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GPC

General Practitioners Committee

Focus on Taking on new partners

Guidance for GPs

Focus on - taking on new partners

The partnership model of general practice has been at the heart of the NHS since 1948. However, the General Practitioners Committee (GPC) is aware that, since the introduction of the new GMS contract in 2004, GP practices have increasingly been taking on salaried GPs rather than GP partners.

GP practices may consider a number of different factors when deciding whether to take on a GP partner or salaried GP. Taking on a salaried GP may initially seem like an attractive financial option, due to the fact that this does not involve the sharing of practice profits. However, there are a number of other factors, such as workload and overall cost, which can be considered when this decision is made. In many circumstances, when all of these factors are considered, taking on a GP partner may turn out to be the best option for GP practices.

There is also a wider context to this decision. The GPC believes that the independent contractor model is the gold standard for the delivery of patient care in general practice. As the make-up of the GP workforce changes, we are concerned that we increasingly face a different model of delivering GP services, and that the successful future of general practice in the UK may be undermined.

Financial information

The cost to a GP practice of employing a salaried GP consists of, on average, a salary of £71,000[1](full time equivalent) plus 12.8% National Insurance contributions and 14% employer's superannuation – a total of about £90k.

The BMA model salaried contract (or an equally advantageous alternative) is contractually required for GMS practices offering employment to a salaried GP, and also acts as a benchmark for other practices that employ salaried GPs. The contract provides salaried GPs with certain rights, such as the right to contractual maternity, sickness and redundancy pay (based on continuity of previous service), and one paid session of CPD (Continuing Professional Development) per week. For further details about this, please take a look at the Salaried GPs' Handbook (BMA member login needed) and the model salaried GP contract on the BMA website.

The potential costs of sickness and maternity cover, as well as continuing service payments, must therefore be taken into account when considering the cost of employing a salaried GP. The true cost of taking on a salaried GP could be up to 40% on top of the actual salary, although this would vary from practice to practice. It is also worth noting that reimbursements for locum cover from PCTs can be variable and do not necessarily cover the costs.

The average income of a GP partner in England, including all private earnings, was £105,300 in 2008/09[2] and the average income for non-dispensing GMS GPs was £95,900, but these figures will have since been reduced as a result of rising expenses. In partnerships, although maternity cover is often included in practice agreements, sickness cover is usually only for a limited time and partners are generally required to hold their own sickness/locum insurance. As a GP partner is self-employed, he or she will fall under the Schedule D tax arrangements.

The Finance Bill 2008-2009 introduced tax changes, affecting those earning over £100,000, which came into effect from 6 April 2010. The changes include a new higher rate of income tax of 50% on total income over £150,000 and the gradual withdrawal of the personal allowance for those whose adjusted net income exceeds £100,000 with no allowance after £112,950. An alternative to paying such high marginal rates of tax could be for partners to improve their work-life balance by taking on more staff, reducing their income and time commitment to their practices. Taking on a new GP partner is one way in which this could be achieved, and may well prove to be more cost effective than employing a salaried GP.

[1] BMA Survey of Sessional GPs
[2] GP Earnings and Expenses 2008/09

Further information about these tax changes is available in the GPC guidance Focus on new tax brackets.

Note that these changes merit careful financial advice from the practice accountant when individuals are closely approaching incomes in this range.

The above financial analysis suggests that the actual cost difference between taking on a salaried GP and a GP partner may not be as great as it first appears. Furthermore, the tax changes introduced with the Finance Bill 2008-2009 incentivise a sharing of workload rather than working to pay high marginal rates of tax. The analysis below explains why taking on a partner may be the best way of sharing this workload.

Benefits of taking on a GP partner

A GP partner will contribute to the business in valuable ways which are difficult to measure in financial terms. Some of these benefits are outlined below.

Continuity: Usually, partners will stay within a practice for a long period of time. GPs who stay within practices for a longer period can develop 'ownership' of patients and their care, and the GPs are in turn 'owned' by patients as 'their' doctor. Patients tell us that this is a relationship that they very much value.

Ownership: A partner takes a share in the profits and losses of a practice, as well as a share in the ownership of the decisions which shape the practice's future. Partners are responsible for all aspects of the contractual liabilities of the practice. This provides partners with both a financial and intellectual incentive for the practice to be a success. Their shared responsibility for the decisions made by their practice also provides an added motivation for them to see these decisions through.

New Skills / Ideas: A new partner will participate in forming practice strategy and policy, future planning and service development. If carefully chosen, a new partner can bring in significant new skills and experience to these areas. For example, they may have advanced business skills or a special medical interest, meaning that the practice can provide additional medical services. This can be an invaluable tool in attracting new patients and competing in the current climate in primary care. A new partner may also be able to bring in increased earnings to a practice through work with their PCT – for example, through involvement in practice based commissioning. As providers of medical services face increasing competition from alternative providers, practice viability depends to some extent on diversification. If GP premises are able to provide additional medical services to PCTs, their overall resilience will be strengthened.

Investment / Risk Management: A new partner can bring in increased investment possibilities for the practice, and long-term enhanced returns on such investment. As partners commit financially to their practice, they contribute to large-cost items such as the premises. They also share the financial risks and rewards of a practice, and may share its capital burden. This may increase the financial viability of the practice. Most partnerships can be effectively regulated by a competent partnership agreement which can be both flexible to suit the workings of any partnership and firm enough to give partners the comfort of knowing that the partnership is regulated.

Recruitment: Many qualified GPs are looking for partnership opportunities. In a recent BMA survey of sessional GPs, although the majority of respondents became sessional GPs out of personal choice, 55% of sessional GPs expressed a desire to be profit-sharing partners at some point[3]. The drive, enthusiasm and expertise of these doctors can be put to good use in providing a high quality service to patients and attracting new patients.

Working hours: As GP partners are self-employed independent contractors they do not fall within the remit of the European Working Time Directive (EWTD). However, salaried GPs are directly employed and are therefore covered by the Directive, which may add inflexibility to employing a salaried GP rather than a partner.

[3] BMA Survey of Sessional GPs

Conclusion

Whilst many sessional GPs and trainees positively choose to be a salaried doctor working in a practice, many others aspire to become GP partners, recognising the greater security, professional autonomy and ability to influence patient services such a position will offer them. There are many benefits in both becoming and taking on a new GP partner, such as continuity of care and a sense of ownership of the practice. Coupled with this, the new tax arrangements actually provide an incentive to GP partners to share their workload rather than paying high marginal rates of tax.

The outlined benefits of taking on a new GP partner may also mean that it is the most cost-effective option for practices when all workload and income are taken into consideration. The GPC would encourage practices to take on more GP partners and consider the positive implications of this both for individual practices and general practice as a whole.