Welcome to your quarterly, joint healthcare news update from RMT Accountants & Business Advisors, Lloyds Bank & Sintons Law Healthcare Specialists. In this issue we cover six sector specific areas which we hope you find useful. Our contact details are on page 11, should you wish to discuss any of the issues raised further with us.

**in this issue:**

**RMT**
Unexpected Pension Tax Charges
Avoiding the pitfalls of being 'last man standing'

**Lloyds Bank**
Trio of Northumberland care practices in merger
Increasing threat of social engineering and cyber enabled fraud

**Sintons**
Medical examiners in the death certification process

GP Contract Handback
Unexpected Pension Tax Charges

The introduction of a tapered pension annual allowance in 2016 is causing tax headaches for high earners who contribute to pension schemes, especially defined benefit pension schemes such as the NHS pension. Income from all sources is now taken into consideration rather than it relating solely to pensionable pay.
What is the Annual Allowance?
The Annual Allowance restricts the level of pension savings that can be made in any one year with the benefit of full tax relief. For members of a money purchase pension, these savings include any pension contributions paid on your behalf (for example by an employer or other third party).

Where pension savings are made that exceed the Annual Allowance a tax charge will be levied.

NHS Scheme – Annual Allowance
In the NHSPS the annual allowance is NOT superannuation contributions!

- It is the inflation adjusted growth in pension benefits measured over a Pension Input Period (tax year) plus any added years, additional pension, AVC or Personal Pension contributions. These are known as “Deemed Contributions,” and will often be significantly higher than actual contributions paid.
- If total >£40,000, a tax charge will apply at your marginal rate.
- Unused annual allowance from the immediate previous 3 years can be used to help offset the tax charge.
- If there is a charge of greater than £2,000, the NHS scheme can, under certain circumstances, pay the tax charge on your behalf, but it will be recovered from your pension fund (plus interest at 2.8% plus CPI each year until you retire). This is essentially a loan from the Government at quite a high interest rate!

The tax charge will mirror the amount of tax relief provided on the excess contribution, effectively clawing back the tax relief provided. Tax relief continues to be provided at your highest marginal rate of tax.

Tapered Annual Allowance
The Government introduced Tapered Annual Allowance from 6 April 2016 as a means to further reduce the Annual Allowance. It works by reducing a person’s Annual Allowance by £1 for every £2 of “adjusted income” earned over £150,000, up to a maximum reduction of £30,000.

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<th>ADJUSTED INCOME</th>
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Any unused Annual Allowance from the three previous tax years can be carried forward and added to the individual’s Annual Allowance. Where this Annual Allowance is reduced by the taper, the carry forward will be the balance of the tapered amount.

Tapered Annual Allowance is based on an Annual Allowance of £40,000, so the rate of the taper may vary if the annual allowance is changed in the future.

Adjusted income (£150,000 and over)
is the total of all sources of taxable income falling in the tax year plus the value of any pension saving in that year. This is to ensure that the restriction applies fairly and cannot be avoided, for example, through using salary sacrifice.

Threshold income (£110,000 and over)
To provide some certainty for Scheme administrators and members over who may be affected, and to ensure that lower paid individuals are not affected, the taper restriction will be subject to an income floor. The threshold income will be £110,000 (being £150,000 less the Annual Allowance) of what is normally a member’s net income for the tax year and will be known as threshold income.

Where an individual has threshold income of £110,000 or less they cannot be subject to the tapered Annual Allowance regardless of the level of their adjusted income.

GP’s pay NHS pension contributions on profits, not on their drawings, and the growth in pension benefits can be significant and lead to unexpected tax charges.

Those likely to be affected by the pension annual allowance tax charge include:

- Those with long service
- Those having significant pay rises – promotions, awards, pay increments
- Registrars becoming Consultant, Salaried GP, GP Locum or Partner
- Members with high pensionable earnings
- Those who have purchased Added Years or Additional Pension
- Those contributing to private arrangements
- Members with MHO status
- Those with significant other income from any source

Whereas there is no one size fits all solution, it is possible to manage future pension annual allowance tax charges by taking appropriate steps and reviewing retirement plans with a specialist financial adviser. All high earners should review their pension position as soon as possible if they haven’t already done so.

