Welcome to the Spring 2016 edition of the Lloyds Bank Commercial Banking Healthcare Confidence Index, the seventh wave of research based on primary healthcare providers’ outlook for the future of their businesses.

This year’s survey has indicated that short-term confidence is on the rise across general practice, pharmacy and dental, a positive reflection of what has been a more settled economy across England and Wales. However, long-term optimism is lower across the board, recognising relative uncertainty as the pace of change continues unabated.

Our results have shown that GPs are the most pessimistic, and this comes as little surprise given the extensive reforms they are facing. We have seen an acceleration in mergers and the formation of federations since the last Index, and now nearly three quarters (72 per cent) of GPs surveyed state they are either already part of a federation, or are planning to join one. However, a sizeable number of these respondents claim their federation is largely inactive, perhaps demonstrating that there remain many who are not convinced of their benefits.

Mergers are getting bigger and new ‘super-partnerships’ are being formed serving more than 100,000 patients, and it could be that these more dynamic models coupled with private provider companies will supersede federations before many have even got off the ground.

Three quarters (76 per cent) of both GPs and pharmacists are expecting to work together more frequently going forward. More than half of pharmacists (51 per cent) see NHS reforms as an opportunity and 79 per cent are looking to expand their business. This enthusiasm has led to a dramatic rise in short-term optimism amongst GPs, although longer term they still have concerns.

Dentists continue to lead the way in terms of optimism, perhaps reflecting the fact that their sector benefits from more non-NHS income. There is a continued concern about long-term funding of the NHS dental contract with 81 per cent of respondents revealing doubts, and with over a third (37 per cent) of dentists now wanting more private work, it suggests the trend towards becoming privately funded will continue.

Generally, the report offers a number of reasons for encouragement, countered by some on-going questions about the future. Looking forward, we expect consolidation of businesses to continue alongside increased demand for improved access and efficiencies. The integration of primary and social care will bring challenges, but this also presents opportunities to those willing to take them. Thank you to all those who contributed to this survey, and it will be intriguing to see the impact of these changes on the confidence of all three professions moving forward.

76%

More than three quarters of GPs and pharmacists expect to increasingly work together moving forward.
A blended figure of both short-term and long-term projections is used to provide a measure of overall business confidence within the primary healthcare sector.

Now in its seventh wave, we have sought responses from three primary healthcare professions to document industry trends and attitude changes: GPs, dentists and pharmacists.

The responses for each profession are given equal weighting within the overall index figure. This is a dispersement index, so any figure greater than zero represents a positive outlook. The maximum value achievable is +100 and the minimum result is -100.

Short-term confidence has continued to rise in this wave of the survey, with the combined average across all three professions up from 10 to 19. Pharmacists enjoyed the biggest overall jump, recording a 19 point improvement from 13 to 32.

However, whilst long-term confidence has improved slightly for dentists and GPs this time around, it has slipped for pharmacists. The figure has dropped from -54 to -61, and is now at the lowest it has been for three years.

Key
- GP
- Pharmacist
- Dentist
- Combined
51% of pharmacists see primary care reforms as an opportunity

88% Nearly nine in ten GPs expect the financial pressures of their practice to increase over the next five years

65% of dentists expect their profits to increase over the next six months
BOB SENIOR
Head of Medical Services, RSM UK

The proposed seven-day NHS is the focal point of many debates, and with more survey respondents than last year expecting a reduction in the quality of NHS services in the next five years, it’s clear that GPs remain uncertain about the immediate future of the sector.

From my point of view, while doctors recognise that the idea of a round-the-clock service is laudable, concern stems from the fact that the number of clinicians available would remain the same.

This could, in theory, mean that the same amount of appointments would be spread over a greater amount of time, effectively ‘watering down’ availability and reducing patient convenience.

As the general practice landscape continues to evolve, it’s encouraging to see that more than three quarters of GPs (76 per cent) are prepared to work more closely with pharmacists. This can help to reduce the burden on surgeries, as patients turn to their local pharmacy for routine queries, with GP appointments reserved for more pressing issues.

The role of the pharmacist is doubly important as the recruitment of new GPs remains a challenge. While the survey shows that the number of doctors planning to retire in the next ten years has reduced over the last 12 months, this could, of course, be due to those that have already left the industry.

