



# The Economics of Taking on New Work

Department Title

Practice income for QoF, Essential and Additional services is unlikely to do more than keep pace with increased expenses over coming years, leaving practices having to look for other sources of revenue.

With the increasing pressure to move services into the community, CCGs recognise that this needs a transfer of funds to allow this to happen. Although this could represent an opportunity, if inadequately resourced it will make matters worse. Practices will therefore need to decide whether it is in their financial interest accept new work. Practices should ask their accountant for specific advice about their own situation but certain principles of cost-plus contracts should be considered.

The idea that practices should only be reimbursed the cost of providing a new service needs to be rejected, as such behaviour will inevitably reduce the profitability of practices. This is easily illustrated by considering a practice with £400k income and expenses of £200k. If that practice takes on £50k of new work at cost it will be working harder yet see its profitability reduce from 50% to less than 45%.

**The only business that can afford to take on new work at cost is one that has spare capacity, or is using that extra business to generate profits elsewhere.**

It is therefore economic necessity and not greed that means new work coming into practices must not be delivered at cost. GPs do have a duty to support the NHS in its current difficulties but will do so with their skills, professionalism and dedication rather than financial subsidy. Again, the margin above cost that a practice must secure is a matter for an accountant, but the following should be considered.

<p><b>Additions to staff salaries</b> Superannuation and National Insurance. Work commissioned and resourced from non-NHS bodies cannot be superannuated and results in a loss to GPs' pensions. LA work can be superannuated but currently the mechanism is not clear.</p> <p><b>Sickness and Maternity pay</b> When employing staff to undertake new work a practice is taking a risk regarding staff absence from work, and an element to cover this needs to be allowed for.</p> <p><b>Annual leave</b> If service is to run 52 weeks of the year a premium will be required to cover locum staff</p>	<p><b>Premises</b> Incl. fixtures and fittings, cleaning, utilities &amp; capacity</p> <p><b>Unfilled appointments</b> If working for cost, any unfilled appointment will result in a financial loss. This is particularly significant for long appointments like those for health checks. A premium to cover unfilled appointments is required</p> <p><b>GP input &amp; Training</b> To include training, setting up of the service, supervision, report preparation</p> <p><b>GP responsibility payment</b> As we take on more work in terms of volume and complexity we carry increased</p>
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**Equipment costs**

Not only on consumables but also on depreciation on equipment purchased. This is important where the contract term is short requiring writing down of the equipment over a shorter period than usual.

professional responsibility for the services we provide. It is correct that we are rewarded for this aspect of our work

**Non clinical staff time**

Managerial, secretarial and reception

**Summary**

- Do take professional advice about the profit margins that you need to secure to make extra work worthwhile.
- Do not focus on practice income without considering expenses.
- Do not be apologetic about saying 'NO' to new work that is inadequately funded.

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