GP Earnings and Expenses

2012/13

Methodology

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Introduction

1. **GP Earnings and Expenses** provides a detailed study of the NHS and private earnings and expenses of both contractor and salaried GPs in the UK in the relevant financial year.

2. The report is produced by the Health and Social Care Information Centre (HSCIC) in consultation with the Technical Steering Committee (TSC), which is chaired by the HSCIC and has representation from the UK Health Departments, NHS Employers, The British Medical Association, NHS England and Her Majesty’s Revenue and Customs (HMRC): Knowledge, Analysis and Intelligence Division. Earnings and expenses analyses are performed by HMRC statisticians, and only aggregate non-disclosive summary data are sent to the HSCIC for inclusion in the report.

3. This methodology document is designed to accompany **GP Earnings and Expenses, 2012/13**, and each subsequent edition of the report.

Data Sources

4. Data used to produce **GP Earnings and Expenses** are taken from several sources. Information about GPs in England and Wales is received from the GP Workforce team in the HSCIC (originally sourced from the NHAIS GP Payments System). Other GP information comes from NHS National Services Scotland Information Services Division, and the Northern Ireland Business Services Organisation. Earnings and expenses data come from self assessment tax returns held and analysed by HM Revenue and Customs statisticians.

5. Earnings and expenses results for contractor GPs are based on their medical income from self-employment sources. Income from employment sources is not included in averages for contractor GPs. For salaried GPs, estimates are based on all income from employment sources and medical income from self-employment sources.

6. GPs can perform both NHS and private work which can be done both inside and outside the practice, including the NHS Out of Hours services. GPs will usually submit a self assessment return which contains information on all of their self-employment earnings, including both NHS and private earnings while practising as a GP. Therefore, the results include earnings and expenses relating to both NHS and private work. It is not possible to disaggregate NHS and private earnings using this data source.

7. The analyses throughout the reports are based on anonymised data from self assessment tax returns held and used by HMRC statisticians to produce earnings and expenses results that are weighted up to the estimated population, and then sent to the HSCIC in the form of aggregate non-disclosive summary statistics for inclusion in the report.

8. GP data are matched with tax data by HMRC statisticians, and an anonymised dataset created, which is used to produce the aggregate non-disclosive summary statistics underlying the tables and findings in the report.

9. The dataset, the process of merging the dataset with tax data, and the analyses performed by HMRC statisticians on behalf of the HSCIC are described in further detail in this document.
Deriving the GP Population for Analysis

10. All full time and part time UK contractor and salaried GPs (working in the NHS under a General Medical Services (GMS) or Personal Medical Services (PMS) contract) for whom information is available, and who have an accounting year ending in the final quarter of the fiscal year (i.e. between 1st January and 5th April) are included in the sample. GPs who work solely as locums or freelancers are not included.

11. GPs who are solely Alternative Provider Medical Services (APMS) or Primary Care Trust Medical Services (PCTMS) contracted are not included in the enquiry. However if a GP holds both a GMS/PMS contract and an APMS/PCTMS contract, their earnings and expenses from any contract may be included. GPs with both GMS and PMS contracts are removed unless their primary contract can be identified.

12. The dataset includes GPs working under a variety of GP type classifications, which denote their relationship to the contract held with a particular Primary Care Organisation (PCO)\(^1\). PCOs contract with GPs who deliver an agreed level of general practice services. A contractor GP is a practitioner who entered into a contract with a PCO either as an individual or part of a practice to provide primary care services. A contractor GP may employ salaried GPs. A salaried GP could also be directly employed by the PCO. The cost of employing a salaried GP could form part of the employee expenses of contractor GPs. If the salaried GP was employed directly by a PCO then the contractor GP(s) within the practice in which the salaried GP practices will not have incurred the expense.

13. Results are presented by three GP types – contractor, salaried and combined. A GP listed in a dataset at least once as a contractor, regardless of any other arrangements under other contracts, is determined to be a contractor. Figures for combined GPs are a weighted average based on employment and self-employment income for salaried GPs and self-employment income for contractor GPs.

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\(^1\) In England, contracts between GP practices and Primary Care Trusts (PCTs) were in place until April 2013.
HMRC Analyses

14. The Earnings and Expenses dataset is sent to the Knowledge, Analysis and Intelligence (KAI) division at HMRC, in order to produce weighted and aggregate non-disclosive summary statistics on earnings and expenses for GPs.

15. Analyses requested by the HSCIC and performed by HMRC statisticians are carried out on anonymised data from self assessment tax returns for GPs with accounting years ending in the fourth quarter of the relevant fiscal year (i.e. 1st January to 5th April). This period is used as it has been found to be representative. The tax data covers income from all NHS and private work.

