

**SUPPLEMENTARY PAPER 4.2:
FINANCIAL ANALYSIS OF
PRIVATE GENERAL PRACTICES**

FINANCIAL ANALYSIS OF PRIVATE GENERAL PRACTICES

The private general practices who participated in the intensive practice visits and a sample of other practices were invited to have a detailed financial analysis undertaken of their practice. This was performed by CCH, which has extensive experience in benchmarking businesses from many sectors, including private general practices. Each participating practice received an individual report on the financial characteristics of their practice, together with a summary of the results for similar businesses (which were practices in an historical database maintained by CCH).

The tables summarise the data for the 91 practices whose data were available at the time of analysis. Most summaries are means or percentages. These summaries are shown for all 91 practices, as well as for practices classified by RRMA, State/Territory, practice size, whether the practice had a practice manager, a nurse, associates or significant hospital income and profitability.

A significant hospital income was defined as an annual hospital income of at least \$100,000. Of the 61 practices with annual hospital income of less than \$100,000, 47 had no hospital income recorded and the median income of the remaining 14 practices was \$40,000. Profitability was categorised as annual profit per FTE principal of less than \$120,000 (24% of practices), between \$120,000 and \$200,000 (30% of practices) and over \$200,000 (46% of practices).

Each main table has a subsidiary table that shows estimates of variation associated with each summary measure.

The financial analysis is from the perspective of the practice financial records, as reported by the responding practices. This means that expenses that are not recorded in the accounts of the practice are excluded from this analysis. For example, when medical indemnity insurance or travels costs are borne by individual GPs instead of being recorded as expenses of the practice, they are not shown in the

CCH analysis. This may also occur when such costs are subsidised. While this will not necessarily affect comparisons between practices, it may mean that the absolute costs of running a general practice are underestimated in these data.

Because the perspective is that of the practice financial records, payments made directly to GPs, such as the rural retention allowance, are likely to be excluded from these data. In some practices, hospital income is included in the practice accounts, whereas in others it goes directly to the individual GPs. Similar considerations apply to items like housing subsidies.

Table 5 includes several financial measures.

The profit per principal is the difference between the total practice income and its expenses, divided by the number of full-time equivalent principals. For most principals, this does not represent the income of the principal because it has to pay for other business expenses of the GP. These expenses are those not paid by the practice, and may be substantial. These expenses typically include medical indemnity insurance and travel, for example.

The income to the practice per GP is the total practice income divided by the number of full-time equivalent GPs, who may be principals, associates or employed doctors.

Table 4.2.1a. Mean practice characteristics, by selected practice characteristics

	Practices (n)	Present in practice			Consultations				Surgery hours	
		PM [% yes]	Nurse [% yes]	Assoc [% yes]	Advertised \$/con	% > MBS	% @ MBS	%bulk bill	Hours /day	Days /week
All	91	87	78	14	37.52	47	16	37	9.3	5.4
RRMA										
3	9	89	78	11	39.77	47	23	31	9.2	5.4
4	15	73	80	20	37.98	52	14	34	9.7	5.4
5	53	92	83	17	36.80	43	19	38	9.3	5.4
6	7	86	71	0	40.86	68	1	30	9.3	5.0
7	7	71	43	0	35.71	50	1	50	9.1	5.2
State/Territory										
NSW	32	91	81	13	37.15	45	14	40	9.2	5.4
QLD	21	76	71	10	38.31	52	15	33	9.5	5.2
VIC	16	81	69	25	37.41	39	21	40	9.5	5.5
WA	8	88	63	0	38.56	45	28	27	9.0	5.4
SA	10	100	100	30	34.88	51	7	42	9.3	5.4
TAS	2	100	100	0	42.48	73	13	15	9.8	5.5
NT	2	100	100	0	40.00	66	0	34	10.0	5.5
Practice size										
Sole GP	23	83	70	9	36.12	39	14	47	9.1	5.1
2-5 GPs	44	86	75	7	37.54	48	15	36	9.3	5.4
>5 GPs	24	92	92	33	38.82	53	18	28	9.7	5.6
Practice manager										
Yes	79	100	78	13	37.52	47	17	36	9.3	5.4
No	12	0	75	25	37.53	48	10	42	9.7	5.3
Nurse										
Yes	71	87	100	15	37.68	48	16	36	9.4	5.4
No	20	85	0	10	36.94	46	16	38	9.1	5.3
Associate GPs										
Yes	13	77	85	100	36.23	44	19	38	9.8	5.6
No	78	88	77	0	37.73	48	15	37	9.3	5.3
Hospital income										
>\$100k/yr	30	97	80	20	37.24	45	20	36	9.1	5.4
<\$100k/yr	61	82	77	11	37.66	49	14	37	9.4	5.3
Profit /principal										
<\$120k/yr	22	82	64	18	35.92	42	13	44	9.1	5.3
\$120-200k/yr	27	89	93	7	38.77	46	22	31	9.2	5.3
>\$200k/yr	42	88	76	17	37.56	51	13	36	9.5	5.4

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.1b. Overall practice characteristics.

