

Healthcare Confidence Index 2022

GPs Overview

By the side of business



LLOYDS BANK



Overview



Martyn Kendrick
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Welcome to the Lloyds Bank Healthcare Confidence Index, which has been reporting on the experiences and ambitions of this most vital sector since 2011.

The results show how healthcare providers are facing up to growing financial pressures from rising energy prices, interest rates and inflation, which are squeezing budgets like never before.

This year's Index shows that short-term confidence amongst GPs, dentists and pharmacists has declined during 2022, with GPs showing the sharpest decline and dentists' sentiment proving more robust.

GPs have always been the most pessimistic profession throughout the history of the Healthcare Index, and this year is no exception. Their short-term confidence saw the largest annual fall, dropping 17 points from three to -14.

This outlook is impacting succession planning too; more than half (56%) of practices will be seeking new full-time partners over the next five years, but 69% of respondents said they never want to be a partner.

There's certainly some wariness about investing in practices, especially given how many are located in tired premises that will need investment to bring them up to standard to meet upcoming deadlines; by 2027, any property that is sold or let must achieve an energy performance rating of at least C, and by 2030 that rises to B.

But not all these worries are well-founded; buying into a practice can actually be a solid investment.

Extending the new partner incentive, which is due to end in 2023, could help with succession planning, as could some tweaking to the Lifetime Allowance on pension savings, which is prompting some GPs to leave the profession early.

I'm sure that greater certainty over the long-term future of primary care provision, as well as a review of the Lifetime Allowance would be appreciated by General Practitioners.

Profitability

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46%

Nearly half of GPs expect profits to fall over the next 12 months.

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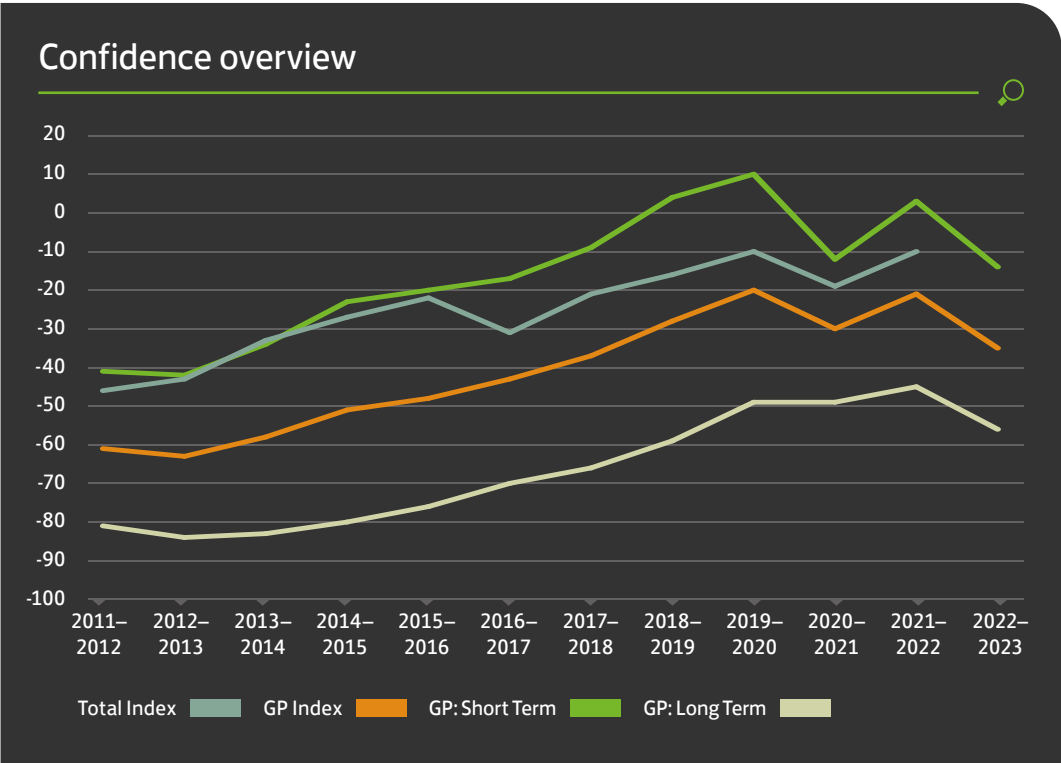
79%

Four in five GPs expect financial pressures to increase over the next five years.

