



SWP 2/92 THE MANAGEMENT OF GENERAL PRACTICE

**A Survey of Management Control Systems in General Practice, written
under the supervision of Professor Paul Burns.**

**GERRY QUINN
Consultant
Stoy Hayward
London**

and

**PROFESSOR PAUL BURNS
Cranfield School of Management
Cranfield Institute of Technology
Cranfield
Bedford MK43 0AL
United Kingdom**

(Tel: 0234-751122)

(Fax: 0234-751806)

**Cranfield School of Management gratefully acknowledge the support of BUPA in
conducting this survey**

Key Findings

+

Overall:

1. Whilst most GPs (75%) consider themselves to be good or excellent managers, this survey shows some differences between perceptions and reality.
2. 59% of practices do not prepare business plans. Those that do tend to be fund holders and larger practices.
3. Whilst 84% of practices claimed to have formal practice policies, almost one third of these admitted to making them "on the hoof". 93% of the multi-partner practices with policies, involved all the partners in policy making.
4. Many practices (20%) chose not to employ Practice Managers including some fund holders and large practices. What is more, there is no clear pattern concerning the status and authority of Practice Managers even in fund holding practices. Only 38% included the Practice Manager in policy making.
5. Practices with Practice Managers tend also to have computers and prepare business plans. Whilst you might conclude these practices are better managed, you cannot infer any direct causation.
6. GPs emerge as unsophisticated users of accounting information.
 - 64% do not prepare budgets (including two fund holding practices).
 - Of those that do, 28% do not investigate variances from budget.
 - 33% admitted that the accounting information generated was not adequate to manage the practice effectively (and this included some fund holding practices).
 - The most popular form of accounting report was the balance sheet and just under half of the practices produced cash flow information.
7. A large proportion (82%) of practices use computers. 81% were installed since 1988 and most were installed in 1990 when the new contract was introduced. Although fund holding practices had the greatest tendency to use computers for a wide variety of applications, generally this seemed more dependant upon the particular interests of a GP in a practice than upon the size of a practice.
8. Most practices were happy about their decisions regarding which systems to acquire. The major problems encountered with computersation were:
 - Lack of expertise within the practice - 30%
 - Lack of trained staff - 28%
 - Inadequate software support - 18%

Since so many practices admit to a lack of expertise, and trained staff, there is a clear need for better supplier support.
9. GP's ranked their own management skill requirements as follows:
 1. Staff Management
 2. Business Planning
 3. Computers
 4. Operations Management

5. Financial Management
 6. Marketing
10. GP's ranked their staff (including Practice Manager) skill requirements very differently, although unlike the commercial world, marketing remained the lowest priority:
1. Financial Management
 2. Computers
 3. Operations Management
 4. Staff Management
 5. Business Planning
 6. Marketing

Fund-Holders

11. Fund-holding shows up the managerial deficiencies of practices:
- More practices thought their staff's skills were poor (23% of existing fund-holders and 31% of applicants).
 - 38% of applicants actually thought their partners' skills were poor.
 - 56% of fund-holders and 46% of applicants thought the accounting information generated by the practice inadequate for effective management.
12. All existing fund-holders claim to prepare business plans and make policy in an organised manner.
13. Most fund-holders employed a practice manager although again there is no pattern regarding their status within the practice.
14. Even fund-holders emerge as unsophisticated users of accounting information. 23% of existing fund-holders did not even prepare budgets, which leads us to question the quality of their business plan and control procedures.
15. All fund-holding practices surveyed used computers. Fund-holding tends to encourage practices to make more extensive use of computers and adopt a wider range of applications.

<u>CONTENTS</u>	<u>Page</u>
The Survey	2
Business Planning	5
Policy Making	6
Practice Management	7
Accountancy and Book-keeping	9
Budgets	10
Computer and Information Systems	11
Management Skills	14
New Services	16

The Survey

1. This survey of Management Control Systems in General Practice was undertaken in September 1991. The survey took the form of a self-completion questionnaire which was mailed to a random sample of 2,000 named GPs. The sample was constructed so as not to mail more than one GP in any practice.
2. The number of valid and usable responses to the survey was 110. A relatively large number of questionnaires (105) were returned (many with curt annotations) for a variety of obvious and not so obvious reasons including:

the mailee was recently deceased or had otherwise left the address;

"don't have the time for this";

GP had given up General Practice (many in protest at the new contract and the NHS revisions);

"GPs are meant to be doctors and not managers!".