	Present in practice			Consultations				Surgery hours	
	PM [% yes]	Nurse [% yes]	Assoc [% yes]	Advertised \$/con	% > MBS	% @ MBS	%bulk bill	Hours /day	Days /week
Mean	87	78	14	37.52	47	16	37	9.3	5.4
SD				4.82	33	25	30	1.1	.4
# of practices	91	91	91	91	90	90	90	91	91

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.2a. Mean staff numbers, by selected practice characteristics.

	Principal GPs	Other GPs	Support staff	Support /GP	Hours /pr/wk
All	2.6	1.5	5.1	1.4	48
RRMA					
3	3.0	1.0	5.0	1.3	45
4	3.2	1.7	6.5	1.4	46
5	2.7	1.6	5.3	1.4	48
6	.9	1.4	3.5	1.7	50
7	1.6	.9	2.9	1.3	51
State/Territory					
NSW	2.9	1.3	4.9	1.3	50
QLD	1.7	.8	3.8	1.6	48
VIC	3.0	2.0	6.4	1.5	45
WA	2.3	1.9	5.1	1.2	46
SA	3.3	2.1	7.0	1.4	47
TAS	2.2	2.4	5.1	1.1	40
NT	.8	1.3	3.8	1.9	43
Practice size					
Sole GP	1.0	.3	2.3	1.9	53
2-5 GPs	2.1	1.2	4.4	1.4	47
>5 GPs	4.8	3.1	9.1	1.2	43
Practice manager					
Yes	2.6	1.6	5.2	1.4	48
No	2.5	.9	4.8	1.5	45
Nurse					
Yes	2.7	1.6	5.6	1.5	48
No	1.9	.9	3.3	1.2	46
Associate GPs					
Yes	3.7	2.7	8.0	1.3	44
No	2.4	1.3	4.6	1.5	48
Hospital income					
>\$100k/yr	3.3	2.4	6.3	1.2	48
<\$100k/yr	2.2	1.0	4.5	1.6	47
Profit /principal					
<\$120k/yr	2.1	.8	3.6	1.4	44
\$120-200k/yr	3.0	1.3	4.8	1.3	48
>\$200k/yr	2.6	1.9	6.1	1.5	50

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.2b. Overall staff numbers.

	Principal GPs	Other GPs	Support staff	Support /GP	Hours /pr/wk
Mean	2.6	1.5	5.1	1.4	48
SD	1.9	1.5	3.3	.5	10
# of practices	91	91	91	91	91

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.3a. Mean income/expenditure, by selected practice characteristics.

	Source (% of total)			Non-staff overhead			Consultations	
	Fees (%)	Hospital (%)	PIP & c (%)	/pers (\$'000)	/GP (\$'000)	/con (\$)	length (min)	/GP/wk (#)
All	79	10	11	19	47	7.50	13.9	127
RRMA								
3	84	4	12	23	62	7.55	13.5	137
4	83	9	8	19	46	7.17	12.5	131
5	77	11	11	17	42	7.16	14.3	123
6	86	2	12	25	71	9.74	12.1	155
7	72	14	14	18	43	8.46	15.7	107
State/Territory								
NSW	74	16	10	19	47	6.75	14.0	133
QLD	87	1	12	24	63	9.92	13.7	125
VIC	82	7	11	17	43	7.18	14.3	116
WA	76	14	10	16	36	6.08	12.6	132
SA	75	11	14	14	33	7.07	14.5	125
TAS	87	0	13	15	33	4.30	12.5	147
NT	84	0	16	16	46	7.61	13.8	115
Practice size								
Sole GP	81	7	12	24	71	10.20	14.0	132
2-5 GPs	80	9	11	17	40	6.27	14.0	130
>5 GPs	76	13	10	17	37	7.15	13.5	116
Practice manager								
Yes	78	11	11	19	47	7.56	14.0	125
No	89	2	10	20	48	7.09	12.9	141
Nurse								
Yes	78	10	12	18	46	7.41	13.6	129
No	82	8	10	21	50	7.81	14.7	121
Associate GPs								
Yes	79	11	10	17	38	6.17	13.8	124
No	79	9	11	19	49	7.72	13.9	128
Hospital income								
>\$100k/yr	65	25	9	17	36	6.81	14.5	119
<\$100k/yr	86	2	12	20	53	7.83	13.6	131
Profit /principal								
<\$120k/yr	86	2	12	18	44	7.72	14.8	112
\$120-200k/yr	77	11	12	22	53	8.14	13.7	122
>\$200k/yr	77	13	10	18	45	6.96	13.5	139

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.3b. Overall income/expenditure.

	Source (% of total)			Non-staff overhead			Consultations	
	Fees (%)	Hospital (%)	PIP & c (%)	/pers (\$'000)	/GP (\$'000)	/con (\$)	length (min)	/GP/wk (#)
Mean	79	10	11	19	47	7.50	13.9	127
SD	13	13	5	9	32	4.01	2.3	40
# of practices	91	91	91	91	91	91	91	91

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.4a. Mean expenses (as % of income), by selected practice characteristics.

