# Good Practice for Medical Practitioners

Russell Brennan Keane

Spring Summer 2014

**Russell Brennan Keane**
**Accountants and Advisers to Medical Practitioners for over 50 years**

Russell Brennan Keane have over 50 years experience providing specialist strategic advice and accountancy and taxation services to medical professionals.

Our clients include Consultants and General Practitioners from sole practitioners to large medical practices in various structures from partnerships to limited companies.

With increased FEMPI cuts, falling incomes and increased taxation, managing your financial and taxation affairs has never been more important. In the reality of your busy day, financial and tax issues are not always a priority.

Russell Brennan Keane offers you the opportunity to discuss your key business, financial and taxation matters. Our experienced GP / Medical team understand these issues and can provide effective solutions.

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## Turbulent Environment

With increased FEMDI cuts, falling incomes and increased taxation, GP's net income position continues to be under relentless and substantial pressure.

In addition when one looks into the future, there is a lot of discussions around the introduction of universal GP care and free medical care for the under 6's.

The combined effect of all of the aforementioned is that the Government is expecting GP's to do a lot more for a lot less effectively running down the capacity of general practice with enormous personal time and financial consequences for GP's.

Managing your financial and taxation affairs and achieving the balance in your work-life environment has never been more important.

Our experienced GP / Medical team understands these issues and in this edition, some practical and current matters are touched on by the team.

## Practice Matters

As we are now approaching mid-year, it is an ideal time to take time out and give your business a financial health check and direction for the remainder of the year.

The reason is simple, **Cash Flow**, as I have found the biggest challenge and most common running theme for every GP's practice is the constant pressure on bank accounts to meet the financial commitments of the practice, whether they are Payroll Costs, Every day running costs, Bank Repayments or indeed leaving a salary for the owners /partners in the practice.

The good news, while there has been and continues to be challenge's due to cut backs in various earnings such as GMS fees, private fees etc, the opportunity presents itself for you to action the following:

- Get your 2013 financial information together in order that the 2013 accounts, pension contribution & tax position can be prepared early and well in advance of preliminary tax and filing deadlines in November '14 next.
- Look at opportunity to replace reduced income streams with new approaches, for example Lifestyle screenings for men's & women's health.
- Review the amount of pro bono work that you may be doing and consider Curtailing or Stopping these practices. Introduce a pricing procedure, for example if you prepare letters for grants, home improvement schemes, but to name a few, consider charging for same.
- Ensure that you are maximising all claims through GMS, HSE, VHI etc.
- Management of Efficiency is critical for both the GP and their staff.
- Know what your critical monthly running costs are.

In summary, no two practices will be the same, however GP practices are no different to any other business and hence require the following:

- Planning including the setting of a Practical Financial Budget.
- Appropriate monitoring throughout the year of the Key Performance Indicators as set out in the Budget.
- Preparation of financial accounts as early as possible once the financial year has passed.
- Use of best practices within the Industry.

**For assistance, queries, or advice, please contact Arthur McCullagh, Business Advisory Director.**

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## Managing Retirement of Employees

Within the private sector In Ireland, there is no statutory mandatory retirement age for employees. Retirement age can be defined as an express term in an employee's Contract of Employment or as an implied term through custom and practice of the Company.

Employees are now under increased pressure to remain in employment for longer due to financial challenges, decreased value of private pensions and the increase in State Pension Age, and as a result, there is a significant increase in litigation claims in respect to employers enforcing compulsory retirement (Claims relating to Age Discriminations).

Historically, employers relied on the Retirement Age clause in the Contract of Employment and the Employment Equality Act (Section 34a) to defend a claim; which states; "it shall not constitute discrimination on the age ground to fix different ages for the retirement".

This is no longer sufficient and recent case law makes it clear that employers now need to ***objectively justify the compulsory retirement age and have a legitimate aim for enforcing retirement***. Examples of objective justification may include:

- Health and Safety concern – subject to requirements of the role
- To create opportunities in the labour market for those looking for work, ensure better distribution of work between generations
- To ensure quality of service provision and address an age imbalance within a workforce
- To ensure motivation and dynamism through the increased prospect of promotion due to senior staff being retired
- Manage succession planning

Employers need to consider the dynamics of their workforce and consider how they manage retirement in their business and address the issue so they can start planning for employees reaching the retirement age. This process should involve;

- Reviewing existing Contracts of Employment and the retirement clause. In the absence of a written policy on retirement, consider custom and practice – What is the retirement age within the Company, have employees worked beyond the retirement age?
- Implement a Retirement Policy which specifies retirement age and the objective justification for same.
- Consider your existing workforce and engage with employees reaching retirement age – identify what their plans are, agree an exit strategy.
- If an employee requests to work beyond retirement age, it is important to consider requests consistently and ensure that if the request is granted it doesn't undermine the normal retirement age. If granted, offer a fixed term contract stating the reason the contract is being offered and that retirement will take effect on expiry.