Eamonn Gallagher Dip IP
www.gallaghetarran.co.uk
Avoiding the pitfalls of being 'last man standing'

Succession planning is of course nothing new to primary care and consideration thereof should be one of the key tenets of any practice’s operations.

But while you can do as much as you can to foresee the future and then plan for it, things don't always work out as expected and situations can arise through, for example, the breakdown of partner relationships or recruitment difficulties that could leave principals exposed logistically or financially.

A recent example we’ve come across is of a GP being left as the ‘last man standing’ at his practice due to the retirement and resignation of the other partners.

He had planned to become a partner at a different practice that is closer to where he lived, but hasn’t been able to replace the departed GPs. If he leaves, the practice will inevitably shut down, and as the sole remaining business owner, he will be left with liability for redundancy payments to the staff as well as responsibility for all the other financial aspects of the practice’s closure.

The costly implications of this means he is being forced to put his career plans to one side for the foreseeable future.

While it is impossible to guarantee that this or other difficult situations won’t arise, you can do as much as possible to mitigate or prevent them happening by proper pre-planning.

Ensuring any foreseeable scenarios are addressed in your partner agreement will minimise the chance of any nasty surprises coming your way, and will ensure all partners know the basis on which processes will be followed when the time comes for them to move on.

The agreement needs to be a 'living' document, subject to regular review in the light of developments both within the practice and in the wider primary care environment, and you should have your professional advisors closely involved to ensure that what’s being proposed is watertight and acceptable to all concerned.

It can be challenging to have difficult conversations or to tackle burgeoning issues directly, but it’s far better to work through them well before there’s an urgent imperative to do so that could impact on or reduce the range of options available for resolving them.

For further information on RMT Accountants & Business Advisors, please visit www.r-m-t.co.uk
Trio of Northumberland care practices in merger

Three primary care practices in South East Northumberland have merged to create the largest family doctor-led medical group in North East England. The Wellway, Lintonville and Brockwell Medical Groups have joined forces to create Valens Medical Partnership, which now looks after the healthcare needs of around 50,000 local people.

The new practice, which is led by 18 GP partners, has around 200 people working across eight sites, and has been created to widen the range of services available to patients, to make it easier for them to access specialist care, and to take advantage of opportunities available to larger-scale practices under the developing NHS primary care management regime.

The practices’ eight existing premises, at Cramlington, Seaton Sluice, Seaton Delaval, Ashington, Morpeth, Newbiggin, Pegswood and Lynemouth, are all remaining open.

The merger was made possible by funding from Lloyds Bank Commercial Banking, which also provided specialist financial advice tailored to the individual practices and wider healthcare sector.

RMT Accountants & Business Advisors and Sintons Law Firm worked with the three practices on the logistical side of the merger, which has been under discussion for more than a year.

Michaela Green, group director at Valens Medical Partnership, says: “All our partners are passionate about the NHS and about providing patients with the best possible standards of care in our communities.

“Creating this expanded practice was viewed by all of them as the best way of ensuring this in the evolving primary care environment, and to proactively deliver more of the services that our patients require to keep them well within their local communities.

“We’ve taken the time to look at how other larger-scale practices operate in other parts of the country and have co-opted the best of the working practices and administrative arrangements into the way that the Valens Medical Partnership will deliver care to its patients.

“On a day-to-day basis, it’s very much business as usual - our patients will still see the same GPs in the same locations, but they now have access to a much wider range of primary care expertise and will see the services that we are able to provide increase in the coming months.

“This has been a very detailed and carefully-managed process, and choosing the right professional advisors to help us complete it has been crucial to its success.

“Lloyds Bank, RMT and Sintons all brought significant practical experience of these sorts of arrangements to our projects, and made key contributions towards the efficiency with which everything has been concluded.”

Stuart Harper, relationship director for healthcare, North East, Lloyds Bank, adds: “This merger has been a long time in the planning, so it’s great to see it complete with such success.

“The new practice will provide an improved level of care to the local community with access to more GPs, services and flexible appointment times.

“With general practice continuing to change due to patient demands, it is important that surgeries look to the future.

Lloyds Bank is helping Britain prosper through its commitment to supporting local healthcare services, like Valens Medical Partnership, with expansion and succession planning.”

