Healthcare Confidence Index

Spring 2013
Lloyds TSB Commercial Banking Healthcare Confidence Index

Welcome to the Spring/Summer Lloyds TSB Commercial Banking Healthcare Confidence Index, the fourth wave of research based on primary healthcare providers’ outlook for their businesses in both the short term (12 months) and longer term (5 years).

A blended figure of the two is used to provide a measure of overall business confidence within the primary healthcare sector. Research is carried out every six months.

As in our last index published in the final quarter of 2012, we have sought to gain responses from three professions: GPs, dentists and pharmacists.

The responses for each profession are given equal weighting within the overall index figure. This is a dispersed index so any figure greater than zero represents a positive outlook.

The maximum value achievable is +100, the minimum -100.

Previous surveys recorded a long term combined figure of -74. This has improved slightly to -70 but still indicates a low level of confidence.

Short term, the only profession showing a positive shift is dentists – now +18, the highest we have recorded. However, short term pharmacist confidence has tumbled to -23, almost as bad as 2011. GP confidence (short-term) has dropped to -51, its worst ever position.

Wave 3 (Autumn 2012) 187 respondents, Wave 4 (Spring 2013) 148 respondents
Just as we thought the Healthcare Index might settle down and offer us a pattern, the fourth iteration of our survey has seen some of the most dramatic shifts in confidence to date.

Unfortunately, they are indicating that after years of impending reforms the reality of the restructure, coupled with an unsettled financial climate, has left confidence at an all time low for GPs and pharmacists and it is also down for dentists.

Talking to our contributors, it isn’t hard to understand why. Change may be inevitable but it is rarely without its consequences and the financial impact and lack of stability felt across all three professions means that none have any long term confidence and a majority are expecting financial pressures to increase.

Will we see any positivity return later in 2013?

While dentists are relatively the most confident in the short term. In the NHS, lower numbers have suffered clawback although the full implications of the new contract is not yet upon us. Private dentists are looking happier with 67 per cent expecting a significant increase in demand in the next five years.

But the biggest question remains over how confidence can be restored to GPs and pharmacists, the two groups who deliver the core of frontline healthcare in the UK. Neither group appears to feel particularly well positioned or satisfied by the changes that are being introduced.

Overall we appear to be heading towards more consolidation in the sector with practice mergers and local or regional business models taking shape. The single-handed GP practice looks to be under threat and the finances of smaller pharmacies and dental practices are getting more challenging. The changes are driving practitioners to cut costs and/or find other sources of income potentially including AWP work for GPs or private patients for dentists.

After years of saying that confidence could return once the reforms were clearer, we are now seeing a further fall as the reforms are implemented and the public finances remain under pressure. It will be fascinating to see how confidence is affected as we move towards 2014.
GPs

Our GP respondents have now hit their lowest short term confidence figure (-51) of any Index to date while their long term, at -78, is marginally the best it has ever been. Reforms are here and most clearly feel things might get worse before they improve.

Compared to dentists and pharmacists, GPs remain the most pessimistic about the future.

It is not surprising given the battering they have taken from departing PCTs with little to lose. These include superannuation changes, erosion of LES contracts, hardening of QOF in 2013/14, rejection of DDRB recommendations and most parts of the country have now undergone PMS reviews resulting in huge losses to some practices.

Add to this spiralling patient demand, increasing recruitment issues and regulatory burden of revalidation and CQC and it becomes easy to understand why there is a continuing trend towards early retirement demonstrated by these figures. GPs really are struggling to find much of a silver-lining at the moment.

In addition, anxieties remain about the new structures and the gaps that will inevitably emerge in coming months. Some of the first wave of CCG enthusiasts are also now starting to fatigue as they realise they have only just crossed the real start line of this marathon and the cuts have gone so deep that it will affect the flow of income for years to come.

General Practice morale is as low as I can recall, which is particularly worrying as it is an unwise time to erode the motivation of the gatekeepers to the system – the majority of the UK’s healthcare needs are delivered by GPs – especially when they feel they have increasingly little to lose.
There are no major shocks in the data over the way GPs are feeling. We might have hoped that some optimism may have returned by now but the last few years of this index have reinforced that a majority of those in General Practice are feeling thoroughly demoralised.

There is still a big divide on whether the move to Clinical Commissioning Groups is a good thing, with 40 per cent feeling they are and 46 per cent saying probably or definitely not. Similar splits are evident when GPs respond regarding how confident they are in the future of healthcare services in the UK – figures which remained fairly static throughout four versions of this report.

This sums up the state of flux really, lots of major changes but no overall confidence in how they will work.

