Clemence Hoar Cummings

Chartered Accountants

Focus on Healthcare

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Have you made provision for GP Seniority Payment clawbacks?

Plus

- Independent pharmacists and VAT – what you need to know
- What will Brexit mean for the care sector?
- What do GP contract changes mean for your practice?

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Welcome to our latest Focus on Healthcare

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.

In this edition, we look at GP Seniority Payment clawbacks, VAT status of medicines for pharmacies, the possible challenges for care homes in the wake of Brexit and GP contract changes.

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 and opticians, or care homes.

Have you made provision for GP Seniority Payment clawbacks?

By March 2020, the GP Seniority Payments scheme will come to an end. However, in the interim you still need to be aware of the potential for clawbacks on payments already made and it is worth checking if your practice potentially owes money.

Where a GP's superannuable pay is less than two thirds the national average (in 2012/13 this amounted to £60,700), a 40 per cent clawback of 2012/13 seniority payments may be claimed if a GP originally received 100 per cent of his or her 2012/13 seniority entitlement.

David Belbin, Managing Partner with Clemence Hoar Cummings, said: "If it is apparent that a clawback is due, the practice needs to ensure that there is provision in the practice accounts and tax return.

"It is important not to overlook partners who have retired since 2012/13 because clawbacks are taken from the practice, not the individual. If funds have not already been set aside then, as a matter of urgency the matter needs to be raised with retired partners."

Where a partner has taken their pension benefits, but not retired as a partner, it is also important to remember to continue to submit GP Superannuation Certificates, as the seniority is based on the earnings shown on these forms. If they are not submitted any seniority paid for the period will also be clawed back until they are brought up to date.

Independent pharmacists and VAT – what you need to know

The VAT status of retail goods has always been a minefield. Famous court cases regarding whether the humble Jaffa cake is in fact a cake or a biscuit (the courts agreed it was a cake) or whether Pringles are crisps (a court of appeal decided they were) has led to much confusion over the years.

It is no wonder, therefore, and entirely understandable that pharmacies can similarly be left scratching their heads when it comes to the VAT status of medicines.

Items supplied under Patient Group Directions (PGDs) are taxable at the standard 20 per cent rate because they are not written for an identified, individual patient.

However, if you provide medical treatment that is exempt from VAT, any charges for medicines/appliances which are administered or applied to your patient are also exempt. Typical examples include seasonal flu jabs, meningitis and travel vaccinations.

If you are uncertain, the simple test is can the item be separated from the treatment, i.e., can it be self-administered? If the answer is yes, then VAT will usually need to be applied at the standard rate.

Pharmacists who last year provided the community pharmacy seasonal influenza vaccination Advanced Service, were entitled to claim £7.64 in admin fees for vaccinating each patient plus an additional £1.50 to cover costs incurred in providing the service.

Both fees were exempt from VAT because it related to a patient-specific vaccination service administered by a pharmacist. The cost of the actual vaccine could also be reimbursed at the basic list price with pharmacies receiving a standard 20 per cent VAT allowance on the vaccine. Such VAT payments were then declared on the normal VAT return as with any VAT standard-rated sales.

Philip Redhead, a partner with CHC, said: "If, as is expected, the payment structure remains the same for the 2016/17 community pharmacy seasonal influenza vaccination Advanced Service, then the same rules for VAT will apply."

For more information and advice on VAT and advice on how to complete your VAT returns, please contact us.

What will Brexit mean for the care sector?

As uncertainty continues regarding the full impact of Brexit and the Prime Minister remaining tight lipped on the government's strategy, what could the future hold for the care sector?

Many care home operators will already be under pressure as a result of National Minimum Wage increases, the new National Living Wage, auto enrolment, not to mention the forthcoming apprenticeship levy in April 2017.

Coupled with the government's public spending cuts, ever-increasing CQC requirements and now the uncertainty associated with Brexit, it is little wonder that many care home operators are feeling vulnerable.

David Belbin, managing partner with CHC, said: "Although it is not possible to predict exactly what will happen post-Brexit, there are a number of opportunities and challenges for the care sector to get to grips with including recruitment, government funding and retirement income of private fee payers which may be affected by the value of their investments and savings.

"In the months that follow, as more details of Brexit are revealed by the government, we will be able to provide more tailored advice for our care home clients. In the interim, it is a good time to look at ways to relieve any existing pressures, whilst maximising opportunities for growth.

"Burdensome payroll and pension compliance, for example, can often take up more time and effort that it should. By outsourcing bookkeeping and using the latest cloud-based accounting services, care homes can reduce admin costs and improve efficiencies.

"Tax planning is another untapped opportunity for a number of care homes, particularly given the recent changes to non-residential stamp duty and the certainty given to the Annual Investment Allowance. Both of these changes offer attractive tax planning opportunities for care homes.

