New models of care

Specialist medical accountant Andrew Pow offers a checklist for practice managers involved in working at scale

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The government's desire for GP practices to work at scale is putting them under intense pressure to join large structures.

It all started in October 2014 when NHS England set out its vision for the health service in its *Five Year Forward View*.

Key to the vision was the creation of several major new care models that could be deployed in different combinations locally across England.

Since then many models have been developed, from informal alliances to mergers, joint ventures and super partnerships.

Last year there was a notable increase in momentum and some areas are now moving at pace. Others, though, have so far seen little change since the launch of the NHS *Five Year Forward View*.

Meanwhile, in Scotland a new GP contract is being proposed and issues in GP recruitment in Wales and Northern Ireland will also result in changes to how GP practices operate.

The challenge for general practice

The face of general practice is changing and practices will need to look at options open to them.

Commissioners need to be challenged and GPs and practice managers need to make the right decisions for their practices. One size does not fit all and simply getting bigger may not be the answer.

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Specialist accountants, solicitors and other professional advisers will play an essential role in guiding practices through these challenging times.

Checklist

The AISMA New Models of Care Working Group has identified 14 areas that practices need to consider and work through with their accountants.

1. Motivations and strategy for new models of care – getting bigger for bigger's sake will not be a success. Identifying the motivating factors such as workforce issues and premises opportunities is a key starting point.

2. Financial due diligence prior to a practice merger or joint venture – understanding contractual risks, forecasting profits and having a clear plan of action will help mitigate problems down the line.

3. Premises: tax implications for merging practices – changing ownership structures may look simple but tax pitfalls need evaluating so that there are no nasty surprises.

4. Structures within merged practices – one size doesn't fit all. Is the partnership model fit for purpose or should other legal entities be looked at, such as limited companies?

5. Contracts and pensions – emerging contract opportunities such as the Multispecialty Community Provider model may look attractive, but pension legislation may not have kept up to date. Ensuring pension status is retained for GPs and staff is essential during any change.

6. Employment status – contracts of employment for staff need reviewing to understand how terms and conditions in old organisations may vary. TUPE rules for staff transferring to any new organisation need to be followed carefully.

7. Accounting systems – as businesses scale up the day-to-day control previously applied by owners becomes impractical. New systems need developing to help owners understand

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their business and allow them to delegate the work to staff members with suitable qualifications.

8. Banking arrangements – likewise, banking needs to be looked at with payment controls put in place to prevent fraud. Changing ownership may need new loans which need to be put in place in advance of any change in the business. Multi-site businesses need to look at banking of cash and private fees.

9. VAT considerations – increased business size could result in the need to register for VAT as not all work is VAT exempt. Federated working needs to be structured so that cost-sharing arrangements apply to avoid VAT being charged on shared staff costs.

10. Year-end considerations – merging will need the alignment of accounting year-ends. For non-March year-ends this may lead to the crystallisation of overlap profits and overlap pensionable earnings leading to higher tax and pension charges during the year of change. Understanding and planning for these is key.

11. Governance – you simply can't do everything in a larger organisation, so responsibility lines need to be set out to delegate the running of the business. Compliance with regulatory requirements cannot be underestimated and time needs to be set aside for this.

12. Internal systems reviews – new organisations rarely get things 100% right on day one. Reviewing systems is essential.

13. Legal matters from a financial perspective – understanding contractual issues will help decide how best to hold contracts in the future and will need early discussion with commissioners. Other legal areas around property ownership, employment contracts, and due diligence of risk need assessing as part of the process of forming a new business.

14. What to do post-merger – once the business is up and running there is still plenty to do. Old businesses need closing and

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income and expenses need apportioning to the correct organisation.

Remember, there is no one-size-fits-all approach. Most GP practices will not have experienced changes on this scale in their lifetime and getting advice right throughout the formation of the new business will help to start the organisation off on the right footing.

AISMA recognises this and its network of accountancy firms have experience in changing structures. It has recently published a New Models of Care Guide for its members to use when advising their GP practice clients. PM