	Total	Staff	Rent	Drugs	Insurance	Telco	Professional	Car	Rest
All	52	33	5	2	2	1	1	1	7
RRMA									
3	49	27	6	2	1	1	1	2	9
4	51	33	4	2	1	1	1	0	8
5	52	34	5	2	2	1	1	1	6
6	64	41	5	4	1	1	1	3	8
7	49	29	4	3	2	1	2	2	7
State/Territory									
NSW	48	30	5	2	2	1	1	1	7
QLD	56	31	6	3	2	1	1	2	9
VIC	56	38	4	2	2	1	1	1	7
WA	52	35	6	1	1	1	1	1	5
SA	45	31	3	1	2	1	1	1	5
TAS	69	51	3	2	3	1	1	0	8
NT	70	54	4	2	2	1	1	1	5
Practice size									
Sole GP	55	29	6	3	2	2	2	3	10
2-5 GPs	51	34	5	2	2	1	1	1	6
>5 GPs	51	36	4	2	2	1	1	0	6
Practice manager									
Yes	53	34	5	2	2	1	1	1	7
No	46	27	5	3	1	1	1	1	8
Nurse									
Yes	52	34	4	2	2	1	1	1	7
No	51	30	5	2	2	1	1	2	8
Associate GPs									
Yes	54	38	5	3	2	1	1	1	5
No	52	32	5	2	2	1	1	1	7
Hospital income									
>\$100k/yr	49	34	3	1	2	1	1	1	5
<\$100k/yr	54	33	5	2	2	1	1	1	8
Profit /principal									
<\$120k/yr	60	35	7	3	2	2	1	1	9
\$120-200k/yr	53	31	5	2	2	1	1	2	9
>\$200k/yr	48	33	4	2	1	1	1	1	5

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.4b. Overall expenses (as % of income).

	Total	Staff	Rent	Drugs	Insurance	Telco	Professional	Car	Rest
Mean	52	33	5	2	2	1	1	1	7
SD	14	13	3	2	2	1	1	2	5
# of practices	91	91	91	91	91	91	91	91	91

Source: RDAA/Monash University Viable Models Project CCH; financial analysis of private general practices, 2003

Table 4.2.5a. Mean financial measures, by selected practice characteristics.

	Annual practice profit / principal				Practice profit /pr-hr [\$]	Income to practice /GP [\$'000]	Debtors per principal [\$'000]	Creditors per principal [\$'000]
	Mean [\$'000]	\$120k [%]	\$120-200k [%]	>\$200k [%]				
All	201	24	30	46	82.60	266	12	8
RRMA								
3	182	33	44	22	76.12	261	2	10
4	201	20	27	53	83.80	270	2	4
5	199	26	34	40	81.95	264	13	5
6	239	0	14	86	97.70	305	29	21
7	202	29	0	71	78.17	247	24	16
State/Territory								
NSW	210	22	34	44	79.39	278	9	7
QLD	185	33	19	48	74.90	282	9	9
VIC	174	31	31	38	77.22	253	13	5
WA	226	13	25	63	96.02	242	16	15
SA	238	10	40	50	106.62	248	25	4
TAS	119	50	50	0	57.82	189	3	2
NT	223	0	0	100	108.82	295	11	16
Practice size								
Sole GP	157	43	30	26	56.22	272	9	6
2-5 GPs	219	23	20	57	90.42	266	15	10
>5 GPs	209	8	46	46	93.54	263	9	5
Practice manager								
Yes	204	23	30	47	83.58	268	13	8
No	178	33	25	42	76.18	257	6	4
Nurse								
Yes	204	20	35	45	83.73	271	11	7
No	189	40	10	50	78.59	252	15	11
Associate GPs								
Yes	216	31	15	54	95.25	258	12	6
No	198	23	32	45	80.49	268	12	8
Hospital income								
>\$100k/yr	250	0	33	67	102.13	272	17	8
<\$100k/yr	177	36	28	36	73.00	264	9	8
Profit /principal								
<\$120k/yr	96	100	0	0	43.34	189	5	2
\$120-200k/yr	163	0	100	0	68.06	245	9	6
>\$200k/yr	280	0	0	100	112.51	321	18	12

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

Table 4.2.5b. Overall financial measures.

	Annual practice profit / principal				Practice profit /pr-hr [\$]	Income to practice /GP [\$'000]	Debtors per principal [\$'000]	Creditors per principal [\$'000]
	Mean [\$'000]	\$120k [%]	\$120-200k [%]	>\$200k [%]				
Mean	201	24	30	46	82.60	266	12	8
SD	90				38.22	92	23	15
# of practices	91	91	91	91	91	91	90	90

Source: RDAA/Monash University Viable Models Project; CCH financial analysis of private general practices, 2003

