General practice:
Sound business practice

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***Tricia Briscoe** has been Chairman of the New Zealand Medical Association since April 2003, and steps down in April 2005. During her 16 years as a GP in Rotorua, Tricia has been heavily involved in medical politics. She has headed the Rotorua GP Group, the NZMA's General Practitioner Council, and the Ministerial Test Panel for General Practice Compliance Costs. Married with two sons, she entered medical school after seven years teaching chemistry at Rotorua Boys High School and graduated sharing the Douglas Robb Memorial Prize for top scholar.*

General practice, which is the cornerstone of primary health care in New Zealand, has realised over recent years that if it is to regain viability and sustainability, it needs to adopt a more business-like approach to its financial affairs. We are all very aware of the increasing gap between incomes of GPs and other specialists over recent years, the increasing competition for young graduates from more lucrative specialities and the overseas market, the rising costs of providing quality general practice care, and increasing difficulty for some patients to pay for these services. GPs need to adopt very sound business practices to survive. The New Zealand Medical Association is strongly committed to supporting this approach, and provides significant advice, support and resources to assist members in this area.

In March 2002, the Minister of Health, Annette King, announced significant new funding for primary health care: $50 million was allocated in 2002/2003, rising to $165 million in 2003/2004, and $195 million in 2004/2005. Since then further funding has been announced to achieve universal subsidies for New Zealanders of all ages and in all locations by 2007, a significant improvement on the initial projections of eight to 10 years to remove the inequities of the transition period.

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The increased subsidies to patients for their general practice care have significantly reduced the cost of health care for many New Zealanders. However the Government acknowledged from the outset that not all of the new funding would be reflected in reduced fees for patients, as some was desperately needed to ensure financial viability of general practices. As Ms King said recently in Parliament, '*Some general practitioners did take the opportunity to adjust their fees when they received additional funding, after no change in their fees for many years and no additional Government funding.*' Reduction in bad debt when patients are subsidised better has also contributed to practice viability. This increased support for general practices initially only applied to Access PHOs, but is now slowly assisting Interim PHOs as their patients incrementally gain access to improved subsidies.

It is important that GPs are not lulled into a false sense of complacency with this improved financial state, which will only be temporary if we do not continue to apply sound business practices to matters such as cost review and fee setting. The NZMA has stoutly defended the right for GPs who provide services in the private sector to set and charge a fee, and encourages all GPs to regularly and independently review their fees in light of increased costs or significant external factors, including other decisions affecting doctors' remuneration. It is also important to take into account effects from the change from fee-for-service subsidies to capitation, with the associated risk transfer, variations from the national average in consultation rate for individual practice populations, and changes in the behaviour of patients and doctors. The NZMA has an Excel spreadsheet available to members that practices may find useful to model incomes based on their practice population, its specific consultation rates and effects of changing fee structures.

The latest figures on GP costs and incomes from Waikato University Management Research Centre's 2004 NZ Business Benchmarking Report[1] showed that while there were variations year to year, using 1998 as a baseline, cumulative increases in overheads for GPs are significantly higher than CPI (generally two to three times CPI), and GP incomes have generally lagged severely be-

hind CPI, only just coming close to the expected CPI-adjusted income in the last financial year (to March 2004).

We strongly reject recent Ministry of Health suggestions that unreasonable increases to general practice fees are widespread. This allegation runs counter to available research, which has confirmed that increases in subsidy levels have been appropriately passed on to patients.[2] Where specific fee increases are alleged to be unreasonable, we urge government agencies to implement the processes in the Fees Policy agreed between general practice leaders and the Minister of Health. This policy (available on the NZMA website) provides suitable mechanisms to deal with disputes over the fairness and reasonableness of fee levels set by general practices.

District Health Boards are body corporates owned by the Crown and as such subject to the provisions of the Commerce Act if they engage in trade, as they do when they contract with PHOs to supply health care services. Therefore a DHB is at risk of breaching the Commerce Act if, for example, it attempts to force a PHO to reduce by a specific amount the prices of their general practices who are in competition with each other. The PHO (and its members) will also be in breach of the Act if they undertake activities that have the purpose or likely effect of fixing, controlling or maintaining the prices at which any one of their competitor general practices supply their services. It is not necessary to prove that the behaviour actually did maintain or control prices. The NZMA urges its members to ensure that they, and their PHOs, are resolute in ensuring that they do not breach the Commerce Act, and in calling to task any DHBs that attempt to coerce them into such behaviour. We are in the process of developing a resource for our members to assist them with the many areas where they may be at risk of breaches of the Act.

The NZMA's Member Advisory Service provides advice and resources on a wide range of issues and legislation related to running a practice, including staff employment, privacy, and business issues. Articles and sample employment agreements have been developed to make handling these issues as easy as possible.

The following is a brief outline of some these resources.

Back to back contract

In the PHO environment, the NZMA and IPAC recognised that some general practices may need to have support in the process of contracting with their PHO. In many cases, it will be appropriate for GPs to seek this support through their continuing relationship with their IPA. For those who have a new direct contract relationship with a PHO they need to ensure there is a sound basis for that relationship. To that end, the NZMA and IPAC developed a back-to-back PHO-General Practice agreement (BtB). It is a document that can be utilised by general practices in a number of ways, and its exact use will depend on the general practice's support from an existing IPA, the relationship with the PHO, the PHO structure and governance arrangements, and the specific nature of the contract proposals. The BtB agreement is available at: http://www.nzma.org.nz/news/publications.html

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Practice structures and organisation

Many general practice groups operate under some form of cost-sharing arrangement, more often than not without any formal written agreement. These arrangements have generally evolved from solo general practitioners joining together to reduce costs, but at the same time wanting to retain their own individual practice status. Is it time to look at different structures from which to work? Over the past few years we have seen the introduction of more corporate entities within general practice, including franchise operators, A&tM centres and after-hours facilities.