In addition to the annotations on the returned uncompleted questionnaires, a number of telephone calls were received from mailees. The general tenor of the 'phone calls was that GPs are highly suspicious of surveys and investigations into their livelihood. Several callers wanted to know whether the government would have access to the results and stated that they would not participate in any survey which would assist the government in any way. It is clear that GPs are very sensitive to enquiries about practice conditions.

3. Removing the returns, the response rate was 5.8%. The distribution of responses was satisfactory and provided a reasonable match for the total GP population. For instance, of the total population, 20% of GPs work in single-handed practices. In the sample, the number of responses from single-handed practices was 13% of the total.

The responses are also biased in terms of patient list size, as can be seen from the data below. The list size categories are those used by the Department of Health in its official statistics.

Patient List Size	Population	Responses
> 15,000	2%	7%
11,000 - 15,000	8%	24%
7,000 - 11,000	20%	28%
3,000 - 7,000	38%	33%
< 3,000	32%	11%

Since the sample was based on a totally random selection of 2,000 GPs, it must be assumed that the sample matched the population parameters reasonably closely. The bias in the responses towards larger practices probably reflects the greater interest in management issues in the larger practices and the greater availability of time for one of the partners to complete the questionnaire.

4. For the purposes of this study, principal size categories have been derived from the size criteria for fund-holding and are as shown below. The responses received for each size category were:

Number of patients	Number of practices	Number of Fund Holders	Number Applied for FH	Number non-FH
11,000 +	34	6	6	22
9,000 - 11,000	18	3	2	13
6,000 - 9,000	23		2	21
< 6,000	35			35
Totals	110	9	10	91

Note: The original size criterion was that practices should have more than 11,000 patients on the list. This was later reduced to 9,000 and there are currently pilot schemes in operation for practices with less than 9,000 but more than 6,000 patients.

5. The data indicate that the vast majority of practices are not yet convinced of the benefits of fund-holding, a fact which is borne out by all the available evidence from other sources also. The figures are even more clear when expressed as percentages:

Number of patients	% Fund Holders	% Applied for FH	% non-FH
11,000 +	18%	18%	64%
9,000 - 11,000	17%	11%	72%
6,000 - 9,000		9%	91%

6. In summary, the responses to the survey covered practices with almost a million patients on their lists and employing 421 full-time GPs and 51 part-time. A total of 344 full-time administrative staff were employed with 522 part-time and there were 545 clinical staff, including Practice Nurses, Chiropodists, Health Visitors, etc based on the practice premises.
7. Of the practices which responded, 41 covered areas with some deprivation, though only 23 of these had more than 5% of their lists in these areas. Of this latter group, one practice held funds and of those who are eligible for fund-holding, 2 had already applied. The group displayed no significant differences in the use of computers or the preparation of Business Plans, when compared with the total sample.

8. The overwhelming majority of GPs in the sample take advantage of the additional earning opportunities afforded by Minor Surgery, Child Surveillance and Health Promotion clinics. The figures for participation in the programmes are:

Minor Surgery	85%
Child Health Surveillance	80%
Health Promotion	88%

The fact that the highest figure is shown for Health Promotion leads to the conclusion that GPs have recognised the earning opportunity presented by this recently introduced new service and have been quick to take advantage.

Business Planning

9. Of the sample of 110 GPs, 45 prepared Business Plans. This represents just 41% of the total. It appears that Business Planning is not prevalent among the general population. However, segmenting the sample by size reveals a different story:

Number of patients	Number in sample	Number who prepare BP's	% who prepare BP's
> 11,000	34	17	50%
9,000 - 11,000	18	10	56%
6,000 - 9,000	23	9	39%
< 6,000	35	9	26%
Total/Average	110	45	41%

It now becomes obvious that Business Planning is far more prevalent in the larger practices. Yet only 11 (24%) of the 45 planning practices had used management consultants in the past and surprisingly, 5 of the planning practices had no computers. While a computer is not essential to the preparation of a business plan, the absence of computing power must cast doubt on the quality of the analyses undertaken in preparing the plan. Having said that, only one of the non-computing practices had more than 9,000 patients while two others had between 6,000 and 9,000.

