



Valuing your dental practice – here's what you need to know

Plus

- Government makes fresh announcements about proposed NHS pension flexibility
- Things to think about when joining a Primary Care Network
- Calls for High Street pharmacies to have their business tax reimbursed



Welcome to the latest edition of our Healthcare Bulletin, designed to keep you up to date with the very latest developments in the healthcare sector.

For more information on any of the issues covered in this newsletter, please contact David Belbin, Philip Redhead or Neil Windley for matters relating to doctors, dentists, opticians or care homes.

Things to think about when joining a Primary Care Network



As you are aware, all GP surgeries are obliged under the new GP contract to have joined a Primary Care Network (PCN) by 1st July 2019. Networking Funding also started from this date.

Unfortunately, guidance from the NHS and BMA has been slow in filtering down to GPs at the coal-face who have to set these networks up.

If you are involved in this, there are some very important things to think about from a financial point of view that can cause expensive problems in the future if not dealt with properly at the outset.

These problems include:

Value Added Tax (VAT)

Most GP Practices do not need to worry about VAT because clinically necessary medical services are covered by an exemption. However the supply of staff is not, even if the staff are providing medical services.

This means that if a lead practice or Limited Company employs the Network staff, it is possible that they would have to charge VAT when they work in member practices. This, in most cases, would be an additional cost that is not covered by the funding. The employing practice would also have the hassle and cost of dealing with this VAT.

It is also often overlooked that some of the services that are intended to be provided by PCNs may not benefit from the medical exemption such as community prescribers and back office support etc.

If a member practice makes use of these services and their value combined with any other non-exempt work carried out by a surgery and its partners exceeds the VAT registration threshold, which is currently £85,000, the member and lead surgeries may need to account for VAT as well.

Staff pensions

Currently, only staff employed by entities that have a contract with the NHS can join the NHS pension scheme. This can pose some problems if the Limited Company model is used. We understand that the NHS is looking into this, meaning this may be a temporary situation, however whilst the NHS pension is not available an alternative pension scheme would be required by law.

Other employment issues

As you will be aware, employing staff carries risks and responsibilities such as potential employment tribunal claims and liabilities for your staff's actions. If you were to use a model where one practice or company were the employer, they will have sole responsibility for this. We therefore recommend 'cross indemnities' between the members to share this fairly.

Where the staff are employed by a Limited Company the liability, generally, stays in the company. In any case, your network agreement should set out how these would be dealt with.

In summary, every model has its financial considerations and it is important to understand these when joining a PCN. Here at Clemence Hoar Cummings, we understand these issues along with the other things that really matter, such as complete transparency.

We are pleased to advise on the best structure for you and to take on the burden of accounting for the PCN and providing regular management reports and reconciliations along with payroll, certified allocation statements, monthly management packages and offer real-time (read only) access to the financial records on-line, with the ability to drill down to images of receipts and invoices.

Calls for High Street pharmacies to have their business tax reimbursed

A senior figure in the pharmacy world has called for High Street pharmacies to have their business rate tax reimbursed by the NHS in the same way as GP practices and dental surgeries.

According to Toby Anderson, Chief Executive of McKesson UK, which owns Lloyds Pharmacy, the business rates charged to pharmacies at the moment do not reflect the “critical role” they play in the communities they serve.

Mr Anderson went on to say that unlike other NHS providers, such as GP practices or dental surgeries, which have their business rate tax reimbursed by the NHS, pharmacies have to pay the full amount of tax.

He argues that this is fundamentally at odds with the NHS Long Term Plan, which relies on pharmacies stepping up and becoming more integrated businesses.

In his call for the business rates to be reimbursed, he stressed that for pharmacies to work better with other NHS departments, the Government needs to untie pharmacies’ hands.

In Mr Anderson’s view, the Government must ensure that pharmacies have the same benefits that other healthcare professionals, such as GPs and dentists, have.

Mr Anderson’s plea for equality comes after an open letter, which was written by more than 50 major retailers, was sent to Chancellor Sajid Javid and called on the Government to reform the current business rates system to safeguard the future of the high street.

However, a Government spokesperson insisted recently that the Prime Minister’s £3.6 billion ‘Towns Fund’ will support high street retailers to “attract greater footfall, jobs and investment”.

Valuing your dental practice – here’s what you need to know

For any dental practice owner considering selling up, one of the first questions that has to be asked is ‘what state is the practice sales market in’ and ‘how much is my practice worth?’

What once was an industry where practices changed hands for small amounts or even in some cases were given away, the dental sector is now ranked amongst the most dynamic industries with the number and variety of buyers seeking opportunities constantly increasing.