Overview (continued)

The Index has exposed a potentially worrying lack of awareness of new sustainability rules on healthcare organisations' operations, which could mean big bills. When we asked GPs about their awareness of the UK net zero target and the implications for their businesses, 45% said they are aware of net zero, but don't yet know what it means for their business.

While the country is working towards achieving net zero emissions by 2050, there are more pressing deadlines approaching in 2027 and 2030 around the energy efficiency of buildings, which could require significant investment. But with only a third (34%) taking action to make their premises more energy efficient, practices have an opportunity to get ahead of the game and reduce their energy consumption to benefit from lower energy outgoings going forward.



Employment

63%

Almost two thirds of GPs anticipate retirements at their practice in the next five years and seek new full partners or salaried GPs.

50%

Half of GPs plan to retire in the next 10 years.

I hope you find this report informative. We have also produced similar reports for dentists and pharmacists, as well as a special report which takes an in-depth look at sustainability across all three sectors. You can view these at lloydsbank.com/healthcare-index

If the reports raise any questions, please get in touch with your Lloyds Bank Relationship Manager, who will be happy to help.

There is a drop off in data points for the total index due to the data collection not being available for dentists this year.

Expert opinion



Jenny Hurst
Healthcare Partner, BHP

The pandemic saw a renewed appreciation of healthcare professionals which boosted their sentiment last year.

Post-pandemic GPs are facing an increasing demand for their services, staff recruitment difficulties, some frustrated patients and an apparently unsympathetic government, so it is unsurprising their confidence is falling.

69% say they never want to be a partner. That's a potential problem, because over half (56%) of practices say they will need new partners to replace retirees within the next five years.

In my experience, despite a return on investment in GP premises in the region of 7-10%, something that is not available on leased premises, many are wary of investing. A quarter (26%) say the risk of financial loss

puts them off being a partner. It is important that potential partners take advice from a medical accountant to make sure they are fully aware of the financial position. The availability of New to Partnership funding of up to £24,000 per partner helps to ease the transition from employee to partner and I would like to see this funding continue beyond the current end date of 31 March 2023.

Staying with finances, profit expectations are down this year with rising staff costs and high inflation likely to pull earnings down. This is why four in five (79%) expect financial pressures to increase.

Like all of us, GPs are concerned about energy prices (84%) and inflation (76%), but what really struck was the 46% who flagged taxation as a key challenge for 2022 and 2023.

I'm convinced this is a reference to tax charges on NHS pensions, which is prompting some longstanding and highly experienced GPs to reduce their hours or leave the profession altogether in order to avoid big tax bills. We can see this situation getting worse in the current high inflation environment. It is vital that GPs take advice from a pension advisor to make sure they fully understand their position.

56%

of practices say they will need new partners to replace retirees within the next five years.

26%

say the risk of financial loss puts them off being a partner.

Expert opinion (continued)

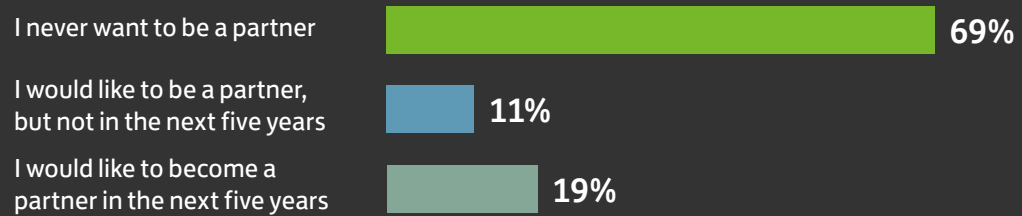
The government has promised to re-assess the link between inflation and public pensions and to introduce some flexibility around the level of pension contributions GPs are required to make. This cannot come soon enough for the profession and could help reduce the pressure on GPs, improve access to surgeries and lead to better outcomes for patients.



What are your plans regarding succession over the next five years?



What are your thoughts on being a partner in the future?