Where we do see consistency is in the fear that financial pressures will only increase over the next few years (77 per cent) and that practice profits will reduce. Again, not surprising. Budgets have been broadened and passed to a new body. GPs still don’t know what they will be able to achieve against previous years. There has been a slight increase in those looking to bid for more services as part of local service provider groups, indicating a willingness to move with the changes.

Some statistics also give a clear indication of the changing demographics and structure of GP practices, with more than ever believing that ‘single-handed’ practices will be gone in five years and over a quarter planning on retiring early in the same timeframe.

BOB SENIOR
Partner, RSM Tenon
Pharmacists

Pharmacists are by far the least confident group of this Index. A negative swing from 0 to -23 is the largest shift we have ever recorded and their long term confidence has also dropped to -89, the lowest figure we have seen from any profession. Clearly there is a great deal of dissatisfaction at the frontline.

RAFIQUE BHOJANI
Pharmacist and Director, Order Line Limited

The mood among pharmacists is diabolical. During the last survey we believed that pharmacists had got over the worst of the changes and had come to terms with how the new playing field looked.

But things have changed yet again and they are feeling more uncertain than ever, really not confident that they can continue to make margins and earn money.

I have never known it this bad. Pharmacists have prepared for changing regulation, ready to be at the frontline of healthcare provision in the UK and now they feel like the financial goalposts have shifted again.

The short term confidence has shown the biggest drop we have ever seen from any of the respondents and the long term is the lowest figure we have ever recorded of any discipline.

We are now seeing a greater number saying that they expect a reduction in NHS services to patients over the next five years rather than an improvement.

And the number expecting a decrease in profit has gone up significantly following the recent clawback.

There are young, ambitious pharmacists looking to expand and bid for more services, but the current financial climate is making this more difficult than ever.

It’s a murky future and I can’t see optimism on the horizon. Pharmacists were hopeful that their role was going to become far more integrated into the provision of healthcare but it now feels that policy has been made with their needs and skills as an afterthought.

As margins continue to get squeezed, salaries will continue to decrease and I believe a lot of smaller pharmacies will fold, allowing the multiples to further flex their muscles.
There’s no doubt that the last Category M claw-back has rocked morale throughout the pharmacy sector.

The degree of optimism we saw pharmacists exhibit, along with dentists, has well and truly faded and it’s because of that issue of uncertainty yet again; uncertainty about how the new system will work and what it will ultimately do to margins and profits.

I do think it will all settle down gradually over the next few years, unless there is a change of Government. Whilst pharmacies are still fundamentally good businesses, they have felt under-appreciated and have faced a constant battle in these austere times.

The number of pharmacists expecting a reduction in profits has increased and those pharmacists likely to encourage their offspring to enter the profession has fallen.

This is a worrying trend. Pharmacy has always been seen as a good, solid profession and many are family businesses.

Hopefully, with the consolidation that 83 per cent of respondents are expecting, we will see ambitious young pharmacists drive the sector forward by acquiring underperforming businesses and continuing to offer a welcome alternative to multiples.

I think as the consolidation continues we will also see more pharmacies being offloaded from their estates by the bigger players. This does not mean these businesses can’t be acquired and operated to a smaller, profitable business model. We just need young pharmacists who are prepared to branch out on their own.
Dentists

Those dentists taking part in our survey have always shown the biggest disparity between short and long term confidence and 2013 is no different. The highest short term figure we’ve seen at +18 is at odds with a 17 point drop to -77 long term. Are they worried about what is around the corner?

Throughout four consecutive versions of his report, dentists have always been the most optimistic group.

While that remains true for the short term, confidence for the longer term prospects of dentistry have fallen almost as low as GPs.

It does still come back down to stability. The profession is not feeling particularly stable at the moment.

NHS dentists have typically had better profitability than their private counterparts over the years but a third of us don’t expect to continue this run, and another 33 per cent are unsure.

These increased financial pressures are inevitable. Dentists know that they are going to have to fight harder for contract values and that times are getting harder but being aware and being prepared are two different things.

Once the latest NHS contracts have been negotiated things may well settle down and optimism may return. The sector needs financial assurances based on their contracts, and the ability to deliver them to return to confidence. We haven’t enjoyed stability for a long time.

I do think that although NHS dentists have enjoyed the larger profits over recent years, we may see an increase in private dentistry. The model is developing and younger dentists are getting a lot more advanced in terms of marketing and recruiting patients.

It is interesting to see the increase in practices which now have a partnership agreement in place – up to 74 per cent. There has definitely been more awareness around this issue and the financial climate has made partners tighten up on this along with parallel advice from the accountants and lawyers.