10. As expected, all of the current fund-holding practices had Business Plans. Interestingly, 2 of the 6 practices in the 11,000+ category which had applied for fund-holding status, had no Business Plans in place as yet.

Policy Making

11. The great majority (84%) of practices had formal policies in place. Of the 82 multi-partner practices which had policies in place, in 76 (93%), all the partners were involved. This clearly supports the idea that policy making is both accepted as necessary and responsibility for it is generally shared between all the partners. Of the 92 practices with policies, 35 (38%) included the Practice Manager in policy making.

In spite of the popularity of policy making, only 63 (68%) of the 92 practices claimed to make policy in an organised manner, leaving one-third making policy "on the hoof". This minority one-third included a number of 5 and 6 partner practices, but only 4 single-handed practices.

All the fund-holders made policy in an organised manner, as did 8 of the applicants. As a further comment on the quality of some Business Plans, 9 of the "on the hoof" practices claimed to have Business Plans. Since a policy statement is the starting point for a Business Plan, the lack of a policy is somewhat unusual.

Practice Management

12. Of the 110 respondents, 88 (80%) had a Practice Manager (PM). An analysis of the data by size category, shows the following:

Number of patients	Number in sample	Number who have a PM	% who have a PM
> 11,000	34	31	91%
9,000 - 11,000	18	17	94%
6,000 - 9,000	23	18	78%
< 6,000	35	22	63%
Total/Average	110	88	80%

13. As expected, larger practices are most likely to have a Practice Manager (PM). What is interesting from this, is that 3 of the larger practices operate without managers. Of the 22 practices without managers, one is fund-holder and one more has applied. The fund-holder has 6 full-time administrative staff and a ratio of patients to GPs well above the average (3,200 as against 2,200). Yet, the same practice rated its partners management skills only as "good" and those of its staff as "poor".
14. The increased sophistication which might be anticipated in practices where there is a PM is supported by the fact that practices with PMs tend also to have computers and to prepare Business Plans.

Number of patients	Number who have a PM	Percent who prepare BP's	Percent who have a Computer
> 11,000	31	58%	100%
9,000 - 11,000	17	44%	88%
6,000 - 9,000	18	39%	78%
< 6,000	22	32%	73%
Total/Average	88	45%	82%

This, of course, is the old chicken and egg situation. If the preparation of Business Plans is taken as a measure of management sophistication, do the practices have PMs because they are better managed or are they better managed because they have PH's and therefore prepare Business Plans ? The differences between practices with managers and those without are however, marginal (see table at 9 above) and contradictory and the conclusion is that there is no direct correlation between having a PM and preparing Business Plans or having a computer.

15. There also appears to be little correlation between the status of the PM and the position of the practice as a fund-holder. In fund-holding practices, the PM may be empowered to make management decisions independently of the partners, or they may be dependant upon them for larger decisions or indeed they may be merely an administrator, with little real power. No clear patterns emerge.

Accounting and Book-keeping

16. Almost one-third of the sample stated that the accounting information generated by the practice was not adequate to manage the practice effectively. Surprisingly, this included 5 of the 9 fund-holders and 6 of the 13 applicants. The most obvious interpretation of this is that fund-holding is making the shortcomings of accounting systems more obvious. Accounting systems in General Practice appear relatively unsophisticated and that GPs are not aware of this until the system is put under strain, as in the transition to fund-holding.
17. The most popular form of accounting report with the numbers of respondents stating that they produced each form was:

Balance Sheet	74
Profit and Loss Account	59
Cash Flow	49

The importance of cash flow statements does not appear to be appreciated by GPs and the main focus of attention, for historical reasons, is the Balance Sheet. The picture is of a community of unsophisticated users of accounts.

Budgets

18. The evaluation of GPs as relatively unsophisticated users of accounts is reinforced by the data on the use of budgets. Only 40 out of 110 respondents actually prepares practice budgets. Of the 9 fund-holders, 7 prepare budgets. Exactly how the other two purport to have the necessary management controls in place without a budget system is not known.