Maxine Pott, director at RMT Healthcare, the specialist medical division of RMT Accountants & Business Advisors, adds: “Primary care practices need to meet the twin challenges of growing patient demand and the ever-changing administrative environment in which they need to be delivered.

“The three practices have taken a progressive approach to ensuring they can meet these challenges in the best way possible, and we’re very pleased to have been able to help them put the required new structures in place.”

Amanda Maskery, Partner in the specialist healthcare team at Sintons, said: “Valens Medical Partnership has been created after a long and diligent process to ensure the needs of its patients, staff and practices have all been catered for. We are very pleased to have been able to help them achieve this.

“As specialist advisors to GPs, we have overseen a number of similar mergers across the UK, and it is an approach that can work very well to help practices share resources and safeguard the future of patient provision in an area.”
Lloyds Banking Group, Commercial Banking, Fraud Risk Management team have seen an 80% increase in social engineering driven fraud attempts being reported by the Healthcare sector including Vets, GP Practices, Dentists and Pharmacies during 2017. These attacks are operated by fraud groups targeting staff within Healthcare sector firms, with some sort of confidence trick designed to dupe the victim into making a payment, redirecting a legitimate payment to an account under the fraudster’s control, releasing PIN or card/reader credentials or to move funds to allegedly ‘safe’ accounts.

The key fraud attacks are:-

- CEO Fraud
- Invoice Fraud
- Vishing

Whilst the majority of attempts reported to the Bank by sector firms are prevented either due to good awareness by the firm employees or bank detection controls, it is vital that firms remain vigilant to the threat and implement effective controls to identify and prevent these attacks.
Summary of Attack Methods

CEO Fraud
Instruction purporting to have originated from a senior official requesting an urgent payment to a specified bank account.

These instructions commonly replicate language, terms and phrases regularly used by the supposed sender and are sent at a time when the recipient is likely to be under pressure e.g. month end and at a time when the sender is not available for contact.

Invoice Fraud
Redirected to a genuine supplier/contractor.

An instruction is received advising of a change of bank account or a forged invoice which appears to be from a regular supplier/contractor requesting payment to a nominated account.

Vishing (Telephone Scam)
Call purporting to originate from a trusted source, often allegedly from the Bank’s Fraud Dept. The intention is to trick the call recipient into taking action under the misapprehension that it is required to protect the firm’s money. This could be to download software allowing the attacker to take remote control of the computer, or to disclose passwords/card – reader codes to allow the attacker to set up fraudulent payments, or to trick the victim into moving money to accounts described as safe/secure.

Critical Actions to Prevent These Attacks

CEO Fraud
- Have a process in place to ensure that all payment instructions are confirmed regardless of whether the instructions says it’s ‘urgent’ and/or ‘strictly confidential’ Refer to the sender or someone else in authority if the sender is unavailable
- Do not rely on the email address appearing to be legitimate or the wording to be familiar.

Invoice Fraud
- Authenticate any instruction to change details of a supplier/contractor, particularly if the notification is a change of beneficiary bank account number. Call the supplier/contractor on a number independently sourced e.g. supplier’s website
- Have a process in place to validate that invoice requests are legitimate.

Vishing
- Authenticate a call by calling the organisation back on an independently sourced number e.g. bank website
- Never rely on the number appearing on your caller display as confirmation of the source of the call. These numbers are easy to spoof
- Only download software from sources you trust. Be highly cautious if asked to download software from a caller that you’ve not authenticated
- Remind all staff that banks will never call to ask for full passwords, PIN’s, card/reader codes
- Have dual authorisation set with your online banking provider to set up new payment instructions.

General Advice
- Raise awareness of these fraud attack methods with all staff
- Review your processes to ensure staff are able to confirm unusual instructions and they know what to do
- Provide fraud risk training and refresh on a regular basis
- Speak to your bank manager on a regular basis to keep abreast of the latest fraud trends
- If you do identify that a fraudulent payment has been made, let your bank know immediately.

Malware
Many fraud attacks are enabled and supported by some form of cyber compromise. It is well known that fraud groups seek to compromise sector firm systems through a malware (malicious software) compromise. The malware is most commonly distributed via a phishing email disguised as a genuine email e.g. an invoice. The Trojan or Virus is contained within an attachment or link which allows the malware to be downloaded onto the host system. Many strains of malware are designed to spread throughout the connected system network. Once on the system, it can be used for reconnaissance and research activity, providing valuable confidential and sensitive information to the criminal and supports their social engineering attack.

