Practice Mergers - Considerations

With the ever-increasing demands being placed on the NHS and general practice in particular practices have been forced to look carefully at how they operate and adapt to the constantly changing environment.

As you will no doubt be aware, collaborations between practices are becoming increasingly common, either by way of formal practice mergers or through the use of GP provider networks (which typically involve the use of a limited company whereby several GP practices each own one share and receive a share of the profits by way of dividends).

The reasons for greater collaborations between practices are:

- NHS England seems to wish to do business with larger organisations covering tens of thousands of patients. Hence, in order to be able to bid for new income streams, practices are having to ‘club together’ in one way or another.
- Working together allows practices to spread the work load and take advantage of potential economies of scale, thereby enabling them to deliver services they couldn’t provide on their own.

There are a number of factors to consider before a formal practice merger:

1) It is vitally important that careful consideration is given to the reasons for the proposed merger. A strategic planning ‘away-day’ would be a good way of addressing this. All partners need to be ‘on board’ with the idea as if they aren’t then partnership disputes will inevitably arise further down the line which can be extremely disruptive and costly to resolve.

2) Clearly a new partnership deed would be needed for the new combined partnership and it is recommended that a solicitor is involved in the process from the outset. Practices also need to consider what would happen to their current NHS contract if a merger was to go ahead. It may also be worth considering some form of pre-merger agreement which would need to include a confidentiality clause and also specify how any pre-merger costs are to be shared.

3) The structure of the new merged partnership between equity GPs, salaried GPs, nurses and other medical staff would need to be considered, as would the number of sessions each GP works and their other non-practice ‘outside’ working commitments.

4) Patients of course need to be considered before proceeding with a merger. However in reality patients may not notice any great differences in a merged practice if the existing surgery building is retained.

5) What will happen to the surgery premises and any associated loans if a merger goes ahead? If the surgery is leased what would happen to the lease in the event of a merger?

6) There are of course a number of financial considerations involved with a merger. Not least of these is how profits would be shared in a new combined partnership, particularly if one practice has historically earned significantly higher profits than the other. Cash-flow requirements would also need to be considered, as would the accounting year-end of the new partnership (which may have associated tax and superannuation implications).

7) Telephone and IT systems may also need to be integrated following a merger which may prove complicated / expensive to implement.

8) Staffing considerations such as the transfer of employment contracts and any potential redundancies need to be taken into account and the correct procedures adhered to.

9) Who would make the important decisions in the new merged partnership? There may be too many partners involved to effectively manage the partnership as one group so a smaller Management Committee may therefore be appropriate to manage the practice on a day-to-day basis.