



**General
Practitioner**
Industry Benchmark
Report 2021



Foreword

General Practice is always at the forefront of changes to the medical industry. COVID continues to affect patient attendance, the percentage of medical graduates looking to enter the GP profession has reduced and technology changes such as Telehealth continues to be utilised. It is important to make sure your practice is financially sound and investing resources in the right tools to enable growth.

General Practice benchmarks are a crucial tool in understanding the drivers in your business.

We know that general practices are the backbone of the Australian medical industry and they are the backbone of Prosperity's health practice. Prosperity Health specialises in providing medical and allied health professionals with the financial services they need. Our team of specialists provide comprehensive planning, accounting, audit, taxation, salary packaging and personal financial advice to a wide range of health sector members.

At Prosperity Health, we make sure we are doing everything possible to support our general practice clients to grow, improve and eventually sell their practices for the highest price, so they can live and retire financially secure.

With 13 partners and over 140 staff throughout the firm Prosperity has the necessary expertise, experience and resources to service our clients' needs. We are very proud of our leading reputation and we follow best practice processes and procedures to ensure our clients receive consistently high-quality services and solutions.

To provide our practice owning GP's with accurate, industry performance benchmarking information, we have once again conducted the Prosperity Health Benchmark Study. Now in its seventh year, the study assists many practices to understand their key performance metrics and to keep ahead of their competition

This report provides the feedback from that study, set in the context of an analysis of recent broader industry data released by respected commentators and industry analysts.

Brendan Campbell
Director
Prosperity Health

2021 saw an increase in the number of patient presentations for mental health, as COVID continues to impact the population.

RECENT INDUSTRY ANALYSIS

2021 continued to be influenced heavily by the impact of COVID-19. However, there was a reduction in telehealth consultations from the peak experienced in 2020.

The 2021 RACGP industry report into General Practice Medical Services provides some interesting high-level industry statistics and insights:

- Almost three out of five GPs reported ‘managing patient expectations about vaccinations’ as one of the most challenging issues arising from the pandemic.
- The third-most challenging issue for GPs is that patients are not coming into the practice during the pandemic.
- Not enough medical graduates want to be GPs. The proportion of final-year students listing general practice as their first preference specialty has fallen to just 15.2% – the lowest since 2012.
- People aged 65 and over account for 16% of the Australian population but represent nearly 30% of all general practice consultations.
- Four out of five GPs (81%) reported having patients with mental health conditions that are mostly managed within general practice. Only one in five refer patients with mental health conditions on to another medical specialist who manages their condition/s.
- Phone consultations represented 17.1% of all GP attendances in May 2021, a decline from around one-third of all GP consultations in April 2020.
- In 2020–21, 89% of patient services in general practice were bulk billed (ie provided with no out-of-pocket cost to the patient). With the exception of COVID-related face-to-face services, the bulk-billing rate was higher for new telehealth and COVID-19 vaccination MBS items introduced in response to the pandemic.
- The most common professional challenge reported by GPs is ensuring fair remuneration for skills and services provided (71%), followed by managing fatigue and burnout (58%), understanding and adhering to regulatory and policy changes (55%), and maintaining work–life balance (55%).
- Increased reporting of a deterioration in work–life balance, from 33% in 2020 to 38% in 2021, may be due to the increased burden of providing COVID-19 vaccines and related counselling in 2021.
- Half of practice owners (50%) reported being concerned about the long-term viability of their practice, an increase from 37% in 2020.
- Indexation of Medicare rebates has not kept pace with inflation. Average health inflation rates are 3% per year, with practice costs rising by a similar amount, while MBS item indexation is set at 0.9% in 2021.

ABOUT THE PROSPERITY HEALTH GP BENCHMARKING STUDY

Our practice benchmarking study is in its seventh year and covers a broad cross section of our GP clients from NSW, QLD, SA and VIC. Respondent practices covered a diverse cross section of the general practice industry.