"In particular the Annual Investment Allowance is beneficial for homes looking to completely refurbish their premises and update resident facilities. In turn this could have a positive effect on the profitability of the home, with newer facilities typically outperforming less modern ones. However, it is prudent to do the sums first and ensure that any planned capital outlay will have the desired return on investment before ploughing additional cash into the business."

Clemence Hoar Cummings' experience in working with care and nursing home businesses means that we are ideally placed to provide expert advice when responding to financial and other challenges, to help achieve stability, growth and development. To find out how we can help your business, please contact us.

What do GP contract changes mean for your practice?

More information regarding GP contract changes continues to trickle through, following the initial announcement back in February, from the NHS Employers and the General Practitioners Committee (GPC) of the BMA.

In an attempt to alleviate the growing financial pressures being experienced by some GP practices, NHS England and GPC have agreed an investment boost of £220 million for the 2016/17 contract.

The investment is intended to cover:

- Pay increase of one per cent
- An increase to £9.80 for vaccination and immunisation service fees
- A change to the value of a QOF point (due to a Contractor Population Index adjustment)
- Supplementary practice funding to cover business expenses, including additional CQC costs

Other contract changes include:

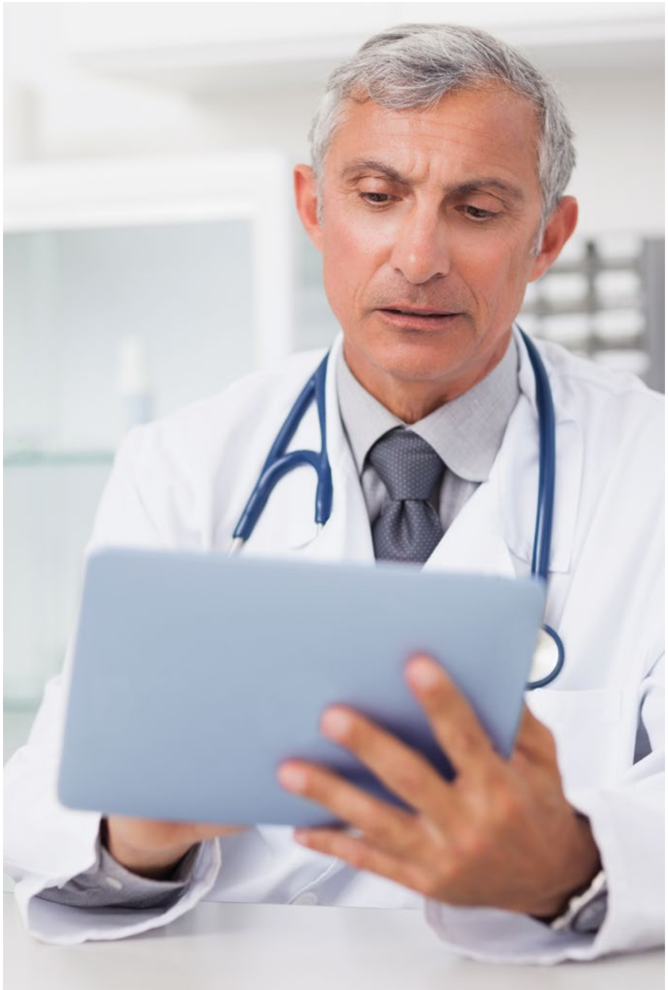
- A maximum indicative rate for locum doctors' pay and a requirement to record instances where a practice pays a locum doctor more than an indicative maximum rate set out by NHS England
- A promise to reduce red tape and to manage the demand on GP services
- A transfer to core funding of dementia resources
- New requirements for GPs to record the availability of evenings and weekends for routine appointments

Neil Windley, a specialist services manager with CHC, said: "This is the first time – and many would argue 'about time' – that GP contract changes have received an acknowledgement by way of additional funding to support practices with rising CQC fees."

Coming down the line will be the re-negotiation of PMS contracts. These are currently with LMCs, however, initial discussions with some clients suggest that they may be faced with sizeable reductions in their income.

David Belbin, Managing Partner with CHC, commented that PMS practices have been a success for patients and doctors.

"Practices have developed services using the additional funding available and it will be difficult for them to down size their service offering if faced with significant reductions in practice income.



"As soon as the size of the likely budget reductions is established, practices should carefully examine their cashflows to establish where resources within the practice may be reallocated and whether there will be a need for cost savings. We can of course help with the forecasting exercise that will be needed."

Clemence Hoar Cummings' experience in working with GP practices means that we are ideally placed to provide expert advice ensuring you are the best possible shape to respond to financial and other challenges and put in place short and longer-term strategies for achieving stability, growth and development. To find out how we can help you, please contact us.

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