Setting up a Private Provider Company

SUPPORTING GENERAL PRACTICE | Private Provider Companies

With large private healthcare providers moving into the primary care market, one way for GPs to work effectively together is by forming new entities called Private Provider Companies (PPCs). Keith Taylor, a chartered accountant at BW Medical Accountants discusses.

As the Government opens up competition from private providers in the hope of greater efficiencies, the NHS is encouraging GP practices to work together to pool resources and to provide services that are more competitive and more focused on local community needs. To support this ambition, many GPs are forming PPCs – profit making companies for the purposes of tendering for services from Clinical Commissioning Groups.

Newly formed PPCs can then subcontract work to the GP practices which formed them, enabling the practices to protect their income from competitors, while maintaining the provision of healthcare to their community.

INITIATING A PPC

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This needn't be expensive, with a limited company being able to be set up with a minimal amount of share capital.

This low cash input will also prove an advantage should shareholders want to limit their exposure to losses.

To ensure fairness between the GPs, it's a good idea for each practice to inject an amount of capital based on their list size. Usually, this will be a question of specifying a set amount (usually in pence) per patient registered.

The initial outlay will probably be taken up by:

COMPANY FOUNDATION COSTS

This includes registering at Companies House and other admin tasks. The cost is minimal, and unlikely to exceed a few hundred pounds.

LEGAL COSTS

These include the cost of engaging a solicitor to draw up a shareholder agreement and drafting the company's Memorandum and Articles of Association, detailing roles and responsibilities, and similar issues. The cost is likely to be £5,000 to £10,000 depending on the complexity of the arrangements.

CONSULTANCY COSTS

Practices are likely to need an outside expert to guide them on setting up a PPC. The costs are likely to be £3,000 to £6,000, depending on the amount of support needed.

GENERATING A RETURN

To offset start-up costs, it's important for a PPC to generate income as soon as possible. Shareholders should therefore make an effort to get contracts in place as a matter of urgency.

All the shareholders should keep a record of their time spent setting up the company, so that when income starts to flow they can be paid for their work retrospectively.

Each partnership should also nominate one partner to hold shares in trust on behalf of the whole partnership. This should minimise disruption in case of partners retiring or moving to another practice.

REGULATIONS

Dealing with regulations around PPCs should be relatively straightforward. There are key areas to consider, including:

- **Care Quality Commission (CQC)**

  The new company will need to be CQC-registered to provide services. Newly formed PPCs should get this in place as soon as possible.

- **VAT**

  VAT is unlikely to be an issue when providing services on an NHS contract. However, if you are subcontracting staff or doing non-NHS work, such as cosmetic surgery, the impact of it will need to be considered.

- **NHS Pensions**

  The new company will only need to be registered with the NHS pension authority if employing its own staff.

- **Corporation Tax**

  The new organisation is likely to pay tax normally as a trading company.

The number of PPCs is set to increase over the coming years, as the full impact of the Government's recommendations are felt, and appropriate responses are created by the healthcare sector. Getting professional advice throughout the setting up of a PPC is key to ensuring the arrangements operate successfully.

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Keith Taylor is a Chartered Accountant at BW Medical Accountants Ltd. Keith specialises in the delivery of specialist accountancy and taxation services to GP practices and healthcare professionals across the country.

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