Replacing these outgoing practitioners is proving to be difficult, with many young doctors opting to move into other areas of medicine, having decided that general practice doesn’t suit their lifestyle. This is particularly the case among doctors who are married to one another, amid concerns that their shift patterns may differ from those of their partner.

However, what is encouraging is that more than half of those surveyed (53 per cent) claim that they would encourage their children and family members to follow them into the profession, which could partly solve this succession issue in the long-term.

Looking forward, much depends on how the seven-day NHS proposal is resolved, and the outcome is likely to have the biggest impact on GP confidence as we look to the year ahead.

GP RESULTS

53%

More than half of GPs would encourage their children and family members to follow them into the profession

GP’S CONFIDENCE INDEX

QUESTION ONE
How do you think pharmacy and general practice will work together in five years’ time?

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A lot more competition and some pharmacists may own/manage GP practices
It will be a little more integrated with more working together
No change from now
There will be a little more competition for services between pharmacy and GPs
It will be much more integrated with pharmacists working for GP practices

Short-term
Long-term
Combined
The latest Index results demonstrate the low confidence in general practice, and with so many practical and organisational pressures on GPs, it’s difficult to see where the improvement is going to come from.

A reduction of incoming resources together with increasing costs does not make for the best mix, and this has only been exacerbated by the higher fees being charged by the Care Quality Commission during the inspection process.

There are clearly issues with the recruitment and retention of doctors looking to pursue a career in general practice at present, and with older people retiring it is not surprising that 87 per cent of respondents feel that the average number of patients per practice is going to increase.

The issues with recruitment can be partially explained by the introduction of lifetime caps on pensions, which often mean that GPs reach their maximum allowance before they reach their mid-fifties. The promise of uncapped pensions often proved to be an effective incentive to those considering general practice, and the fact that this is no longer on offer is one reason why young doctors are pursuing other avenues within medicine.

Also impacting morale is the suggestion of the seven-day NHS. It is my view that the profession already offers sufficient round-the-clock care for instances of emergency and, beyond this, there is little evidence of any public appetite for routine GP appointments during evenings or weekends, where patients understand that this would reduce the routine weekday service.

Going forward, I would expect a shift from local GP surgeries towards larger centres with bigger patient lists, as has been reflected in the results of the survey. However, transparency is key, and it’s important to avoid scenarios where patients are consulting with a pharmacist, nurse or other healthcare professional, whilst under the impression that they are seeing a doctor.

Looking ahead, I can only see a significant rise in confidence occurring when measures are introduced to support general practice. Central to this is the need for words about primary care to be translated into central funding activity, and a review of contractual arrangements is essential to achieving this.
It’s positive to see that pharmacists have enjoyed a great leap in confidence over the past 12 months, and this is reflective of a much more settled period within the industry, which has been aided by the introduction of the new pharmaceutical service contract.

Also inspiring confidence is the fact that pharmacists have received recognition from the Department of Health for the valuable role they play in the healthcare sector, which has reflected their enhanced role in offering a wider range of services. This has seen the introduction of various initiatives to encourage pharmacists to work more closely with GPs, resulting in further integrated services.

Pharmacists have shown that they recognise the value of these partnerships, with more than half (51 per cent) of those surveyed claiming that they view these initiatives as an opportunity, which is an increase from last year’s results. However, the figures also show that more pharmacists would prefer to develop their businesses on their current site, indicating that they see additional services as the key to growth.

Pharmacy, of course, is a segment of the healthcare sector that also benefits from a commercial element, and the stronger UK economy is partially behind the rise in confidence shown in this survey.

In general, pharmacy goodwill values are robust, and achieving around 110 per cent of their valuation. While this is great news for those already within the profession, it can also pose difficulties for those looking to break into the sector.

With this in mind, it’s interesting to note that a greater number of pharmacists claim that they would encourage their relatives to pursue the profession, which could lead to an increase of cases where offspring follow their parents, with succession planning in mind, to eventually inherit and take over the family business.

Looking ahead to the next 12 months, there is likely to be a degree of uncertainty following the recent announcement of the proposed funding arrangements for 2016/17. The Department of Health intends to reduce the Global Sum by six per cent (£170 million), so community pharmacy will need to prepare itself for this challenge. Nevertheless, the industry will be able to cope with these changes and the necessary foundations are in place for sustained growth.
HITEN RAWAL
CEO, Wellbrooke Products Limited

Pharmacists’ short-term confidence has risen significantly since the last Index, but a slight reduction in long-term optimism demonstrates some uncertainty as to whether this can be sustained.