16. HMRC statisticians are requested to apply a number of exclusion criteria to the GP Earnings and Expenses dataset in order to derive the sample upon which to perform their earnings and expenses analyses. It should be noted that exclusions may not be exhaustive, and the sample used by HMRC statisticians could include a small number of GPs with, for example, non-medical income. While this would not affect high level results, analyses with low sample and population counts may be affected by any extreme values among those GPs. For contractor GPs, those GPs with employment income but no self-employment income are excluded from both the HMRC analyses and the GP population.² For salaried GPs, those GPs with no employment income are excluded.

17. Population figures should not be considered as the definitive UK GP populations, and will not be the same as those populations published in the GP census across the four countries.³ This is due to GPs being excluded from the EEQ dataset for various reasons. For this reason the population figures have been rounded to the nearest 50.

18. In order to maintain taxpayer confidentiality, for any analyses that would produce results for sub-groups with low population numbers, HMRC statisticians have suppressed those results. Footnotes are provided in these cases. In addition, to acknowledge a degree of sampling error, earnings and expenses figures have been rounded to the nearest £100.

19. Previous earnings and expenses analyses have been conducted on self-assessment tax data extracted from HMRC systems as at end April in year of publication. For 2010/11 and future years HMRC will perform earnings and expenses analyses on tax data as at end March. Only a very small number of late submissions are received between end March and end April. Testing has been conducted and the impact of this is minimal.

² HMRC statisticians determine the number of these GPs within the sample, and then estimate the number of GPs to be excluded from the GP population.
³ Links to GP workforce publications for each of the countries are available in the Other Publications section in the report.
Stratification of the Population and Weighting of the Results

20. As this enquiry is based on a sample, stratification is used to enable weighting corrections within strata to account for GPs who are not part of the sample. This ensures that the effect of bias is minimised in the final findings of the enquiry.

21. The contractor GP population is allocated to one of 12 strata according to country, contract and dispensing/non-dispensing status. Table 1 shows the stratification variables.

| Table 1: Stratification variables for GP Earnings and Expenses, Contractor GPs |
|---------------------------------|---------------------------------|
| Dispensers                      | Non-Dispensers                  |
| GMS, England                    | GMS, England                    |
| PMS, England                    | PMS, England                    |
| GMS, Scotland                   | GMS, Scotland                   |
| PMS, Scotland                   | PMS, Scotland                   |
| GMS, Wales                      | GMS, Wales                      |
| GMS, Northern Ireland           | GMS, Northern Ireland           |

22. The salaried GP population is allocated to one of 8 strata according to age and sex. Table 2 shows the stratification variables.

| Table 2: Stratification variables for GP Earnings and Expenses, Salaried GPs |
|---------------------------------|---------------------------------|
| Male                            | Female                          |
| <35                             | <35                             |
| 35-40                           | 35-40                           |
| 41-50                           | 41-50                           |
| >50                             | >50                             |

23. Earnings and expenses results are based on a sample and are weighted according to the contractor/salaried GP population. One set of weighting factors are derived, based on strata, and the same set of weights are applied throughout, for all analyses.

24. As results presented throughout the report are estimates based on samples that have been grossed up to the full contractor/salaried population as described above, these results are subject to sampling error. Differences between groups and sub-groups of GPs may not be statistically significant; neither may differences in results between years.

25. Results for combined GPs (contractor and salaried) are calculated by producing a weighted average based on employment and self-employment income for salaried GPs and self-employment income for contractor GPs.

26. It should also be noted that the Expenses to Earnings Ratio (EER) figures presented in report tables are calculated by dividing average expenses by average gross income for the grouping being considered. This is not the same as the weighted average EER for that grouping.
Technical Adjustments for Pension Contributions

Employer Superannuation Contributions for Contractor GPs

Background

27. Prior to the introduction of the new GMS contract (nGMS), PCOs paid the employer’s superannuation contributions of GPs’ pensions schemes directly to the NHS Pensions Agency. The money did not appear in the practice or individuals accounts of tax returns of GPs and consequently did not form part of income before tax.

28. From April 2004 onwards, under the nGMS contract, for contractor GPs, the employer superannuation contribution to the GPs’ pension scheme was included in the global sum payment made to practices and GPs became responsible for the payment of both their employee and employer superannuation contributions. Therefore, employer contributions should have been included in income reported on tax returns and tax relief claimed. This means an estimate has to be made of employer contributions, in order to remove this from the income before tax. This means figures can be compared with previous years (under the old contract) and be a more valid representation of the average gross earnings and average income before tax of GPs.

