isn't pulling their weight.

The financial aspects should be thought about at a very early stage in the process too.

The collaboration may well need some working capital to fund staff or equipment costs before the income starts coming in. The practices will need to agree who will provide this, and how much. Will bank funding be needed or will the costs have to be met from practices or GPs' own resources?

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The structure of the collaboration is important. Is the collaboration going to be large enough and long term enough to justify setting up a new entity, whether that is a partnership, an LLP or a limited company? Or is the collaboration more modest in size and structure, so that the practices simply wish to share resources and pool costs within their existing partnership structures?

If a new entity is to be set up, the collaborators will need to think about pension implications for its employees. If the new entity doesn't qualify for employing authority status will staff from an NHS background be prepared to join?

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If staff costs are to be recharged between practices as part of the collaboration, those staff recharges are likely to be subject to VAT, particularly if the staff member is non-clinical. This could easily push an unregistered practice into having to register for VAT, or mean that an already VAT registered practice will have to add VAT to the recharge. Usually, the practice paying the VAT won't be able to reclaim it, and so adding VAT onto recharges can easily cancel out the cost savings that the collaboration generates.

The arrangement can sometimes be structured so that VAT doesn't have to be added on to the recharge. If a practice supplies healthcare services rather than staff to a collaborator, the charge could be exempt from VAT. Unfortunately, the distinction between the two types of supply is not clear-cut and a practice's interpretation could be challenged by HMRC. Generally, if a non-clinical member of staff is being provided to another practice, it is very unlikely that the healthcare exemption could be used.

If the collaboration is to be long term, then one possible solution would be for the employee to have a joint contract of employment naming both practices as their employer. Then, the recharge of the staff member's salary and on-costs between the joint employers could be VAT free. Take legal advice before doing this as a joint contract of employment can mean that both employers would be jointly liable for any claims that that employee brought.

The superannuation position of the staff member would also need to be considered.

Another potential solution to the VAT problem is to use the 'cost sharing exemption'. The collaborating practices would set up a separate cost sharing body, which would pay for the shared expenses. The cost sharing body could then collect the collaborators' contributions towards the shared expenses without having to charge them VAT. These groups can only be used in limited circumstances. For instance, a practice could only join the cost sharing group if it earned at least 85 per cent of its income from sources which are exempt from VAT. This will prevent many dispensing practices from benefitting, and the fact that such a body is very unlikely to be given employing authority status may make the structure unattractive to dispensers and prescribers alike.

Despite these challenges, a well-structured collaboration can reap huge rewards. As opportunities develop under the new era of commissioning, such structures will only become more common, but it will be important to take advice from a specialist healthcare accountant at the earliest stage possible.■

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