The benchmarking and key performance indicator (KPI) results have been divided into four broad categories:

- Trading KPI's including patient fees, bulk billing rate, and billing consultations split between consultation levels;
- Growth and Performance KPI's including consulting room utilisation levels, patients per GP, and net profit;
- Staff KPI's including the percentage of GP's that are full time, and staff salaries; and
- Operating Cost KPI's including rent, electricity, bank fees etc. as a percentage of patient fees.

In each category we have provided two measures:

Industry average This represents the average benchmark / KPI result across the whole database of contributing practices.

Highest 20% This shows the benchmark / KPI result for the upper 20% of each category, calculated separately for each individual benchmark.

Over the next few pages we have listed some of what we see as the key highlights from the study.

Seven years of benchmarking data is starting to show some trends.



UNDERSTANDING THE BENCHMARK NUMBERS

Despite a pandemic, the major variables on practice performance remain to be billings, service fees and wages.

Not all benchmarks are created equal. While collecting the data is crucial, understanding and interpreting the results is where knowledge is gained. Over the last seven years we have found some results to be interesting but expected, and others to be much more relevant to the end users of the reports.

Some of the key findings that we see as important to running a financially sound practice are highlighted below:

A large portion of Practice income is usually derived from the Service fees charged to consulting Doctors. This means the performance of the Doctors at a clinic is crucial to the financial success of the Practice itself. Once expenses are paid, and the profit is determined, we can measure the contribution to this profit on a Full Time Equivalent (FTE) basis. How the final profit is arrived at can vary, but at the end of the day it is important to understand what this profit is.

Essentially the major variables are:

- The Fees (Billings) of the GP
- The Service fee percentage charged
- Wages paid to Nurses and admin staff

The Fees (Billings) of the GP

The first piece of the puzzle is the billing of the Doctors. The Practice receives a service fee based on the billings of the Doctors and this makes up a majority of the income of the practice. Some Doctors will bulk bill and some will have a majority of private billings. Even when bulk billing, the amount billed is also then dependent on the consultation level undertaken and billed.

Whilst some practices experienced an increase in billings, others saw a decrease. Business acumen plays a key part in guiding the medical practice through changes in conditions and temperament of patients.

Our numbers show that the average billings per FTE GP has reduced to \$356,000 with the top 20% billing \$478,000 per year. This was previously \$392,000 and \$588,000 respectively. The average billing per GP has dropped with COVID affecting billings. We also note that the more successful practices tend to have higher Level B and Level D consultations.

	Study Average	Top 20%
Fees charged per GP	\$355,983	\$478,426
Bulk Billing Percentage	61.6%	95.1%
Level B Consultation %	67.9%	79.2%
Level D Consultation %	2.8%	6.6%

The Bulk Billing Percentage differs to that from RACGP due to a higher proportion of private practices in the GP Benchmarks.

The Service fee percentage charged

While Service fees charged are dependent on many factors including the patient mix and supply and demand of the Doctors, as a rule a higher percentage is charged by those practices where greater assistance through nurses and admin staff is provided.

Wages paid to Nurses and Administration staff

As billings are typically considered income of the Doctors, the Practice then charges the Doctors a service fee, and this service fee is recognised as income of the practice income (not an expense). Therefore typically the wages paid to staff is the largest expense of the practice. We have found that this can be a big factor in the financial success of the practice. In a perfect world when Nurses are more involved in the patient care, the Doctors would be taking less as a percentage of billings to account for the work of the nurses, and overall both the Doctor and the Practice would be in a better financial position. However this is not a perfect world and the Practice needs to monitor the service fees charged and the use of Nurses (paid by the practice) to make sure that the Doctor / Nurse number are financially viable.

On average the top 20% of practices are paying 13.9% of billing to the Nurses and Administration Staff as Wages and Salaries (including on-costs). The average has reduced and is now down to 19.7% (previously this was 21.6%). Regardless of the drop, these costs remain a large factor in the success of the practice.

Previously, we have seen year on year increases in the percentage of billings paid to Nurse and Administration staff. 2021 represents the first year that these costs have reduced. With growth in patient fees playing a part, technology improvements is also a factor. We continue to see that those in the top 20% are investing more heavily into technology and automation to increase billings without increasing the amount of staff needed to deliver the same level of service.