For now, the outlook is fairly positive, and with more than half of those surveyed claiming that they definitely intend to remain in healthcare for the next 10 years, it seems that the profession is willing to take on the new opportunities ahead of them.

As an industry that largely operates in the retail arena, pharmacy faces challenges such as the introduction of the Living Wage and mandatory pension contributions, while increases in high street rent and rates show no signs of slowing down. Overall running costs are only going to increase.

Therefore it’s unsurprising that nearly three quarters (76 per cent) of respondents are expecting an increase in financial pressures before 2020. However, some of the impact of these extra costs could be countered by the increase in profits over the next twelve months that 73 per cent of pharmacists said they are expecting.

As the healthcare landscape changes, we’re seeing more pharmacists working closer with GPs, and this marks a recognition from both professions that their services will become more integrated than ever before.

This movement is shown by the fact that more than two thirds (67 per cent) of respondents are expecting the ratio of their NHS income to change. This underlines the expectation that the payment model will be tipping to services, and away from the tradition of simply dispensing medicine.

Sector growth is being propelled by a large shift towards pharmacists expanding their businesses at their current location. This will be driven by the costs associated with relocation and premium payments to GP surgeries, and many pharmacists are now focusing their investment on services at their current premises, rather than on acquisitive growth.

Looking ahead to the coming year, the major factor affecting confidence will be how quickly locally funded services can be agreed. It’s clear that the government wants a more integrated system, but this must be backed by proper funding to make such an approach viable.

However, the above sentiment came before NHS England announced a potential six per cent cut in pharmacy funding for the next year. This may instead have the effect of undermining all the positive optimism from the survey, leading to a year of stagnation, underinvestment and cost cutting within retail pharmacy.

**QUESTION THREE**
Looking forward five years, how do you expect the ratio of your NHS turnover (excluding wholesaling and OTC) between services and PPD income to change?

**QUESTION FOUR**
If there was a happiness rating for how you feel about working in healthcare at the moment, what would you give as a score from 1 to 10?
Az Hyder
Owner and Principal Dental Surgeon,
Burgess & Hyder Group

This year’s Index results have revealed a marked difference in the dynamics that influence confidence when you compare dentists who offer NHS services with those who focus on private treatments.

NHS confidence is wavering due to uncertainty about the final reformed contract, despite the fact that more details have recently been revealed through prototype practices trialling the proposed changes.

From speaking to industry colleagues, it’s clear that the main concern is whether the prototypes are financially sustainable. These worries are evidenced by those surveyed, who feel that financial pressures are set to rise, and with an increased focus on regulation, governance and performance management, costs will increase further, too.

Many years ago, offering a mix of both NHS and private treatments was difficult. However, it’s now easier to offer both elements of service, and there is a perception that private treatments have to be offered to ensure patient choice.

The results show that more than half (56 per cent) of the dentists surveyed feel that a mixed service will be the most valuable over the next five years, enabling practices to enjoy the best of both worlds.

Mixed practice is popular because the financial structure of a practice can be underpinned by NHS fixed contract value, which may be less susceptible to outside economic forces and provide stable income for dentists. This can be further complemented by offering private items to existing patients – recently there has been a rise in treatments relating to clear braces, whitening and facial rejuvenation.

There is indeed a growing demand for cosmetic work, which is booming as the economic recovery continues, with dentists able to grow their profits thanks to increased commercial spend.

Looking ahead, it’s my view that with more younger dentists entering the industry, there is an appetite among them to control their own destiny. The practitioners who have indicated an intention to exit dentistry in recent years have done so already, thanks to goodwill values being at all-time high.

Therefore, the outlook of the industry is being dominated by a more stable demographic, who are looking to buy, develop and grow their businesses. Ultimately, their optimism is likely to be determined by the expected introduction of the reformed contract beyond 2017.
I’m slightly surprised to see that dentists have largely maintained their levels of optimism since the last edition of the survey, given the ongoing discussions concerning the reformed NHS contract. This is expected to be introduced in 2018, meaning that some within the industry are unsure of their ability to maintain profits at their current levels.

Whilst overall satisfaction has maintained a steady level, some creeping uncertainty is reflected in the responses to some of the survey’s questions, with more than half of participants feeling that the quality of NHS services will decrease in the next five years.

