

## Covid-19 financial guidance for primary care orthodontics: Phase 2

### In this document:

1. NHS payments and targets
  - a. England
  - b. Wales
  - c. Scotland
  - d. Northern Ireland
2. 2019/2020 NHS reconciliation
  - a. England
  - b. Wales
3. Government and other support measures
4. Coronavirus Job retention scheme
5. Considerations for associates
6. Financial management and cashflow considerations
7. Cost control
  - a. Anticipated cost increases
  - b. Cost control
8. Increasing income
9. Retail sales and cash handling
10. Patient factors and consumer behaviour/affordability
11. Resources
12. Acknowledgements

## **1. NHS payments and targets**

### **a. England**

In England, PDS and GDS payments will continue to be made to providers on a monthly basis. However, it has been stated that an agreed and fair reduction for any variable costs associated with service delivery (e.g. in recognition of reduced consumable costs) will be applied to all contract values. The percentage reduction has yet to be clarified. As the reduction had not been agreed prior to the May payments (which relate to April) being made, the May payment will be normal, but a retrospective adjustment can be expected once the level of abatement is clarified. These arrangements will operate over a fixed number of months with an agreed end date. This date is yet to be clarified in England but could be reasonably expected to be end of June as has been clarified in Wales.

The following conditions apply with respect to receipt of these payments:

- Practices will continue to support emergency triage and support of their patients, subject to the restrictions in place surrounding face to face appointments.
- A requirement on practices to ensure that all staff including associates, non- clinical and others continue to be paid at previous levels. In the case of associates this should be based on their usual net pensionable earnings.
- As part of the funding support, the NHS expects that dental practices will fully support the redeployment of professionals and staff working in general dental services to support the wider NHS response, as is happening across the rest of the NHS (subject to available staff capacity).
- Practices benefiting from continued NHS funding will not be eligible to seek any wider government assistance to small businesses which could be duplicative. Note that mixed practices can still partly benefit from the Job Retention Scheme (Furlough scheme). See later for details.

Clarity is also required surrounding any target expectations for the support period and the remainder of the contract year. For the support period, it is recognised that activity will be lower than usual and the understanding is that there are no activity expectations for this period and the period will not be subject to clawback, whatever the declared activity.

Discussions are taking place regarding activity expectations once the pandemic restrictions are eased. Capacity will obviously be impacted with restrictions lifted in phases throughout the year and a resumption of normal targets is not a reasonable expectation. Both the BDA and BOS have raised this issue with NHSE

**b. Wales**

For the 2020/21 contract year the Welsh Government has offered 80% of the NHS Annual Contract value for PDS and GDS contracts. for the three-month period from April to June. This sum is payable on condition that practices continue to pay staff and associates 100% of their NHS net pensionable pay. However, this reduction is higher than the reduction in overheads during this time assuming staff continue to be paid at the same level.

Practices may additionally claim money for furloughed workers in respect of the private side of a mixed- contract NHS practice, where the workers qualify under the scheme's criteria.

There will be no clawback for any level of under-performance during the support period of April-June. Targets and payments beyond the support period have not yet been clarified.

**c. Scotland**

- The [Scottish Government issued a revised funding package for NHS dentists](#) on 30 March. This will provide 80% of the average gross income from items of service.
- If the contractor's income has been stable over 2019/20 financial year, subject to seasonal variation, the 12-month period will be used to calculate the average monthly NHS gross item of service payment.
- Some contractors may only have been working in Scotland for a short time and will not have a full 12 months earnings in 2019/20 to calculate the top-up payment. In such cases the top-up will be based on an average of their relevant NHS gross item of service payments that are available.
- Some contractors will have moved practice within the last year and will not therefore have a full 12 months NHS earnings in their current practice. In such cases the top-up will be calculated as an average of the contractor's NHS gross item of service payments in their current practice.
- Any contractor who is on maternity or sick leave at the time the financial support measures are put in place will continue to receive maternity and sickness payments until the end of their entitlement period.
- It is a condition of the financial support measures that practices ensure that people can make contact with a dental professional during normal working hours. Practice teams should make every effort to triage, advise and reassure patients who have a problem.
- Contractors must immediately advise their local NHS Board if their associateship agreement or any other arrangement with a practice has been terminated or put into abeyance whilst the current financial support measures are in place. In these circumstances the financial support for that contractor will cease with immediate effect.
- The Scottish Government subsequently issued a [memorandum setting out more details about the funding package](#). In addition, Practitioner Services has published a [Q+A to answer some of the queries it has received from dentists](#).

