

Forming a general practice federation

SUPPORTING GENERAL PRACTICE | GP federations

It's become increasingly clear that general practices cannot survive on core contracts with the NHS alone. They need additional work to remain financially viable – and one of the best ways to compete for contracts is by forming a federation. Scott McKenzie, founder of Scott McKenzie Consultancy discusses possible issues.

GP federations are locally run and owned, and allow GPs to retain their independence while still making highly competitive bids for contracts, collaborating with other practices and gaining significant economies of scale.

Federations can also offer other key benefits by:

- avoiding having to negotiate for contracts on an individual basis,
- strengthening clinical governance and patient safety, and
- ensuring a standardised approach, working to agreed standards and thresholds.

A CURRENT CONCERN

Because the current Government started a marketplace-to-tender policy for those services previously provided solely by GPs,

the issue of GP federations is significant. The policy change means GP practices now have to compete with alternative providers such as Virgin Health, the Nuffield Trust and others to provide healthcare services.

There are other factors adding to the financial pressure on general practices and these make federalisation additionally attractive. These include:

- a pay freeze within the NHS which looks unlikely to be lifted before 2018,
- changes to NHS pension schemes,
- a Government commitment to seven-day-a-week services provided by general practices, and
- the amount of unfunded work from secondary care that is taken up by general practices. The GPC has produced a list of 33 such services.

SETTING UP A FEDERATION

To enable staff to remain part of the NHS pension scheme and to run General Medical Services contracts, maintaining status as a company limited by share is crucial. General practices who are thinking of federating would be as well, therefore, to set up their federation as a company limited by share – either for-profit or not-for-profit.

Additional benefits of a federation:

Helps avoid negotiation for contracts on an individual basis

Strengthens clinical governance and patient safety

Ensures a standardised approach, working to agreed standards and thresholds



GP federations allow GPs to retain their independence while still making highly competitive bids for contracts.



SCOTT MCKENZIE
Founder, Scott McKenzie Consultancy



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The profit issue is less significant as the prospects for making a large profit are limited. And even if a federation is for-profit, it's advisable to plough any profit back into the business to resource the member practices adequately.



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SHARE ALLOCATIONS

The precise breakdown of shares within the limited company is important. Each practice within a newly formed federation should have a number of shares equal to the overall population served by the practice, and each share should have a nominal value of 1p each.

Each practice should also have a single £1 voting share to ensure proper representation in the federation's decision-making. All these shares should be held by one nominated partner on behalf of the partnership, and these details should be formalised in a Deed of Trust.

TAX ISSUES

For GPs thinking of forming a federation getting expert accountancy advice on the tax ramifications is normally recommended. They need to be sure their company will meet all the legal requirements of Companies House, and to account for income correctly as it comes into the business. Whether federations employ staff directly or subcontract, there's a strong need for tax advice.

MANAGING RISK

There is a danger that a newly formed federation will run at a loss. This may be alleviated by deferring payments to directors until the company generates income. This minimises the risk of a loss because it concentrates management planning on budgeting correctly and taking on work that will generate sustainable income.

It's also a good idea to visit websites of the following organisations, who have all produced substantial resources on GP federations:

National Association of Provider Organisations
napc.co.uk/national-association-of-provider-organisations

General Practitioners Committee
bma.org.uk/gpc

The Kings Fund
kingsfund.org.uk

Practices can often get into financial trouble if they think simply in terms of staff costs when deciding whether to take on new pieces of work. They also need to focus on overheads such as heating, lighting, medical equipment, computer hardware, insurance, rent and so on.

NEXT STEPS

GPs considering forming a federation should speak to their accountant and consult other GPs who have federalised already.

Scott McKenzie is founder of Scott McKenzie Consultancy, an organisation dedicated to providing support, help and advice to potential and current GP federations.
www.gpfederation.support

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