Despite the reduced confidence, many dentists have learnt some harsh lessons during the recession and tightened up on many financial practices that should put them in stronger position for the future.
The single most telling response in the entire survey for me was the lack of confidence in the proposed new NHS dental contract being adequately funded.

Not a single respondent said they were either ‘very confident’ or ‘fairly confident’ in this, and it was an equal 33 per cent split between ‘not very confident’, ‘not at all confident’ and ‘don’t know’.

Interestingly however whilst there is little confidence in the NHS Contract being adequately funded there also appears to be very little short term enthusiasm regarding the conversion to Private Practice.

Approximately 80 per cent of the respondents in the survey were from practices with NHS income therefore with the NHS contract value having such a bearing on the long term financial future of so many practices, you can see why the overall confidence is where it is. Short term, dentists appear to have a reasonable level of confidence but long term the levels have dipped to their worst in four iterations of this report.

There is a general feeling among dentists that we have come through the worst of the recession. They’ve survived – fewer are experiencing NHS claw backs – and optimism in respect of profit levels being maintained remains good for the time being, together with a significant level of confidence still that NHS Practice Profits will continue to out perform those of Private Practices.
Case studies

Aqua Pharmacy

Aqua Pharmacy in Ipswich opened with a new pharmacy and treatment centre, after securing a five-figure loan from Lloyds TSB Commercial Banking.

After securing financial support from Lloyds TSB Commercial Banking to fund the launch of a new pharmacy and treatment centre in Ipswich’s recently redeveloped harbour district, Aqua Pharmacy now provides a full range of pharmacy services. This includes NHS prescription dispensing and collections from local surgeries, as well as ancillary treatments including smoking cessation, sexual health and travel clinics.

The pharmacy also includes four private treatment rooms that are leased to other healthcare professionals, including a sports massage therapist and a medical aesthetist. The business is run by six members of staff and four locum pharmacists.

Aqua Pharmacy’s founder and director Michelle Claridge worked as a community pharmacist for 23 years and recognised the opportunity to provide a local service in an area that did not have healthcare provisions. She said: “Before launch, we did a lot of research to find a location that would really benefit from our services, rather than taking over an established business.

“The support from Lloyds TSB Commercial Banking was invaluable in setting up the pharmacy, and we’re working hard to drive the business forward with the addition of more specialist clinics and treatment professionals.”

Julie Southin, specialist healthcare banking relationship manager for Lloyds TSB Commercial Banking, said: “Aqua Pharmacy offers a vital service to its local community and the offering has already proved to be very popular with its customer base. The pharmacy’s strategy to lease out its treatment rooms has also proved to be a great way of expanding its offering while generating revenue.

“Lloyds TSB Commercial Banking is committed to supporting healthcare businesses. To ensure that we are constantly able to offer our customers funding solutions tailored to their unique needs, our specialist healthcare banking team receive regular training to keep them up to date with factors and regulation currently affecting the sector.”

Parkview Dental Practice

Newcastle-based Parkview Dental Practice moved to new premises, paving the way for a major expansion, with the support of a six-figure loan from Lloyds TSB Commercial Banking.

In accordance with the Healthcare Confidence Index findings that 50 per cent of Dentists anticipate that the number of chairs in their dental practice will increase in the next five years, expansion is clearly an important focus for the industry.

The six-figure loan from Lloyds TSB Commercial Banking enabled Parkview Dental Practice owner and dental surgeon Ian Grime to secure the lease on a new property, and complete its conversion and renovation into a modern dental practice.

Parkview Dental Practice now provides services to around 2,500 private and NHS patients in its local area and is fully equipped with three surgeries, x-ray and sterilisation rooms. The surgery also has plans to increase the range of specialist services it offers to include dental implants and cosmetic dentistry.

Ian Grime, managing director of Parkview Dental Practice, said: “Our new practice building is much bigger and provides us with plenty of room to grow in the future, as well as being an attractive base for our growing team and our patients. We kitted out the new surgeries and are currently looking at new services to offer our patients, such as dental implants, for which demand has been increasing steadily over recent years.

“Fundamentally, the support we received from Lloyds TSB Commercial Banking’s specialist healthcare team was instrumental in the successful completion of the practice move and upgrading the new building to our specifications.”

Joanne Clough, healthcare relationship manager for Lloyds TSB Commercial Banking’s Healthcare Banking team, said: “Parkview Dental Practice is a successful business that offers plenty of scope for future expansion. Ian’s clear business plan enabled us to quickly structure a lending package that suited his exact requirements.