	Study Average	Top 20%
Nurse and Administration Salaries	19.7%	13.9%

It should be noted that some practices with high staff costs are quite successful in providing assistance to the Doctors, a consequential increase in the billings of the Doctors - this is however a delicate mix and does need to be monitored.

Net Contribution

All of the factors above are part of a bigger picture and will be the variable factors in the overall profit of the Practice. One way to view this is the Net Contribution per FTE GP. This is the actual profit of a practice expressed in terms of the dollar value per full time equivalent GP.

This will vary from practice to practice and largely depends on the patient demographic, the billing practices and the Doctors. To illustrate the variability of factors, you could have a Doctor that privately bills above the MBS, has a high percentage of schedule B consultations, averages say four patients per hour, while performing the majority of the consultation without assistance and paying 35% as a service fee to the practice. While another Doctor could bulk bill, see an average of 6 patients per hour, utilise a variety of billing codes, use the services of a nurse regularly and pay 40% as a service fee to the practice. Both Doctors could be high contributors to the practice or could be low contributors. It really depends on a large number of factors to know if that Doctor is financially contributing to the practice or not.

Should
Practices
have to pay
Payroll tax on
contracting
Doctors?

Our study has found that the average practice generates net profits of around \$42,000 per full time equivalent GP, so if you are a four FTE doctor practice are you generating profits of \$168,000?

	Study Average	Top 20%
Net Contribution per FTE GP	\$41,188	\$82,721

Given the risk involved in running a practice and the extra time typically invested by owner Doctors into the practice, is this return on investments enough to warrant the additional stress and time? Or is it easier to simply take a percentage of billing for someone else? A growing trend we see is that younger Doctors are remaining as contractors in order to enjoy continued flexibility and reduced stress.

Other things to consider

The pandemic saw a drop in demand for healthcare services, due to the reluctance for Australian's to leave their homes and social distancing measurements continue to remain in effect. The Industry was able to adapt with greater demand and acceptance of telehealth (largely assisted by the increased rebates from the Federal Government).

The 2021 IBIS industry report into General Practices provides some interesting insights:

- Annual growth over the next five years is expected to be double what is was between 2017-2022 (3.3% compared to 1.6%).
- A higher volume of patient consultations has driven revenue growth over the past five years.
- Restored indexation on Medicare rebates will support revenue growth over the next five years.
- National and regional lockdown and social distancing measures have discouraged Australians from leaving their house, while community transmission fears discouraged others from visiting general health facilities. This has influenced demand patterns for GP medical services.
- Employment numbers are also projected to increase over the period due to greater demand for industry services. Consumer demand for convenience has encouraged larger clinics to extend operating hours and services across multiple disciplines, which will likely support continued employment growth over the next five years. However, despite government initiatives designed to tackle the issue of declining rural GP numbers, the industry is likely to face a GP shortage within the next decade.
- Some GPs operating private practices will likely need to bulk-bill to stay competitive, placing downward pressure on their profit margins. Reduced profit margins for smaller practices may cause some sole proprietors to reduce wage costs by taking on some administrative tasks themselves.

Is your practice 'payroll tax audit ready'?

We are aware that NSW Office of State Revenue (OSR) have conducted numerous payroll tax audits of medical practices so far and, in the view of a payroll tax expert, are actively engaged in an audit program. Given the similarities in legislation across the State jurisdictions, we anticipate other states will follow suit.

Unfortunately, on the back of the Optical Superstores precedent, OSR have issued audit claims for substantial sums covering payroll tax and penalties going back five years – in some cases amounting to hundreds of thousands of dollars.

OSR currently have taken the view, based on the Optical Superstores precedent, that any instance where:

- A practice contracts with doctors to provide medical services to patients of the practice;
- The practice collects the patient billings; and
- The practice on-pays a net amount to the doctor after deduction of management/service fees

will potentially expose the medical practice to payroll tax on the net payment to the doctor (eg. payroll tax should be levied on the 65% of gross billings paid to doctors).