Top three key challenges for 2022/23



Expert opinion (continued)



James Gransby
Partner, RSM UK Tax and
Accounting

Looking at this year's data, I was particularly struck how three quarters (75%) of respondents said that their practice profits were likely to either stagnate or fall over the next 12 months.

That's consistent with what I'm seeing on the ground, because, while the Government accepted the Review Body on Doctors' and Dentists' Remunerations (DDRDB) recommendation that salaried GPs receive a 4.5% pay rise in 2022/23, that wasn't funded.

With energy prices and inflation in double digits, but funding still coming in at single digits, that's obviously going to put downward pressure on profits.

We've been asking GPs about the New to Partnership incentive since it was introduced in April 2020, and every year they have told us that it has been a positive factor in encouraging new partners.

The 'golden handshake' scheme, which is worth up to £24,000, is now due to come to an end on 31st March 2023, after previously being extended for 12 months.

I think the scheme has been effective, so I'd certainly like to see it extended again.

For context, more than half (56%) of the practices surveyed here said they would be seeking new full-time partners over the next five years because existing partners are approaching retirement.

And a shocking 69% of respondents said they never want to be a partner.

Of them, a fifth (21%) say that's because of too much uncertainty over the future of general practice, up from just 5% last year.

And three in five (62%) of all respondents said they expect NHS services to patients to worsen over the next five years.



Expert opinion (continued)

That could be a reaction to ongoing murmurings that the general practice partnership model is under consideration, with the foreword to one such report having been signed by the then Secretary of State for Health.

While there is no solid strategy for the future, and key personnel at the top keep changing, that element of uncertainty will always be there.

Against this backdrop, it's therefore not surprising to see that GPs' overall confidence has fallen significantly during 2022.

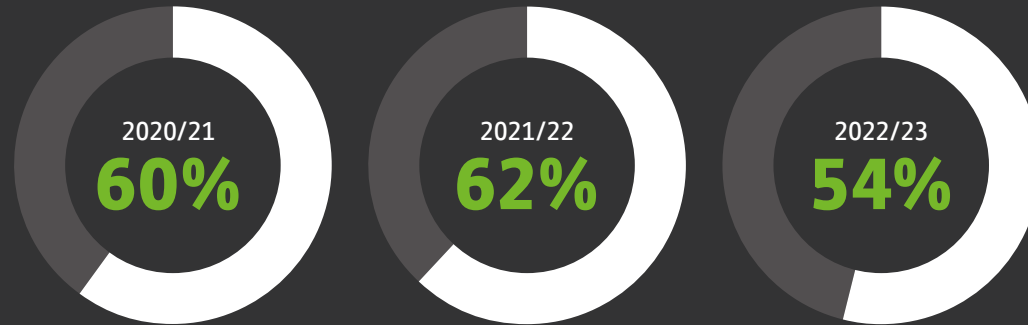
That said, on the ground I'm seeing a diverse range of outlooks when it comes to GPs' prospects.

But I think that the one thing that could turn the tide for GPs is a coherent, enduring, long-term plan for the future of primary care supported by adequate funding and resource.

For more of the latest insights into the issues affecting pharmacists and dentists, and for a deeper dive into sustainability, you can read the full series of Lloyds Bank Healthcare Index 2022 sector reports at lloydsbank.com/healthcare-index



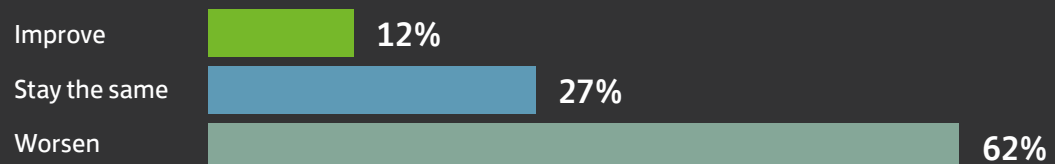
The 'golden handshake' payment is a positive factor in encouraging new partners



Do you expect practice profits to increase or decrease in the next 12 months?



Do you expect NHS services to patients to improve or worsen over the next five years?



Important information

This article is produced for general information only and should not be relied on as offering advice for any specific set of circumstances.

For more information on our support for healthcare businesses and to read the results for all our sectors visit lloydsbank.com/healthcare-index or speak to your Relationship Manager.

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