There are an estimated 450 to 500 separate transactions taking place annually and demand in the majority of areas around the UK exceeds supply. Now a crowded marketplace, it is full of mixed messages for those looking to sell their business. As such a practice owner should consider the following fundamentals.

Whole of the market or a restricted approach?

Whilst most practice sales are handled confidentially, it is generally advisable to adopt a ‘whole of market approach’ to ensure that the buyer pool is of a large enough size to create competition, but also not so large that it is impossible to control the sale process. The selling agent needs to be able to know the practice being sold so that the right buyers can be selected to avoid wasting time.

The dental sector is unusual in that we regularly see corporate and independent purchasers bidding for the same practice, so it’s good to approach both buyer types to ensure that the whole market is explored.

On or off-market?

Demand for quality practices is at an all-time high. Dental companies often directly appeal to practice owners to join them and while an ‘off market’ sale will save an agent’s fee, every fee saved could also mean a loss of tens of thousands in sale price if the market has not been tested properly.

Beware false profits

Principals are advised to begin planning their sale well in advance of the likely ‘exit’ date to ensure an orderly sale process.

It is important to ensure that Goodwill and sustainable profits are not under/overstated, leading to issues later down the line. Nor should associate pay scales be reduced to ensure retention of staff.

The price should, of course, be maximised but has to bear scrutiny to an independent valuation on behalf of a lender or investor.

Government makes fresh announcements about proposed NHS pension flexibility

The Government, in early August, announced a pension consultation regarding its new proposals to be introduced from next year.

Originally the Government suggested that a 50:50 scheme would be used, similar to other public sector pension schemes.

However, this had been widely criticised as not going far enough to solve the problem that is causing at least one-third of senior clinicians to cut back on their working hours.

The latest announcement would be to allow clinicians to decide at the start of each year how much of their pensionable income they would like to pay contributions on, providing that they agree to accept a lower accrual rate.

It has also been suggested that in this case the employer contributions, currently paid by the NHS for employees or grossed up into global sum for practitioners, will be recycled into pay or not clawed back from practitioners.

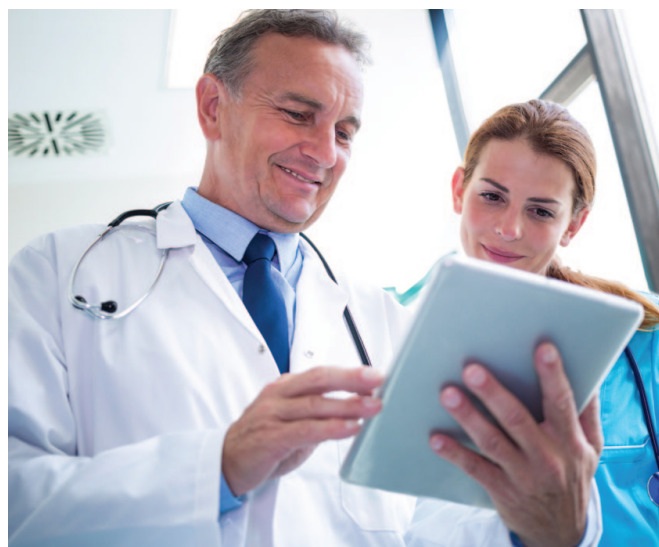
We have also been promised a further consultation on a scheme to phase in the pensioning of pay increases to smooth out the distortion to pension growth.

Using the current rules, it would also be possible to pay additional pension top-ups at the end of the year, when clinicians would have a better idea of their income and pension growth.

This may go some way to resolving the pension tax crisis faced by senior clinicians but the root cause, the excess pension input tax charge and tapering annual allowance, needs reform to ensure that the NHS workforce is not dis-incentivised from working additional hours.

The Chancellor, Sajid Javid, has said: "This Government is committed to ensuring that British people see a real difference in public services, including getting quicker GP appointments, and a reduction in waiting times.

"Critical to that is introducing flexibility into the system so that our hospitals have the staff they need to deliver high-quality patient care, which is why we have listened to concerns and will be







reviewing the operation of the tapered annual allowance. This will help to support the delivery of our vital public services."

How we can help

If this new scheme is to allow additional pension top-ups at the end of the year and give you the ability to decide an accrual rate at the very start of a year, practitioners and locums must have real-time accounting information to enable them to make timely informed decisions.

At Clemence Hoar Cummings, we are happy to work with you and your staff to introduce real-time accounting for your practice so that you can benefit from:

-  The promised increase in pension flexibility
-  Have plenty of warning of your future tax and pension payments
-  Ensure you are fully compliant with the ensuing Making Tax Digital regime
-  Enable you to make informed business decisions.

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