Critical Actions to Prevent Infection
- Protect all devices with high quality security software including anti-virus software
- Ensure that firewalls are appropriately configured and switched on
- Run all software updates as soon possible after release. These often contain security patch updates. Fraud gangs will seek to exploit these known vulnerabilities in the immediate period following distribution of the patch update
- Train your staff on the dangers of clicking on attachments and links in unconfirmed emails. Refresh the training on a regular basis
- Allow staff to report cases where they think they may have inadvertently clicked something suspicious. Ensure your IT support provider knows what to do should this arise
- Only download software from sources you trust and can verify.

Information on these and other fraud scams can be found by visiting www.lloydsbank.com/fraud or www.bankofscotland.co.uk/fraud

Healthcare firms are also recommended to encourage their staff to visit the ‘Take Five’ website - www.takefive-stopfraud.org.uk which offers practical advice to avoid falling victim to the most common, social engineering driven fraud attacks. The Take Five campaign is led by UK Finance, funded by the banking industry and backed by the UK Government.
Medical examiners in the death certification process

On 18 October 2017 it was announced in the House of Lords that the Government had reaffirmed its commitment to introduce Medical Examiners to provide a system of effective medical scrutiny applicable to all deaths which do not require a Coroner’s investigation. The new system will be introduced no later than April 2019.

It is nearly 20 years since Dr Harold Shipman was arrested and subsequently convicted of murder of patients based upon 15 test cases. The First Shipman Inquiry Report in July 2002 suggested that it was likely he had killed at least 200 other patients. One reason he escaped detention for so long was that he certified the deaths of these patients as being due to “natural causes” and the second doctor certification was given by other GPs apparently without question or enquiry.

The Third Shipman Inquiry Report by Dame Janet Smith called for a new Coroner Service to:-

“Seek to meet the needs and expectations of the bereaved. Its procedure should be designed to detect cases of homicide, medical error and neglect. It should provide a thorough and open investigation of all deaths giving rise to public concern.”

A significant feature of the proposed new system is for there to be a statutory Medical Examiner, who would be a doctor working alongside each Coroner and having responsibility for auditing death certification performed by doctors in the area, to deal with many of the natural causes deaths reported to the Coroner, to assist Coroners with medical aspects of investigations and to act as a bridge between the Coroner’s Service and the areas of public health, healthcare and public safety.

Progress towards this new system has been painfully slow, despite the Home Office Luce Review, the Francis Inquiry Report in 2013; and the Morecombe Bay Investigation Report in 2015. The Coroners’ and Justice Act 2009 included proposals for Medical Examiners to fulfil the intended role.

In March 2016 the DOH published a fresh consultation: “Introduction of Medical Examiners and Reforms to Death Certification in England and Wales; Consultation on Policy and Draft Regulations.” 7 Medical Examiner pilot schemes funded by the DOH were set up tasked with scrutinising over 23,000 deaths.

The conclusion from the pilots is that the use of Medical Examiners produces a number of benefits:-

• More timely and accurate referral to Coroners of cases for further investigation
• Improved accuracy of death certification
• Early detection of Clinical Governance issues such as infection outbreaks
• Establishment of a database of information collated from cases reviewed by Medical Examiners to assist in auditing patterns and trends of causes of death
• Positive feedback from bereaved relatives
• Early opportunity for relatives to ask questions and discuss concerns with an independent doctor.

The proposed new system has considerable support from the Royal College of Pathologists who will be setting up the training and accreditation of Medical Examiners. The proposals have been welcomed by the Chief Coroner.

Under the new process, in cases of apparently natural death, a doctor who attended the patient will prepare a Medical Certificate of Cause of Death (MCCD). If the death is to be referred to the Coroner or cause of death is not established, then it is referred first to the Medical Examiner (ME) who will advise and decide if it needs to go to the Coroner. If it is not legally notifiable to the Coroner, or the Coroner decides no investigation is necessary, then it is referred for the ME. The medical records must be made available to the ME who may also examine the body and advise the doctor. The ME also has responsibility to speak to the family, answer questions and concerns and explain the process.