Unless either the law is changed (as proposed by AMA (NSW)) or a medical practice successfully challenges OSR in a court case which overturns the decision in Optical Superstores, it appears that practices are at risk.

Recently, the NSW Office of State Revenue has successfully argued before the Civil and Administrative Tribunal that the payment of the net 70% services fees by a general practice, representing billings collected from patients by the practice and netted off against a 30% service fee payable by the doctor to the practice, should be liable for NSW payroll tax. When applied over the period 2013-2018, the resulting payroll tax bill for the subject practice was close to \$800,000.

All GP and Specialist practices should be seeking an urgent review of:

- Their contractual arrangements, with a specific focus on items such as the ownership of the patient relationship, the characterisation of payments from the doctor to the practice, any conditions imposed on the doctor by the practice and the remuneration paid for such services;
- The financial and administrative arrangements in place within the practice, noting that three possible options might be to see:
- all patient billings necessarily paid directly into an independently managed and administered third-party trust account.
- all patient billings received directly into a bank account in the name of the Practitioner (not the Practice).
- all patient billings received in a separate “Contractor Billings” bank account in the name of the Practice into which all Gross Billings for contracting Practitioners are banked. This bank account would have no other use and its funds would not be co-mingled with other practice banking or payments.

Otherwise it is a wait for further developments and action from the Industry and hope the Practice isn't subject to a Payroll tax audit.

Please contact us if you or someone you may know are interested in reducing your payroll tax risk.

Will investment
in technology
assist in
reducing wage
costs?

IMPACT OF TELEHEALTH CONSULTATIONS

The 2021 CBA GP Insights report into provides some interesting insights

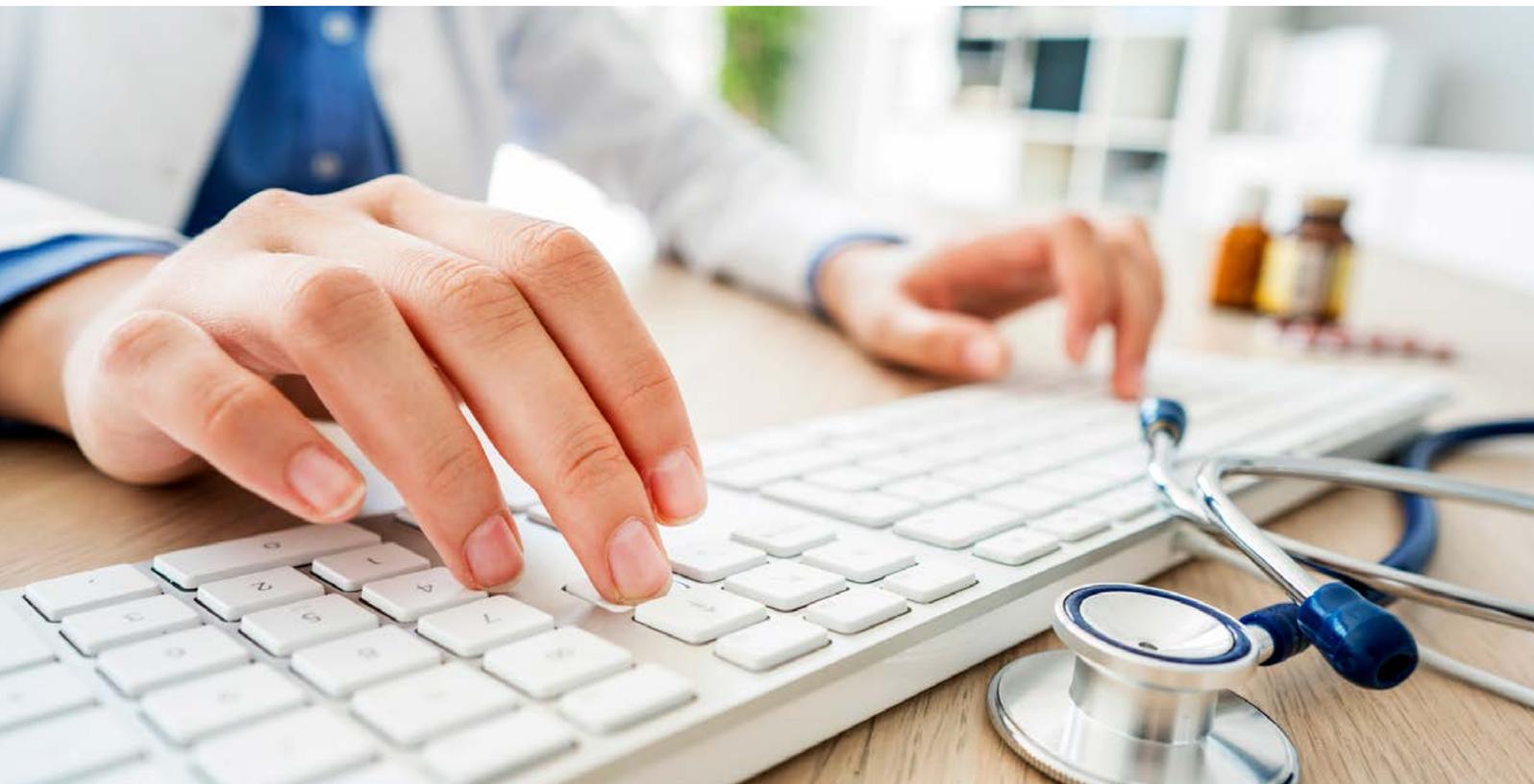
- 59% of patients have had a telehealth consultation with a GP, up from 35% in 2020. Similar rates of adoption are seen across patients of different age groups.
- The rapid rollout of telehealth consultations has had a negative impact on many practices' profitability. Of the practices responding to the survey, 35% say that telehealth is reducing profits versus 32% indicating that profits are up.
- 93% of telehealth consultations are conducted by phone rather than video. Some 60% of GPs say that patients and GPs alike prefer the phone because of privacy and security issues around video. Additionally, not all patients have the technical skills, and not all practices have the right technology to facilitate video consultations.
- 23% of GP consultations are now conducted via telehealth facilities compared with 51% at the height of the pandemic and just 4% before the pandemic.