Of even more interest is the fact that 11 of the 40 budget preparers claim not to investigate variance from budget. This casts doubt on the quality of the budgeting processes and on the GPs understanding of the nature and purpose of budgets. Out of the 14 larger practices which prepare budgets, 5 do not investigate variances and all of these have PMs. All the fund-holders who prepare budgets investigate variances.

19. The distribution of budgeting systems is as follows:

Number of patients	Number in sample	Number who prepare budgets	% who prepare budgets
> 11,000	34	14	41%
9,000 - 11,000	18	7	39%
6,000 - 9,000	23	9	39%
< 6,000	35	10	29%
Total/Average	110	40	36%

Computer and Information Systems

20. The respondents to the survey included a greater number of computer users than are in the GP population generally; the figure for practices with computers was 82%. As might be expected, larger practices were more likely to use computers. The figures for the four groups were:

Number of patients	Number in sample	Number with computers	% with computers
> 11,000	34	34	100%
9,000 - 11,000	18	16	89%
6,000 - 9,000	23	18	78%
< 6,000	35	22	63%
Total/Average	110	90	82%

21. There appeared to be little correlation between the list size and the age of the computer. The figures show that 81% of computer systems currently in use were installed since 1988, with most installed in 1990. This concurs with the general trend in the population and is substantially driven by the introduction of the new contract in 1990.
22. A review of the uses to which computers are put in the practice indicates that the vast majority are supporting basic practice functions. The most popular functions (with the percentages of users in brackets) are Patient List (99%), Repeat Prescribing (93%), Statistics (80%), Medical Audit (69%) and Drug List Updates (67%). Interestingly, only 27% of respondents had Appointments Systems.
23. There appeared to be no correlation between list size and the total number of functions for which the computer is used. The questionnaire listed 10 functions which are readily available as packages for practice management and also gave an "Other" option for less common functions. Taking an example of the spread of users and functions, there were 8 respondents who claimed to use the computer for 9 of the functions listed. Of these 8, the list sizes ranged from 1,100 to 17,500, with an even distribution between these two extremes.

24. For the specifically management functions (as opposed to "clinical " functions) listed, there is again, no clear correlation between list size and functions:

Number of patients	Number in sample who use computers	% using computer for accounting	% using computer for spreadsheet / analysis	% using computer for both
> 11,000	34	44%	35%	24%
9,000 - 11,000	16	44%	37%	31%
6,000 - 9,000	18	44%	33%	33%
< 6,000	22	31%	18%	18%
Total/Average	90	41%	31%	24%

The low figures for smaller practices are to be expected, given the fact that practice accounting and business analysis are less complex and it may not be worthwhile to buy or develop the computer systems and models required.

The conclusion drawn from this is that computer usage depends more on individual GPs and their interests than on and aspects of practice size.

25. There does appear to be a positive correlation between fund-holding and the extent of computer use. The fund-holders were clustered in the groups which used the computer for greater numbers of functions. In addition, 6 of the 9 fundholders (67%) used the computer for both practice accounting and for spreadsheet analysis. It is surprising that 3 of the fund-holders use computers for neither. However, the rate of computer usage for management functions in the group which had applied for fund-holding was low, with only 3 out of 12 who had computers (25%) using the system for both accounting and analysis. It is difficult to see how a large practice can cope effectively and cost-efficiently with the demands of fund-holding without making more extensive use of computers.

26. Of the practices which had encountered difficulties with computers, the most common reasons for these were "Lack of expertise within the practice" and "Lack of training for practice staff". The major reasons for problems and the numbers and percentages of respondents with those problems were:

Problem	Number with problem	Problems as % of those with computers
Poor installation by the supplier	6	7%
Got the wrong hardware	4	4%
Got the wrong software	10	11%
Lack of expertise within the practice	27	30%
Lack of expertise on the part of the supplier	13	14%
Inadequate software support	16	18%
Inadequate hardware support	12	13%
Lack of training for practice staff	25	28%

27. It is interesting that most appear to be happy with the decisions they made regarding which systems to acquire. However, it is depressing that the problems ranked two and three (lack of training for practice staff and inadequate software support) relate to supplier failure. Given that 30% of respondents admit to a lack of expertise within the practice there is a clear requirement for greater assistance in this area and for more concentration on training and support.

