

STARTING A PRIVATE PRACTICE

What to bear in mind when joining a group

There is strength in numbers, and consultants who are new to private practice now face an important decision that their predecessors rarely considered – should they join or form a group? **Ian Tongue** discusses some of the options and aspects to think of

MANY CONSULTANTS are these days asked to join or help form a group with other colleagues for a common interest.

This is usually to provide new or additional services to their existing income sources and to exploit available opportunities.

Increasingly, the issue arises early on in a consultant's career.

In recent years, there has been an increase in the number of consultant groups and many of them have proved to be a success for all parties.

However, forming a group from scratch takes time and commitment and, in some cases, a cost-sharing or 'chambers' arrangement may be more appropriate.

There must always be an objective for forming a group.

This could be the identification of new income sources or the opportunity to work together in subspecialties – for example, in ophthalmology or orthopaedics. The objective is what holds the group together and makes the arrangement more attractive than practising on your own.

It is vital that all parties are committed to the group, otherwise its chances of success and running smoothly are seriously affected. In the discussion phase of bringing the group together, it is important that commitment by all interested parties is established.

What are the benefits?

The benefits of forming or being part of a group can be varied, but include the following:



- Economies of scale;
- Ability to exploit opportunities;
- Spread workload;
- Spread risk;
- Provide a support structure;
- Propensity to add value to the business;
- Increased profitability.

Barriers

One of the key barriers to getting a group off the ground is time. Trying to co-ordinate several consultants' diaries is a difficult task and can often result in the group stalling.

It is a good idea to assign roles early on to ensure that the various

important components are moving in the right direction between meetings.

It is common for enthusiasm to be high early on, with many consultants expressing an interest in being part of the group. Over time, it is likely that numbers will fall and so it is a good idea to establish areas such as initial financial outlay early on, as this can be the first hurdle where people drop out.

Differing personalities can be an issue when working together. The key point here is that you are running a business together, which will be challenging in its own

right, as working with colleagues that you may not get on with may cause issues later on.

Existing private practices can be a hurdle, particularly if they are to be retained outside of the group.

It is common for consultants to retain a private practice outside of the group, but the ground rules in relation to the possible competition between own private practices and the group must be established.

The way in which profit is shared can accommodate existing private practices and variances in their size if they are brought into the group.

Structure

The most common structure historically for a group arrangement is a limited liability partnership or LLP. This should provide you with a degree of protection should things go wrong.

With the introduction of the 50% income tax rate, more groups are considering a limited company arrangement or perhaps a combination of an LLP with limited company(s).

Whichever structure is adopted, important considerations exist for the extraction and sharing of profit. In some cases, these may be significantly different from current arrangements and therefore it is vital that all parties agree how these will be addressed going forward.

The structure most appropriate to your circumstances will depend on your position and should be

“
Whichever structure is adopted, important considerations exist for the extraction and sharing of profit
”

discussed in detail with an accountant.

Written agreements

It is important that the group has a written agreement to formalise the arrangement. This could either take the form of a partners' (or members') agreement for a partnership or a shareholder agreement in the case of a company.

The agreement acts as a rule-book to ensure the smooth running of the business and you should budget for between £2,000-£3,000 for the cost of establishing the agreement, depending on its complexity.

Chambers

Where a group arrangement involves a greater commitment than consultants are prepared to undertake, a cost-sharing approach may be more appropriate.

Chambers is a much looser arrangement and is usually created from the desire to share costs, thus increasing profitability of existing private practices.

This arrangement can work in many circumstances. However, you should be realistic on how much you could save.

Some costs where duplication occurs can clearly be reduced; however, it is unlikely that any cost savings for indemnity insurance will be experienced, which can often be a consultant's largest expense.

A chambers structure requires someone to maintain the records of the association and the costs are split out between consultants and incorporated in their respective private practices.

Being part of a group can be a good opportunity for a new or established consultant.

And in, many cases, it will offer increased earnings potential and provide welcome support in undertaking private work.

But it is vital that the group is set up correctly from the start and all members are committed to its success to ensure a smooth running and profitable business.

Next month: An update on allowable business expenditure



Ian Tongue (left) is a partner at Sandison Easson & Co, specialist medical chartered accountants

HSBC Business



A better financial prognosis.

At HSBC, we understand that you don't choose medicine because you want to run a business. Yet that is the reality facing GPs and other medical professionals today – especially with the healthcare reforms on the horizon.

HSBC has a dedicated team that supports doctors with business planning and day-to-day practice management. We help you with the business, so you can focus on the patients.

Why not contact a specialist for a financial review and make the most of future business opportunities.

Call 08455 840658*

Email tonyburgess@hsbc.com

Click www.hsbc.co.uk/business

HSBC 
The world's local bank

Issued by HSBC Bank plc. *Lines are open 9am to 5pm Monday to Friday (excluding public holidays). Communications may be monitored and/or recorded for security and service improvement purposes. AC19570