

All sewn up!

Accountant **Deborah Wood** pieces together the essential pattern to forming a federation

Everywhere in general practice, the talk all seems to be about federations. So, should your practice be involved or not? What are the pros and cons? This article will help you get to grips with some of the issues.

What does federation mean?

Principally, federations for general practice mean closer working, collaboration with other practices and healthcare professionals, having a common goal, sharing expertise, mitigating risk and taking advantage of economies of scale.

What do federations do?

Federations enable smaller organisations to take advantage of opportunities normally only available to larger organisations, such as building greater buying power or bidding for tenders.

What form should a federation take?

The legal form for a federation will depend on what is right for the new organisation. Consideration needs to be given to, amongst other things; what services the federation is intending to provide, how and where they will be provided, whether a tender process has to be gone through, will staff be employed or contracted, will profits be reinvested or extracted, how can tax charges be mitigated and what are the potential VAT issues?

Think about the benefits or otherwise of a social enterprise type organisation versus a company in which profits are taken as reward by the shareholders. Flexibility and simplicity tend to result in the latter option. The end result needs to be a formal agreement such as a company limited by shares rather than an informal cost-sharing arrangement. There will be a link back in some way to individual partners or the partnership itself and formalising matters

mitigates the joint and several liability risks of partnership.

Does federation imply merger?

Practices may choose to merge at a core contract level for the purposes of managing risk,



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succession and cost efficiencies but practice merger is not a requirement for federation. Separate practices or practitioners working together as a joint venture or via a separate corporate entity in which they are all members forms the basis of a federation.

What about NHS pension arrangements?

Different participants in the federation may have different views as to the importance of being a member of the NHS pension scheme. Will staff need to be employed who are transferring from an existing NHS employment? Will GPs providing sessional services want their fees treated as superannuable? Advice needs to be taken to ensure the federation is correctly set up to allow for employing authority status if that is required or at least to allow flexibility around pension arrangements. Changes to the eligibility for independent provider organisations holding NHS standard contracts to have staff in the NHS scheme are coming into force from April 2014 that may result in a different approach to the federation's business structure.

How can progress towards federation be made?

Practices considering whether or not to get involved in a federation need to meet together with other like-minded practices and explore the options alongside legal, financial and NHS contracting specialists who have experience of the process and can facilitate the discussion and assist with the strategic plans. Ideally a core committee of key individuals needs to come together and be prepared to lead the process and have the time to drive it forward and keep it

on track. All parties need to understand their level of involvement, what they have to put in and what they will get back out.

Is federation a form of independent provider organisation?

In the main, a federation will be created as an independent provider organisation that means looking at what services the federation wants to provide and being ready to meet the tender obligations should a suitable procurement option arise. Registration as an Any Qualified Provider and with the Care Quality Commission will also need to take place.

Working capital funds will be needed from the outset and agreement reached about how those who are inputting time to get things off the ground will be rewarded. A financial model and outline business plan should be drawn up with a clear action plan and timetable.

There needs to be liaison with the LMC, CCG, local authority and other agencies to keep on top of relevant opportunities.

What are the long-term benefits of federation?

Primarily, these are about retaining influence at a local level around the delivery of services for the local patient population and ensuring sustainability and improvement of funding coming into the general practice setting. There should also be benefits around work force planning, integration of service delivery, sharing expertise and experience and being fit for purpose as the face of primary, secondary and community care continues to evolve.

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