

# GP MEDECONOMICS

HOW TO...

## Check your seniority payments

Use the 'two-thirds rule' to work out if you receive the correct level of payment, says Jenny Stone

Under the GMS contract, a GP who has been a principal in a practice for at least two years is entitled to seniority payments to reward their experience.

The payments are included in the funding the practice receives from its primary care organisation (PCO).

The amount of seniority pay you are eligible for depends on how many years of 'reckonable service' you have accumulated and also on a factor many GPs are unaware of. This is the level of your NHS pensionable profits under the 'two-thirds rule'.

### Reckonable service

This is based on the number of years worked as a doctor in the NHS (not just as a GP principal). It includes years worked in the public health system of another European Economic Area (EEA) member state and as a medical officer in the prison services or armed forces.

Reckonable service starts from the date you first registered with the GMC or with an equivalent authority in an EEA member state. Breaks in service must be excluded when working out your years of reckonable service.

### Two-thirds rule

Receiving the maximum seniority allowance for the year in relation to the reckonable service you have clocked up depends on your actual NHS pensionable profits and how these compare to the national average.

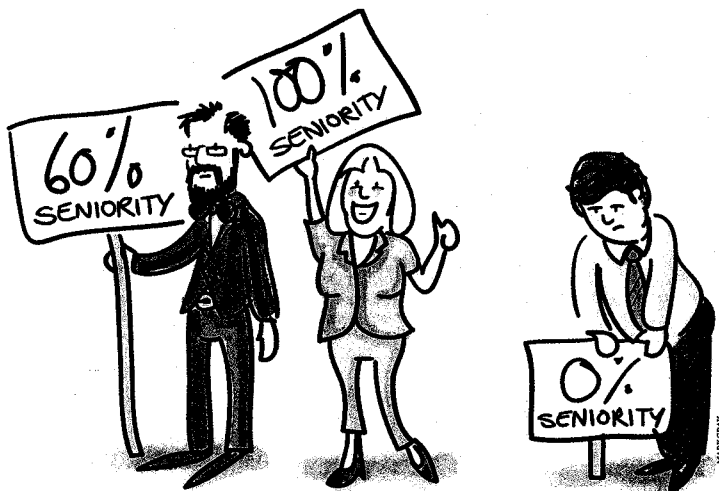
Pensionable profits are based on your annual certificate of NHS pensionable profit.

If your pensionable profit exceeds two thirds of the national average, you will receive the full sum. If your pensionable profit is between one third and two thirds of the national average, you will only receive 60 per cent.

If it is below one third, you do not get any seniority pay.

### Average pensionable profit

The national average NHS pensionable profit is calculated by dividing the aggregate of all NHS profits for all GP providers in the country by the number of these



### REVIEWING YOUR ENTITLEMENT

- Calculate your reckonable years of service.
- Check your end-of-year NHS pensionable profit certificate for each year from 2004/5 onward to determine what percentage of seniority pay you should have received.
- Compare the amount of seniority pay that you have received to the amount you are entitled to.
- Discuss any under- (or over-) payment with your PCO.

### AVERAGE NHS PENSIONABLE PROFIT

Interim figures only	
Year from April 1	Average annual profit
2008/9	£105,524
2007/8	£97,500
2006/7	£95,335
2005/6	£80,490
2004/5	£75,000

GPs, adjusted for part-timers.

This system started in 2004/5. Five years on, the government has still not announced any final national averages figures. However, the GPC and the DoH have agreed interim average pensionable profit figures (see box).

Each year your PCO calculates your seniority pay entitlement. It bases this on an estimate of pensionable profits it receives for each financial year.

Actual pensionable profits can be very different, so you (or your accountant) should review your seniority pay entitlement annually.

For example, full entitlement for a GP with 25 years of reckonable service is £7,414. However if the GP's pensionable profits for 2007/8 were £52,321, they are only entitled to £4,448. This is 60 per cent of full seniority pay as their actual pensionable

partner practice. Some of the partners were part-time and had been paid 60 per cent seniority pay, but should have received the maximum under the two-thirds rule.

The PCO paid the practice arrears of £17,000.

### PMS practices

The seniority pay issue for principals at PMS practices is not straightforward. At the start of the 2004 GMS contract, PMS practices were given a choice: they could either continue to receive the historic amount of principals' seniority pay in their baseline or it could be based on actual years of NHS service.

At the time most practices would have opted for the option that gave them the higher level of payment, but PCOs did not deal with this issue consistently.

Some wrote to PMS practices giving them the choice and, in the absence of a reply, selected the most financially advantageous option. However, for one of our client practices, the PCT concerned has no record of the option it chose and is paying the historical amount in the baseline. This is £10,000 less than the option based on actual years of service, but the PCT is not prepared to reconsider.

Another PMS practice opted for seniority payments based on actual years of service, but the PCT is paying the historical amount. This includes seniority pay for partners who have left and the practice is being overpaid by £16,000 a year.

The PCT has been informed but will not take any action until the final national average figures are issued.

PMS practices should check which option they chose and whether seniority payments are in line with this option.

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www.healthcarerepublic.com/medeconomics for UK Database and the full list of seniority payments



**If pensionable profit exceeds two-thirds of the average you receive the full sum; if below one third, you get nothing**

profits were below two thirds of the interim average of £97,500.

### Reviewing payments

The government's plan was that each year seniority pay entitlements would be reviewed and recalculated when the national average was known. Since the national average figures are still unpublished, this has not happened.

When the reviews finally take place back payments or claw backs of under-/overpayments for many GPs are likely. These adjustments could affect partners who have left the practice.

This means it is advisable to review the amount of seniority such partners have received since 2004/5.

My firm recently examined seniority payments for a five-