- On 9 April, the Scottish Government clarified that mixed dental practices that receive NHS support funding, [can also apply for support from other government sources](#) to cover the private element of their income. These latter claims should be proportionate to the amount of private dentistry delivered.

#### **d. Northern Ireland**

- Support measures start from March 2020 through to the end of the outbreak.
- Support payments will be 80% of the shortfall in Item-of-Service income for 2020 compared with the same month in 2019.
- In the event that a practice closes, clinicians and their staff must make themselves available to assist the wider NHS if asked by the HSCB. This is a condition of support.
- Crucially, primary care providers are allowed to access wider Government support in direct proportion to their percentage Health Service/Private split. Duplication of support is not permitted.
- GDCs/primary care orthodontists are required to request support from this scheme each month. The deadline for March-April was Thursday 09 April.
- Following the outbreak, if a practice's activity significantly increases when compared to previous years, some of the support payments may be clawed back over the period 2021-22 and 2023-24.
- The amount of clawback will be up to a maximum of 5% of the practice's previous year's annual item-of-service income.
- The clawback will not apply to practices which provide significant support to the wider NHS.
- Allowances and capitation payments will continue to be paid during 2020-21.

#### **2. 2019/2020 NHS reconciliation**

For those in primary care in England and Wales, within the next 12-week window, reconciliation of the 2019/20 contracts will take place. Hence it is important for providers and performers to understand this process and to factor this into their financial planning.

#### **a. England**

It is recognised that activity during the final month of contract year 2019/20 has been disrupted by the pandemic. Currently, the planned process to be followed for contract reconciliation is as follows:

Practices may agree with their commissioner to use the following activity from the Compass system as the basis for 2019/20 contract reconciliation:

- i) 11 months April 2019 to February 2020 *plus*
- ii) in agreement with commissioners, an additional month that may be one of:
  - March 2019 (default)
  - March 2020 or
  - average UDA/UOA delivery over an appropriate three-month period in 2019/20

agreed with their commissioner.

Version 1.0 Published 15 May 2020 – 14:00

For further information please visit [www.bos.org.uk](http://www.bos.org.uk)

It has been highlighted to NHSE that within orthodontics, in some cases, particularly involving new providers, none of these scenarios provide a reasonable estimate of the predicted level of uoa's that would have been achieved had the month of March been completed. Where procurement has taken place, the use of March 2019 is not valid for new or established providers. Alternative methods of reconciliation have been suggested and a response is awaited.

Any clawback repayments relating to contract year 2019/20 for consolidated performance of less than 96% may be payable over the financial year, with full balance payable by March 31<sup>st</sup> 2021.

In ordinary circumstances, the reconciliation process does not start until after June 30<sup>th</sup>, up until which point claims can still be submitted for activity within the contract year under review. This process is carried out by NHS BSA on behalf of NHS England. There has been no announcement that the timeframe in question will be any different.

**b. Wales**

The Welsh Government has provided guidance on practice continuity for all dental practices. All practices will have 4% waived in lieu for the last two weeks of March 2020. In effect, 4% will be added to actual performance, so practices will not receive clawback if they have made 95% of UDA/UOAs (or equivalent in contract reform practices) after addition of the 4% to actual performance. If the 4% does not bring the practice to 95% then recovery of the under achieved amount is an option for the Health Board to consider.

Reconciliation processes for 2020/21 in England and Wales have not yet been established.

**3. Government and other support measures**

**a. “Bounce Back” loan scheme.**

The Bounce Back Loan scheme, launched on May 4<sup>th</sup>, helps small and medium-sized businesses to borrow between £2,000 and £50,000. Loan terms will be 6 years. No repayments or interest will be due during the first 12 months. Government will cover any interest payable in the first 12 months through a Business Interruption Payment to the lender, and lenders will benefit from a 100% government-backed guarantee. The government has set the interest rate for this loan at 2.5% per annum. Businesses remain 100% liable to repay the full loan amount, as well as interest, after the first year. The scheme is delivered through a network of accredited lenders.

