

Preparing for a practice merger

Bob Senior has a checklist for practice managers.

Merging with another practice may be an option smaller practices are considering in the face of increased costs and decreasing profits. To ensure a successful transition into their new life together both parties need to have a thorough understanding of each other's strengths and weaknesses. To kick start the whole process, encourage the GPs in your practice to get together with the partners from the other practice for a full and frank discussion, using the checklist below.

This will help them identify the differences between the practices and take steps to avoid potential pitfalls. Tricky issues can be worked through with advice from specialist accountants and lawyers.

1. Difference in partner workloads

- How many sessions are worked each week?
- How many patients are seen per day?
- How are 'extra' patients managed?
- What is the patient age profile and how does this impact on workload?
- How are holidays, study leave and sabbaticals managed?

2. Financial differences

- What is the attitude to using locums? Does one practice use them more than the other?
- Are expenses such as motoring, medical defence and professional subs paid for by the practice or by the individual partners? If the practice pays thousands of pounds of medical defence fees, for example, this has a significant impact on practice profits.

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- How are unreimbursed maternity leave costs managed?

3. Staff issues/contractual

- Contract terms – if staff at one practice are on more attractive terms (for example, they may have

better holidays by being on Agenda for Change), there could be cost implications in bringing all staff up to the same level.

- Are there differences in rates of pay?
- What is the approach to staffing levels? ➔

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4. Staff issues/financial

- What is the policy for overtime payments?
- How do nurse appointment times vary? Are they fixed or is there a degree of flexibility depending on the type of treatment given?
- Are more hours than necessary worked through staff inefficiencies?
- Are there overlapping staffing levels? Redundancy costs will vary between longer serving and newer staff.
- What are the costs per patient for administration, reception, practice management and nursing staff?

5. Premises

- Are the premises owned or leased?
- Are there any fixed rate loans in place? Early redemption penalties can be expensive.
- If premises are leased, what is the length of lease remaining? Are leases on a full repairing and insuring or internal repairing only basis? If FRI rather than a need merely for internal repair, what is the dilapidations position? When handed back, the premises need to be in an identical state of repair as at the beginning of the lease.

6. NHS contract issues

- Are both practices under the same type of contract? It is not possible to actually merge PMS with GMS but an overarching legal entity could be put in place to allow GMS and PMS contracts to be run by one partnership.
- Are there significant differences in funding per patient in PMS practices?
- Are there supplementary APMS or PMS Plus contracts, for example to manage a district nurse contract?

7. Accounting

- If the two practices are on different contract types how will the accounting be dealt with?
- Are the year-ends the same for both practices? Which practice should change, if not?
- How will transactions for the old practices be dealt with?
- Do both practices use the same bank?
- Who will do the bookkeeping?

8. Partnership issues

- Are partnership agreements in place?
- Is one of the existing agreements suitable for adoption or do you need to start from scratch?

- Are there any unique points in the partnership agreements that each party needs to be aware of? For example, are any superannuated posts to be treated as practice income (for example, a GP doing some hospital work)? If so, how is the superannuation to be managed? Are benefits shared or kept by the GP doing the work?

The next steps will be to use the information gained through the initial discussions to start putting together a business plan and develop a draft partnership agreement and financial model. Many practices considering a merger will also embark on a joint project, for example tendering for a new service, as a trial run to see how well they work together.

Practice managers can do much to engender a spirit of cooperation and collaboration between the two practices during the merger. With thorough due diligence and all the issues considered carefully beforehand, the merger will stand a much better chance of proceeding successfully. ■

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