There is an overwhelming proportion of telehealth being conducted via telephone only, however this impacts general practitioners as they can no longer rely on visual cues or observation.

There has been a noticeable drop in Telehealth consultations since the height of the pandemic. It will be interesting to see if there is a further reduction, or whether some stabilisation in telehealth consultations occur, especially with more patients having had at least one telehealth consultation.

Changes to Telehealth continue to occur and from 1 January 2022, a number of temporary MBS telehealth items will transition to ongoing arrangements.

Will the changes above impact the split of consultations between phone and video? Or will we see a further decline overall in Telehealth, especially as practice profitability can be negatively affected.



CONCLUSION

At Prosperity Health we offer tailored benchmarking and practice consulting services to help you monitor and improve the performance, growth, profitability and value of your practice. For further details and to review your own practice planning matters, contact your local Prosperity Health office to arrange for an initial consultation.

Is your practice
meeting or
exceeding the
benchmarks?

WANT TO GET INVOLVED?

Health practitioners understand the importance of diagnosing the correct cause of a health issue. By correctly identifying the symptoms, the right treatment can be provided and the benefit to the patient will be invaluable.

Please call your local Prosperity Health office or email us at mail@prosperity.com.au for more details.

ABOUT PROSPERITY HEALTH

Prosperity is an independently owned, award-winning chartered accounting and financial advisory firm with offices in Sydney, Brisbane and Newcastle.

Our Health team specialises in providing medical and allied health professionals with the financial services they need. Our team of specialists provide comprehensive accounting, audit, taxation, salary packaging and financial advisory services to practices of all sizes as well as individual practitioners and their families.

With 13 partners and over 140 staff throughout the firm, Prosperity has the necessary expertise, experience and resources to service our clients' needs. We are very and procedures to ensure our clients receive consistently high-quality service and solutions proud of our reputation among our clients and we follow best practice processes.

Our experienced Prosperity Health team can work closely with you to assess your individual circumstances and work with you to develop strategies to reach financial goals and objectives.



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