There remains some uncertainty as to precisely how the system will operate. Medical Examiners are expected to be part time doctors who must be Registered Practitioners of at least 5 years’ standing, performing Medical Examiner duties alongside other clinical work as GPs or hospital doctors.

There is also some scepticism as to whether such MEs, namely operating in discreet specialities, are best equipped to give specific advice either to doctors, the public or experienced Coroners regarding appropriate certification of death in complex cases. It is not yet clear how the system will be funded although it is expected that it will be from fees for medical certificates.

There is time before spring 2019 for the detail of the accreditation and appointment of MEs, the process and the funding to be fully organised.
Many GP practices are becoming frustrated with the NHS and the landscape of general practice. This has been caused by a number of issues including lack of succession planning, changes to NHS budgets and reviews of structures within the NHS.

Whilst a large number of GPs are embracing the significant changes within general practice and primary care, a number are considering whether to continue with the upward struggles they are faced with.

In light of this, we are now seeing an increase in the number of practices who are handing back their contracts to NHS England and closing their doors.

This is a sad chain of events, but we are here to help and support you as much as we can.

It seems to be that a number of GPs view handing back their contract as a relatively straightforward and easy process, even though there are significant possible liabilities and responsibilities in doing so.

The utopia presented by NHS England that the contract will be re-tendered and taken up by another provider is very tempting. However, we have had a number of instances where practices have failed to obtain legal advice prior to handing back the contract and have run into significant difficulties and are faced with financial issues.

We would always recommend that you seek advice from your lawyer and your accountant prior to embarking on such a big decision, even in the case where a clear handover of your contract seems to be achievable from your discussions with NHS England.

Often in our conversations with GPs we first explore the possibility of merging with a local practice and whether that would achieve some comfort in the first instance.

If that does not seem practical or possible then handing back the contract is a real possibility, but only if done within the right framework.

Before handing back your contract, we suggest that you review the potential liabilities you will face as a partnership in the event that something does arise. It is of great importance that you review your partnership agreement to see what the implications of the dissolution of the partnership would be.

You also need to consider what the redundancy costs of the closure of the practice might be as the partnership will be responsible for these. Such costs would apply to salaried clinicians as well and could be significant, especially if your staff have long periods of service.

If a third party practice ends up taking the contract on, the employees will likely transfer on their current terms and conditions of employment to that new provider, although if the contract is re-tendered by NHS England in a different form, this might not always be the case and you may not be released from all liabilities in this respect.

Even if employees are transferred, the liabilities of the partnership will not be transferred to the new provider. This includes matters such as service charge and any monies owed to third parties.

Your accountant and legal team should be able to provide you with an assessment of what these liabilities are to enable you to make an informed choice.
Key contacts

The healthcare sector operates like no other, and we have long since recognised the need for the provision of a dedicated and specialised financial, tax and accountancy service.

RMT Medical - making a real difference.

Richard Humphreys
Director of Healthcare Group
0191 256 9500
richard.humphreys@r-m-t.co.uk

Joanne Clough BSc (Hons) BSc Aifs
Area Director, Healthcare
07469 034937
joanne.clough@lloydsbanking.com

Amanda Maskery
Partner
0191 226 7838
amanda.maskery@sintons.co.uk

Maxine Pott
Director of Healthcare
0191 256 9500
maxine.pott@r-m-t.co.uk

Malcolm Swan ACIB
Senior Healthcare Banking Consultant
07764 287363
malcolm.swan@lloydsbanking.com

Victoria Armstrong
Partner
0191 226 4899
victoria.armstrong@sintons.co.uk

The Healthcare Sector forms a key part of Lloyds Bank’s Commercial Strategy. It is a sector that is undergoing significant change and our clients tell us that it's important to them that we understand the challenges they face. Our experts have a detailed understanding of all healthcare businesses, including: General Practitioners, Dental Surgeries, Vets, Pharmacies, Children’s Day Nurseries and Care Homes.

Combining specialist lawyers from across the firm, our expert healthcare team delivers advice to healthcare professionals, businesses and organisations. In a constantly changing sector, clients need to know that they are dealing with experts who understand the legal and commercial challenges they face.

Our nationally recognised team has the proven experience and expertise to help you make the most of new opportunities and anticipate and prepare for inevitable future changes in this fast-moving sector.