The survey results reflect some degree of doubt that the reformed contract will be funded at the level that dentists expect, leading some to ask questions about their ability or willingness to remain in the sector. This view is underlined by the fact that, when asked whether they still plan to be working in healthcare in 10 years’ time, there was a noticeable swing from ‘definitely’ to ‘probably’ when compared to last year’s edition of the Index.

It’s my view that there is a huge difference in confidence between dentists offering NHS services and those focusing on private work, and whilst NHS goodwill is traditionally significantly higher than private, this will probably not be the case in five years’ time. The survey supports this theory, and shows that more than a quarter of respondents feel that private practices will be more profitable over the next five years, compared to just seven per cent who feel that NHS will be most profitable.

However, 56 per cent feel that a mix of NHS and private services will perform best, showing that a setup which offers ‘the best of both worlds’ remains appealing to practice owners.

Since the completion of the survey, it’s interesting to note that the Chancellor has announced new reforms aimed at reducing the cost of living for families, which has pinpointed clarity of dental costs as a target area, and more worryingly for NHS dentists, time limitation of contracts and removing barriers to entry. The effect of the implementation of this policy, together with the continued development of the reformed contract, remains to be seen, and it will be interesting to see how dentists’ confidence is affected in the coming year.
Two Bristol-based medical practices have combined under one roof, moving to a new state-of-the-art surgery to widen the services on offer to patients.

With the support of a seven-figure funding package from Lloyds Bank Commercial Banking, the partners at Eastville Medical Practice and Maytrees Medical Practice built a new surgery on East Park Road, to help them meet the increased requirements of patients across the area.

The new surgery has space for 30 consulting rooms, including a minor operations facility, as well as a dedicated base for community nurses and health visitors.

Midwifery, speech and language and podiatry services are also available, and a number of clinical rooms will be used by visiting services, such as physiotherapists.

On top of this, the site also boasts a health education room and kitchen where health specialists and nutritionists can teach people in the local area about the benefits of healthy eating and cooking with fresh ingredients.

Steve Hartnell, partner at Maytrees Medical Practice, said: “Combining under one roof has allowed us to create a progressive medical centre that will not only be a clinical space but a resource for the whole community.

“One problem facing a lot of people across Bristol is that they aren’t registered to a local practice, making it difficult for them to access the correct care and support when needed. Situating both practices in one place will enable us to widen the range of support services on offer to patients, as well as enabling us to significantly increase patient numbers.”

The partners of both practices approached Lloyds Bank Commercial Banking’s specialist healthcare team to gain funding for the site, after being impressed by the team’s diverse range of knowledge of the medical sector.

Steve Hartnell added: “Building a new business premises can often be a complex process, especially when there are multiple partners involved.

“Our Lloyds Bank team worked closely with us to make buying the site as simple as possible, and was always on hand to discuss any worries or problems that we had.”

Steve Pratt, senior healthcare banking consultant at Lloyds Bank Commercial Banking, said: “When we spoke to the partners of both Eastville and Maytrees Medical Practices we recognised that building a new centre would benefit members of the local community immensely, not only providing exceptional medical care but offering additional services.

“We are dedicated to helping medical firms to access the tailored funding needed to operate in this complex sector, and our team of specialist relationship managers are always on hand to offer the tailored guidance and support needed to grow.”

The new surgery has space for 30 consultancy rooms, including a minor operations facility.
Wolverhampton-based Jacksons Pharma Ltd purchased a second pharmacy in Halesowen with the support of a six-figure loan from Lloyds Bank Commercial Banking. Established in 2011, Jacksons Pharma is a family-run business that provides a wide range of services, including dispensary, smoking cessation and medicine reviews from its existing pharmacy in Coven, Wolverhampton.

The business, which employs six people, wanted to grow its portfolio and market share with the acquisition of a second pharmacy in the West Midlands, and identified Turners Pharmacy in nearby Halesowen. Lloyds Bank provided the loan to fund the purchase of the pharmacy on Manor Lane, which will continue to trade as Turners Pharmacy.

Following the acquisition, Jacksons Pharma plans to carry out an extensive refurbishment on both the interior and exterior of Turners Pharmacy, as well as introducing a retail area offering a range of healthcare and household products for customers. The business also plans to further expand its portfolio by acquiring another pharmacy in the region in the next twelve months.