29. The procedure for the payment of GP pension contributions begins at the start of each financial year and involves GPs producing an estimate of their income before tax for the forthcoming year, and from this, an estimate of what their pension contributions for the year should be. This estimated pension contribution is then deducted from their global sum payment by their PCO, and at the end of the financial year the actual contributions due are calculated by the PCO on the basis of a certificate completed by the GP after they have submitted their tax return. The GP then either receives a refund if contributions had been overestimated or has to pay shortfall contributions. The time lag involved means that a GP with a shortfall of contributions for 2007/08 will not pay these (and claim tax relief on payments) until at least tax year 2008/09 and possibly even 2009/10.

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30. In order to estimate the amount of employer superannuation contributions to be deducted, EEQ income is compared with data on superannuable income from pensions agencies for all countries. Subsequently, estimates can be made on what proportion of EEQ income is NHS income, and therefore how much of the total income to adjust.

31. Due to the time lag in receiving pensions data, the two sets of data are not directly comparable. Therefore, an average percentage of NHS income is taken over the latest 5 years of pensions data available. This is also to take into account year on year fluctuations. In the event of not receiving the latest year of pensions data in time for the analysis to take place, an average of the latest 4 years of pensions data is taken.
32. The methodology used is as follows:

\[
\% \text{ NHS Income} = \frac{\text{Average NHS Superannuable Income per country}}{\text{Average EEQ Net Income Before Tax}} \times 100 = n_1
\]

(Average % NHS Income figure calculated over 4 or 5 years as described above).

The resultant percentage figure feeds into the equation below to give the final figure from which the employer’s pension contribution should be deducted.

\[
\text{NHS superannuable income before tax for each individual GP (y_1)} = \frac{n_1 \times \text{GPs EEQ income before tax (h_1)}}{100}
\]

Employer contributions to be deducted (e_1) are:

\[
\frac{\text{Employer contributions percentage}}{100} \times y_1 = e_1
\]

\[
\text{Adjusted EEQ income before tax} = h_1 - e_1
\]

33. The adjustment is applied to those GPs who have declared an amount in the tax relief box ‘payments to your employer’s scheme which were not deducted from your pay before tax’ on their tax return. Those that have recorded an amount in this tax relief box will specifically be members of the NHS pension scheme (those with other personal pensions claim tax relief in other boxes on the form).

34. Pensions data is not used to determine membership as it is very out of date, and there is a risk that the latest information is not received in time for the analysis to take place. Also, the pensions data does not cover the entire NHS Pensions membership.

35. Any superannuable income from before 2008/09 used in the adjustment to calculate percentage NHS income will include some members for whom their superannuable earnings were capped. This means the estimated percentage of NHS income is slightly lower than it should be. To reduce the impact of the pensions cap, the income of those GPs who are capped are replaced with the average income of those above the cap. The total average of all the GPs is then calculated, and the NHS income is calculated.

36. The methodology for adjusting for employer superannuation contributions changed for the 2009/10 analysis. The previous methodology is described in Annex B of previous editions of *GP Earnings and Expenses*. 
Employee Superannuation Contributions for Salaried GPs

37. In order to put the salaried results on the same basis as the contractor GP results, an adjustment is required to add back in the employee contributions (plus Additional Voluntary Contributions (AVCs)) onto the employment income of salaried GPs.

38. The adjustment is made by adding a percentage to the income before tax for each GP for employee contributions. The percentage is based on the average income for salaried GPs from the previous year, to identify the corresponding employee contributions percentage (based on the tiered system of employee contributions).

39. To calculate how much should be added for AVCs, information is received from the West Yorkshire Central Services Agency. The percentage change in AVCs between years is calculated, and the same percentage change is applied to the amount which was added for AVCs in the previous year.

40. For example, if 6.5% is added for employee contributions, and 0.5% is added for AVCs, a total of 7% is added to the salaried GPs income before tax.

41. The following assumptions are made in order to make the adjustment:
   - All the salaried GPs (less than 60 years old) covered are part of the NHS Pension Scheme.
   - All employment income before tax of salaried GPs is NHS income (and therefore pensionable).
   - The proportion of AVCs paid by salaried GPs in the West Yorkshire is representative of the UK.

42. Only self-employment income is considered for contractor GPs and therefore the issue does not apply. The issue also does not apply to self-employment income of salaried GPs.

43. Where a salaried GP earns both employment and self-employment income, the percentage is only added back onto the employment income before an average of self-employment and employment income is calculated for the individual GP.

Rurality

44. As part of the analyses earnings and expenses are broken down as to whether a practice is defined as being 'rural' or 'urban'; previously the distinction was based on rurality of patients determined by home postcode; if more than 50% of patients belonging to a practice were classified as rural, the practice was categorised as rural. If 50% or more of patients were classified as urban, the practice was categorised as urban.

45. The rural/urban classification is now based solely on the postcode of the practice. Having compared the two methodologies the impact of this change is minimal.