Management Skills

28. GPs appear to be reasonably happy with their own management skills according to the answers to the question "How would you rate the management skills of the partners and staff (including the Practice Manager) in the practice?". The pattern of responses was as follows:

Standard of skills	Partners	Staff	Both
Excellent	9%	14%	4%
Good	66%	64%	46%
Poor	25%	23%	11%

29. The missing 39% from the "Both" column represents practices where there were differences in the skill levels between the partners and the staff. It is difficult to know whether GPs are being bashful in not classifying their skills as excellent. However, anecdotal evidence suggest that the results shown above are probably accurate. What is more disturbing is the fact that a mere 4% were willing to classify themselves as excellent for both groups.
30. Of the fund-holding group, 5 classified as good overall, the others being mixed. Of the four mixed skill practices, 2 classified the staff's skills as poor. This clearly needs improving if the practices are to succeed. All the fund-holding practices classified their partners' skills as good. In the applicant group, 5 out of 13 rated partners skills as poor and 4 of these also rated staffs' skill as poor. None of the applicants rated themselves as excellent overall. There are obvious dangers that applications will not be successful if higher skill levels cannot be demonstrated. Even more worrying is the prospect that some of these practices may actually be granted fund-holding status and later find themselves in serious difficulties.
31. There appears to be little correlation between size and skill levels. In the largest size group, none of the respondents rated the partners' skills as excellent though 5 out of the 34 (15%) rated the staff's skills in this category. All but one of the 14 practices which rated staff skills as excellent had a practice manager, indicating a positive correlation between staff excellence and the presence of a manager.
32. In response to the question "In what specific areas do you believe the skills of the partners or staff could usefully be strengthened ?" the following pattern of priorities emerged:

Note: The single digit numbers for each skill area refer to the priority ranking of each. The numbers in brackets refer to the number of responses for each.

Skill Area	Partners	Staff
Staff Management	1 (63)	4 (34)
Business Planning	2 (61)	5 (32)
Computer related	3 (58)	2 (41)
Operations Management	3 (58)	3 (37)
Financial Management	4 (57)	1 (42)
Marketing	5 (38)	6 (25)

33. The spread of responses within each group (partners and staff) would seem to indicate a desire to improve skills across all areas, with the singular exception of marketing. This is not unexpected, given the prevalent culture of the GP market. Marketing ranks last in priority for both groups. Excluding marketing, an average of 54% of GPs and 34% of staff were estimated to require further skills training. This demand is spread right across the sample, with no real correlation between demand for improvement and either size, fund-holding status or skill level rating.
34. Only 18 practices (16% of the total) had ever used consultants or business advisers other than their accountants. Of these, most (11) had taken advice on Financial Management. The next most popular category was Computers (9), with Business Planning (6) next in popularity and Marketing, Staff Management and Operations Management (4 each) the least popular areas. Of the 18 respondents, 12 had sourced their consultants by personal recommendation, with only 3 basing their decisions on advertising and promotional efforts.

New Services

35. Of the 110 respondents, 60 (55%) planned to introduce new services in the next two years. Only 14 of the 60 planned to charge private fees for these services. There appears to be a correlation between these data and the size of the practice, as illustrated below:

Number of patients	Number in sample	Number/(%) planning new services	Number planning to charge
> 11,000	34	23 (68%)	6
9,000 - 11,000	18	10 (55%)	4
6,000 - 9,000	23	12 (52%)	3
< 6,000	35	15 (43%)	1
Total/Average	110	60 (55%)	14

36. Of the fund-holders, all planned new services, though only 3 planned to charge for these. Of the applicants, 12 of the 13 planned new services but only 5 planned to charge.
37. The figures appear to indicate that GPs in the larger practices are planning to expand the level of services in the near future and that they will remain essentially within the NHS, rather than branching out into private medicine. The most popular new service to be offered in physiotherapy, followed by travel vaccination clinics, alternative medicine and chiropody.