“We work closely with our healthcare customers to help them to identify and maximise growth and development opportunities, helping them to continue the excellent work they undertake in their local communities.”
Closing thoughts

ADAM THOMPSON
Director, Primary Care Surveyors

ANDREW LOCKHART-MIRAMS
Senior Partner, Lockharts Solicitors and Chairman,
Lloyds TSB Commercial Banking Healthcare
Advisors Forum

GPs still remain the bedrock of healthcare and still provide an exceptional service in challenging times but I suspect this is under threat by uncertainty and shifting demographics.

Practice profiles are definitely changing and I believe we will continue to see a rise in salaried and part-time GPs. There are still traditional, vocational GPs but in the future we will see many more splitting their time between business management, more involvement with local administration of healthcare and so on.

GPs have shown steady decline in confidence and it can be linked back to finance and feelings of worth within the wider system. Salaries peaked around two or three years ago but are not comparable now.

As the bedrock of healthcare, particularly under the new structures, GPs are becoming ever more crucial and yet feel under-valued and aggrieved.

For the lifetime of this confidence index we have been talking about reforms and how things should settle down once they are clearer. The truth is, they still aren’t really here yet, so many things are still muddled and we aren’t sure how things will work in reality.

Property ownership within the new structure has changed and we still aren’t sure what the new building approval process is within CCGs. It may be that with working GPs sitting on these bodies we begin to see conflicts of interest arising.

I don’t believe we will see as many GPs buying property to move; they are far more likely to lease if they feel the need to relocate to expand or offer more services. It’s another change in the practice model which has been driven by the economy and legislation.

Nobody is shocked that long-term confidence has dipped across the board after the last few months but it’s sad to see after some pockets of positivity – particularly among pharmacists – in the last Confidence Index.

We are at a fundamental turning point in healthcare and you can slowly see the models changing, driven by regulation and a need to respond to an increase in financial pressures.

I suspect we are going to see an exodus of older practitioners in each discipline, with those nearing retirement opting to bring their exit from the profession forward, unfortunately taking valuable wisdom and experience with them.

As the results show, we are moving closer to no longer having ‘single-handed’ GP practices and I believe we will also see far fewer GPs seeking, or being offered, partner status.

The rise of salaried GPs is here to stay and will begin to shape the future of GP practice as partnership is no longer the end goal of every GP. Not all want the responsibility of this position, of property ownership and everything else that comes with it.

One response I always look to is the one regarding encouraging your son or daughter to enter your profession. Across the board the ‘probably not’ answer has risen to over a third.

I think that this is slightly sad in a sector where there has been a history of each of these professions in different generations of some families. All, at one time, were considered to be very solid, rewarding, vocations.

It is just one of many changes I expect will characterise healthcare in the coming years.
Banking for healthcare professionals
Lloyds TSB provides a quality service for healthcare professionals. No two practices are the same and no two will have the same banking needs. This is why we work closely with you to create a banking package that is tailored to your business.

Support from your Healthcare Manager
A key part of our service is a close working relationship with your own Healthcare Manager. Someone who has a real understanding of how the healthcare sector operates and who can provide ongoing support and guidance with the management of practice finances.

A full range of healthcare banking services
As well as offering competitive rates and packages that reflect the professionalism of the customers we deal with, we’ve also developed a range of flexible products and services designed to meet the specific needs of the sector.

Overdraft
If you need flexibility to help manage the peaks and troughs of your business cash flow, an overdraft is ideal. Knowing the money is available ‘just in case’ offers you peace of mind and allows you to concentrate on running your business.

Practice Loan
Our Practice Loan is completely flexible and we can offer you a variety of options on interest rates, including fixed and variable rates or a combination of each. You could use your Practice Loan to:

- move into new premises
- refurbish your existing offices
- consolidate your existing loans
- buy goodwill

When purchasing practice premises you can borrow up to 100% of the purchase price, for up to 25 years. Arrangement fees and interest margins are negotiable based on individual circumstances.

Pharmacy Loan
Retail pharmacies can apply for special wholesaler guaranteed loans. Terms are agreed with the wholesaler and the funds provided can be used to support the purchase of a pharmacy or refurbishments. Please contact a Healthcare Manager for further details.

Asset Finance – hire purchase and leasing
Asset Finance is a service provided by Lloyds TSB Commercial Finance Limited. You can use Asset Finance to purchase vehicles or equipment for your practice. Unlike a conventional loan the asset can be used to provide security for your borrowing and you have the option to hire purchase, lease purchase or lease.

Commercial Mortgage
If growing your practice means that you are looking to buy a commercial or domestic investment property, our Commercial Mortgage may be able to help. You might, for example, want to buy and let the flat above your practice. Similar to our Practice Loan (see left) we offer a variety of flexible options on interest rates.

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