In summary, employers are not prohibited from setting Compulsory Retirement Ages; however, to be enforced the employer is required to 'objectively justify 'the ground for the retirement age and ensure consistency is applied.

**To discuss how your business manages retirement or if you require support in implementing a retirement policy, contact Brenda Flynn on 01 6440100 / 090 6480600 or email bflynn@rbk.ie.**

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## Be the Boss - Buying A Medical Practice

Acquiring a medical practice on your own is a business and personal decision that needs careful preparation and planning to turn a dream into a working reality. It may seem overwhelming, but, with determination, a well researched business proposition and more than an ounce of courage, the dream is very achievable.

In broad terms, the benefits of buying a practice over starting a new practice would relate to:

- Operational general practice has established patient base and revenue stream;
- Business will be fully equipped and staffed;
- Established reputation with suppliers, providing potential credit terms;
- Easier to raise finance on an existing business with proven financial results.

### Location, location, location

Knowing the dynamics and demographics of the local area where the practice is located is a key factor for the purchasing GP. It is important to understand the type and nature of patients as this will influence the practice and its development under the new owner. Conducting a demographic study of the area to make sure it is a good fit would be a good starting point.

Understanding the legalities of the lease agreement on the property itself is critical to ensure that onerous terms and conditions imposed on the vendor are not carried over by the purchaser, thereby impacting on future flexibility to relocate, for example to a local Primary Care Centre.

### Relationship with vendor

Building a relationship with the vendor is an important step from the very outset. It is often said that people do business with people that they get on with. If the personal chemistry does not feel right initially it can manifest itself later in the acquisition process. Be open and honest in the exploration of the practice – ask all the questions needed to get a full understanding of the dynamics of the business. There are limited valid reasons for a vendor not to answer relevant queries.

The expectations of both parties in relation to key price and conditions should be established early in the process to again ensure there is a likelihood that a compromise can be reached on the final commercial terms for the acquisition.

In circumstances where the vendor is seeking a "work in" arrangement, ensure that a clear and binging agreement is put in place setting out the exact requirements from both parties, their obligations and ultimately the remedies and consequences of either party failing to adhere to the agreement. In our experience, a lot of verbal agreements get confused, misinterpreted or ignored, leading to dissatisfaction, resentment and a failed business relationship.

## Financial assessment and due diligence

To determine the fair value of the business to a purchaser, obviously the financial performance and profitability are key measures that need to be established and validated. This is done through a "due diligence" process. The due diligence process is not limited to financials however and should involve a comprehensive root and branch review of the practice involving the purchaser directly and external advisors; covering matters such as:

- Medical registrations and inspections
- Insurance claims
- Employee contracts and issues
- Income sources
- Overheads for operation of practice
- Contractual obligations of the practice
- Taxation compliance
- Property lease

The due diligence exercise will assist the purchaser in validating the basis for their original offer and provides an opportunity to renegotiate, on the basis that items and issues that were unknown or un-quantified at that time are now visible.

## Raising finance

In the current environment, access to loan finance is challenging, both in terms of the quantum available and the shortened timeframes on which it is to be repaid. Early assessment of the availability of finance and the various sources is critical as how and when the consideration for the business is paid over will impact on the overall price.

In our experience there is commonly a mix of funding sources when completing an acquisition:

- Purchaser will input an amount of personal funds
- Bank debt – raised on the visible cash flow and repayment capacity of the business itself
- Deferred payments to the vendor – often linked to a minimum financial performance for a period

## Completion Documentation

Any commercial agreement for the acquisition needs to be legally documented, involving solicitors acting for each party, who will draft, negotiate and finalise a suite of contractual documentation for execution by both parties. We recommend that the parties establish and agree on as much of the commercial terms and underlying in detail before drafting the legal sale and purchase agreement.

Take advice from an accountant as to the financial implications of the transaction and ensure all the documentation is reviewed by the solicitor to confirm the purchaser understands all of the issues addressed.

## The business owner

In anticipation of acquisition and throughout the process itself the purchaser must start thinking like an owner. All the responsibilities of running the business, such as paying staff and suppliers, ensuring compliance with legislation, implementing new services and offering, marketing of the practice, ensuring patient satisfaction and having the vision for the long term, rest with the Boss. Welcome to the hot seat!

For assistance, queries, or advice, please contact **Chris Ball, Corporate Finance Director.**

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