Indy Grewal, owner of Jacksons Pharma, said: “Following the popularity of our pharmacy in Coven, the acquisition of a second branch was a natural progression for us as a business and Turners Pharmacy is a welcome addition to our portfolio.

“The funding from Lloyds Bank has been fundamental in enabling us to purchase the business, and the specialist healthcare team has been extremely supportive of our plans. We now look forward to refurbishing the premises and offering new services to the local community.”

Andy Pearson, Healthcare Relationship Manager at Lloyds Bank Commercial Banking said: “Jacksons Pharma has built up a fantastic reputation in a short period of time for its personal and efficient service. The acquisition of the second pharmacy marks a pivotal moment for the business as it looks to grow its presence across the region, and we were pleased to be able to support the purchase.”
Driven by a steady outlook on practice profits and financial pressures over the next five years, there has been a slight upturn in short-term confidence among GPs. Despite this, it’s clear that uncertainty remains as the industry continues to evolve amid a rapidly changing landscape.

Recruitment remains one of the biggest challenges within general practice, particularly as the ‘baby boomer’ generation begins to retire. In these instances, identifying suitable successors is a struggle, something which, in my view, will see patient lists inevitably migrate to larger, multi-discipline practices.

There is little doubt that we are increasingly moving away from the traditional provision of local surgeries in every village, and moving towards consolidation. The move towards more centralised, larger surgeries is underlined by the fact that 87 per cent of GPs surveyed anticipate the number of patients per practice will increase in the next five years.

An intriguing footnote is the recent devolution agreement for Greater Manchester, which will see responsibility for healthcare and social services handled by the local authority, a shift that could herald a more cohesive approach to community based care. It will certainly be interesting to see how effective this approach will be, and how it could be replicated elsewhere.

Looking at the national picture, centres of excellence could yet become commonplace if federations gather pace, with GPs accepting that they must work in co-operation with other practices.

The role of the community pharmacy in delivering healthcare services is already increasing, reflected in the huge leap of confidence among the pharmacists surveyed. The changing landscape is also reflected in the fact that more than three quarters (76 per cent) of GPs are anticipating that they will work more collaboratively with pharmacists.

The greater reliance on pharmacists to relieve pressure on GPs by offering a broader selection of healthcare services has perhaps been driven by the Government’s pledge to provide a seven-day NHS service.

As the full details of the proposal continue to be outlined, GPs will have a much clearer idea of the direction in which their sector is moving, and it will be interesting to see the impact this has on the confidence of those within the profession going forward.

Nearly three quarters of all GPs, dentists and pharmacists intend to still be working in healthcare in 10 years’ time

A third of GPs expect NHS services to patients to improve over the next five years
CLOSING THOUGHTS

It’s interesting, not to mention encouraging, that short-term confidence has risen across all three professions, particularly among GPs. The tide of the press appears to have turned somewhat in their favour, with a more sympathetic view of the pressures they’re facing being reported.

The long-term outlook is bleaker, and this reflects various uncertainties facing primary healthcare at the current time. Central to this is the proposal of a seven-day NHS service, which is largely driving uncertainty among GPs. Survey respondents believe that financial pressures are set to increase in the next five years, and weekend shifts are just one example of the additional costs GPs fear they will have to meet, based on the recognition that the additional costs of employing staff to cover anti-social hours will not be fully reimbursed.

The seven-day NHS could also be seen as exacerbating the recruiting difficulties in general practice, with few GPs likely to want to work regularly during evenings and weekends. Ultimately, the real test revolves around whether the public feels it needs weekend appointments, and it will be interesting to see how this plays out.

The landscape is further changing due to the increasing number of mergers taking place, with GPs acknowledging that size can often mitigate risk.

The most dramatic upward swing in short-term confidence has come from pharmacists, and this is presumably indicative of the fact they are being embraced by the wider industry, while at the same time the recognition of their broader role in providing healthcare services is increasingly filtering through to the public.

The growing role of pharmacists is being driven in part by the increased pressures on GPs, with the profession stepping in to offer relief by providing non-urgent services such as drug reviews in a more cost and time effective way. It will be interesting to see whether, going forward, they will be permitted to take on more responsibility for prescribing.

More generally, however, it’s the availability of funding that is likely to offer the biggest challenge, particularly to GPs, and the provision of more money to fund services that is likely to be the driver of a short-term confidence boost in the months ahead.
For more information

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