We see four main practice structures in health care today:

- Cost-sharing (Group Practice) arrangements
- Partnerships
- Trading Trusts, and
- Company Structures, being either Service or Trading Companies.

The NZMA has resources which examine these four structures, in terms of costs, liabilities, taxation, borrowing, and popularity, with the advantages and disadvantages of each one. We also have sample agreements.

Staff employment issues

Managing staff is an important issue for any practice and, if not carried out properly, can result in difficulties and even personal grievances. Some of the staffing matters which the NZMA can advise on include redundancy and business change, performance management, the Holidays Act 2003, performance appraisals, employee sickness or disability, parental leave and employment, Health and Safety, the Protected Disclosures Act, and email and internet policies. This last area is a reasonably new one for many employers, as technology becomes common in the workplace. The internet and email opens your business up to a whole new world of communication and information. But it also opens your business up to potential problems, such as viruses and corruption. The downloading of large graphic email jokes, for example, can quickly add up to an expensive internet bill. It's worth thinking about before employee computer habits get ingrained.

Industrial relations

The Employment Relations Act came into effect on 2 October 2000 and replaced the Employment Contracts Act. The Act emphasises collective bargaining and places particular responsibilities on employers where a collective agreement applies to the work being done. The Employment Relations Act 2000 has as a fundamental principle the requirement to act in good faith. The Act requires that all parties to an employment relationship (the employer, the employee and any union or employee representative) must deal with one another in good faith.

Good faith is defined as not doing anything, directly or indirectly:

(i) to mislead or deceive each other; or

(ii) that is likely to mislead or deceive each other.

A useful working definition of good faith is:

All parties to an employment relationship are required to deal with one another on a basis of fair dealing and mutual trust and confidence in all aspects of the employment relationship.

The NZMA has resources related to the ERA, including those relating to employment agreements for new employees, good faith, negotiating collective employment agreements, and problem resolution.

Practice nurse and medical receptionist remuneration

For a number of years the NZMA has been the GP employer representative in the Practice Nurse and Medical Receptionist multi-employer collective agreements. Negotiations for the latest employment agreement were concluded late last year, but (at the time of writing) the ratification process had not been completed.

The NZNO has just concluded a substantial pay increase for DHB nurses, and has indicated that primary care nurses will be among the next group for whom they will be negotiating to get a similar increase. This poses a problem for general practice, as pay equity in this context will inevitably mean that GP fees will have to rise to cover any increases unless the Government steps in to provide extra funding for this purpose (as it did with DHBs). This is a vital issue for election year.

GP locum and assistant contracts

Nearly all practices will need a locum or a GP assistant at some stage. Then a decision must be made about the basis upon which this doctor will work for the practice. An 'employment agreement' should be used for an employee and a 'contract' should be used for an independent contractor. The NZMA can provide to members both a sample 'agreement' and 'contract' for a locum or assistant, which explains the difference between employees and independent contractors and sets out the pros and cons of each type of relationship. A major difference between the two is that an independent contractor will have much greater discretion and freedom from workplace restrictions and controls than would be customary with an employee. An independent contractor would usually be obliged to charge the principal GST, and will be responsible for his/her own tax. An employee will be subject to the PAYE tax regime and industrial legislation such as the Employment Relations Act 2000 (ERA), the Holidays Act 2003, the Parental Leave and Employment Protection Act 1987 etc. which only extends to employees (but not to independent contractors). Issues to consider when hiring locums include the period of agreement, work duties and location, hours and days of work, on call requirements, salary, responsibilities, and restraint of trade. The NZMA has a member resource explaining obligations and entitlements under the ERA which also discusses 'good faith' bargaining.

Managing bad debt

Bad debts and slow debt collection can be terminal for many businesses. Like most diseases, bad debt syndrome is easier to prevent than cure. Although most patients will pay on the way out, the presence of non-paying patients and slow payers can cause cashflow problems. The bad debt problem can be surprisingly complex, with a difficulty being that often those who most need your help are the people who can least afford to pay for it. The problem then becomes a balancing act between social responsibility and running as an effective business.

To ensure you respond to this issue ethically, it is extremely advisable to set up a fair and standard process that outlines the steps for the collection of fees. The NZMA is also currently working with Work and Income NZ to find solutions to the problems faced by GPs when beneficiaries do not pay their debts.

These resources and many others are available to NZMA members, who make substantial use of them. We would invite other GPs to join the NZMA and gain access to our catalogue of valuable resource, as well as support our other work on behalf of the medical profession.

Every New Zealander attending primary health care services should have reasonable access to an appropriately trained and qualified general practitioner as the key member of the general practice team. The New Zealand Medical Association has a key message to GPs: To be financially viable, to retain the existing GP workforce and to attract young doctors into the vocation, general practice must be based on sound business practices.

References

1. The University of Waikato, Management Research Centre, 2004 New Zealand Business Benchmarking Report. University of Waikato; 2005.
2. Ministry of Health. General Practitioner Fees Information. A summary of key findings from five reports. August 2004. Available online: http://www.moh.govt.nz/moh.nsf/wpgIndex/Publications-General+Practitioner+Fees+in+New+Zealand