General practitioners' practice expenses

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General practitioners are unlikely to receive the exact level of remuneration recommended in the 16th report of the doctors' and dentists' review body¹ even if the level was accepted in full by the government and implemented from 1 April. This alarming sounding position is so because general practitioners' remuneration is a series of fees and allowances designed to produce an average income across all unrestricted principals and would be realised in gross terms only if changes in volume (including increases in the number of general practitioners) were as expected by the review body. It will be achieved in net terms only if the amounts set aside for practice expenses turn out to be an accurate forecast of actual expenditure. The term "practice expenses" is used here to refer only to those expenses which fall to be met from gross fees and allowances and excludes those reimbursed directly to general practitioners by family practitioner committees—for example, it excludes the 70% of staff salaries which qualifies for direct reimbursement but includes the 30% which does not. For both gross income and practice expenses to combine to yield the desired average level of net income would therefore be unlikely if not impossible. The possibility of compensating errors occurring in the two variables such as expenses being higher than expected while gross income is overachieved may result in a misleading level of accuracy, and nobody should underestimate the difficulty of the review body's task in setting fees and allowances to achieve its stated intention.

Practice expenses element

To help it to set the forecast level of practice expenses to be reimbursed during the coming year the review body knows the amount deemed to have been spent in the previous three years and a less robust estimate of the position in the following year. These estimates are provided by a joint technical committee of the General Medical Services Committee and the Department of Health and Social Security working with data provided by the inland revenue from an annual sample survey of general practitioners' tax returns. This baseline also serves as a check on the accuracy of the review body provision for the year in question. This in turn has implications for the current year's remuneration following the review body's decision to introduce a formal balancing arrangement into the mechanism in 1983 (see below). The amounts spent by general practitioners have been volatile in recent years and their prediction has become increasingly difficult. There are signs that over the past three years the profession has spent less than expected after a lengthy period of incurring more in the way of expenses than had been allowed for (table). The tendency to underspend, if this is a fair expression, the review body provision being a forecast not a budget, will generate overpayments in net income. If as is currently the case this trend is accompanied by one whereby the fee scale is generating more gross income than intended these overpayments are exaggerated.

Correction factor

In its thirteenth report the review body introduced a formal balancing arrangement designed to correct for excesses or deficiencies in net incomes as and when these were demonstrated.² The latest firm data on expenses are those relating to the previous three years and it is these data which establish the existence of an error that has to be

corrected. Before 1983 the process had been less explicit and corrections took the form of ensuring that in the long run overpayments and underpayments effectively cancelled one another out. Taken with the latest forecasts of expenditure by general practitioners and data on payments made by family practitioner committees, this factor helps to determine the levels of fees and allowances necessary to generate this year's target for gross income.

This year's award

For convenience I shall deal with the review body's recommendations and ignore the complications introduced by the government's actions. The review body has estimated that it will need to allow, in the fee scale, for some £11 600 on average per general practitioner for practice expenses, and its recommendation for the amount to be built in for net income is £25 080. From the combination of these two elements £89 needs to be deducted. This represents the amount deemed to have been overpaid three years earlier. The total target of some £36 591 needs to be seen in the light of the latest information on the yield from the present level of fees and allowances. This information is not provided in the review body's report but, by dint of some assumptions based on the out-turn for the financial year as a whole, ten months of which were covered by the relevant scale, it can be estimated at around £35 330. The 1986 recommended levels of fees and allowances are therefore designed to raise £35 330 to £36 591 after due allowance for any expected changes in volume.

References

- 1 Review Body on Doctors' and Dentists' Remuneration. *Sixteenth report 1986*. London: HMSO, 1986. (Cmd 9788.)
- 2 Review Body on Doctors' and Dentists' Remuneration. *Thirteenth report 1983*. London: HMSO, 1983. (Cmd 8878.)

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Comparison of intended and actual general medical practitioner (gmp) income and expenses: 1979-80 to 1985-6

	1	2	3	4	5	6	7	8	9	10	11	12
	Gross income		Practice expenses		Net income		Excess (+) or deficiency (-) in payments to gmps after allowing for corrections			Corrections applied by review body to:		
Year	Intended (3+5+10+11) (£)	Actual (£)	Forecast (£)	Actual (£)	Intended (£)	Actual (2-4) (£)	Gross income (2-1) (£)	Expenses (3-4) (£)	Total (7+8-6-5-10-11) (£)	Gross income (£)	Expenses (£)	Total (10+11) (£)
1979-80 ¹	17 727	17 781	5 400	5 879	12 327	11 902	+ 54	-479	-425	—	—	—
1980-1 ¹	23 140	22 891	6 850	7 283	16 290	15 608	-249	-433	-682	—	—	—
1981-2 ²	26 470	26 079	8 060 ³	8 286	17 970 ⁵	17 793	-391	-226	-617	—	+440	+440
1982-3 ²	28 490	28 591	8 860 ³	9 151	18 990 ⁵	19 440	+101	-291	-190	+240	+400	+640
1983-4 ²	29 605	29 636	9 290	9 232	20 288 ⁵	20 404	+ 31	+ 58	+89	+ 27	—	+ 27
1984-5 ²	33 062	33 207	10 830	10 170 ⁴	21 615 ⁵	23 037	+145	+660	+805	+617	—	+617
1985-6 ²	34 772	35 100 ⁴	11 320	10 950 ⁶	23 212 ⁵	24 150	+378	+370	+748	+190	—	+190

1 Excluding income from contraceptive services.

2 Including income from contraceptive services.

3 These figures differ from the provisions for average practice expenses in the eleventh and twelfth reports because they do not include the amount of the corrections applied by the review body in respect of previous underpayments of expenses (column 11).

4 Provisional technical subcommittee figure.

5 As amended by the government: the recommended figures for 1981-2 and 1982-3 were £18 480 and £19 500. In 1983-4 the recommended level of £20 670 was implemented from 1 January 1984; in the previous nine months the amended level was £20 160. In 1984-5 the recommended level of £22 070 was implemented from 1 November 1984; in the previous seven months the amended level was £21 290. In 1985-6 the recommended level of £23 440 was implemented from 1 June 1985; in the previous two months the level was the same as the previous year's recommended level—that is, £22 070.

6 Estimated.