The Scheme has been designed to enable businesses to access finance quickly. Businesses are required to complete an online application form, which is expected to be assessed by their lender within a matter of days. In some instances, the lender may ask you for additional information, such as an HMRC self-assessment tax return.

You cannot apply if you're already claiming under the [Coronavirus Business Interruption Loan Scheme \(CBILS\)](#). If you've already received a loan of up to £50,000 under CBILS and would like to transfer it into the Bounce Back Loan scheme, you can arrange this with your lender until 4 November 2020.

**b. Coronavirus Business Interruption Loan Scheme (CBILS)**

The [Coronavirus Business Interruption Loan Scheme \(CBILS\)](#) helps small and medium-sized businesses to access loans and other kinds of finance up to £5 million. The government guarantees 80% of the finance to the lender and pays interest and any fees for the first 12 months.

**c. Self-Employed Income support**

The government will pay self-employed people a taxable grant based on their previous monthly earnings over the last 3 years, worth up to 80% of earnings and capped at £2,500 a month. To qualify you must have annual profits of LESS THAN £50,000 a year, according to HMRC.

The last three years' tax returns will provide the evidence of your earnings. HMRC will take an average of your earnings as a self-employed person over the last three years. If you have been self-employed for just one or two years HMRC will use the tax returns for those years. To qualify you must have either:

- Trading profits/partnership trading profits in 2018/19 of less than £50,000 and these profits make up more than half of your total taxable income: or
- You have average trading profits in 2016/17, 2017/18 and 2018/19 of less than £50,000 and these profits make up more than half of your average taxable income in the same period.

Payment is unfortunately not immediate as grants are not expected to be made until June but will be backdated to March. The payment will be made as one lump sum direct to your bank account. The scheme is expected to last for three months but will be reviewed and if necessary extended.

The grant will be awarded automatically and those qualifying will be identified from HMRC Self -Assessment records, HMRC will contact you with a form to complete and send back.

**d. Small Business Grant Fund**

Under the Small Business Grant Fund (SBGF) all eligible businesses in England in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) in the business rates system will be eligible for a payment of £10,000.

Eligible businesses in these sectors with a property that has a rateable value of up to and including £15,000 will receive a one-off taxable grant of £10,000. Businesses which are not

ratepayers in the business rates system are not included in this scheme. If your business is eligible for SBRR or rural rate relief, you may be contacted by your local authority but it would be wise to check as they are working with reduced staff. There is an online form to be filled in.

**e. Help through your bank**

If you have bank loans, overdraft or finance agreements then you can ask your bank, for example, to allow you a repayment holiday. We are aware that practices have already done this and have been granted repayment holidays of between 3 and 6 months.

**f. Automatic deferral of 31 July 2020 income tax payment for all taxpayers, not just the self-employed**

The second payment on account for 2019/20 which would have been due on 31 July 2020 will automatically be deferred until 31 January 2021.

**g. HMRC “Time to Pay” Scheme**

HMRC have had a “time to pay” scheme in existence for a number of years now. HMRC have announced that they will offer continued support for allowing “time to pay” for various taxes with an increase in HMRC resource for handling requests as this is expected to be used much more frequently because of the Virus crisis.

A “time to pay” arrangement cannot be implemented until the tax is actually due. It is also important to be aware that “time to pay” can also be requested in relation to PAYE liabilities.

**h. VAT liabilities**

VAT liabilities due between 20 March and 30 June can be deferred until 31 March 2021. Although deferment is an automatic entitlement you do not have to take advantage of it. However, if you wish to defer your VAT you must ensure that you cancel your Direct Debit to HMRC before payment is due and then reinstate it before the first VAT payment due after 30 June 2020.

**i. Mortgage repayment holiday**

In relation to your personal mortgage you can approach your building society or bank for a 3-month repayment holiday.

#### 4. Coronavirus Job retention scheme

The [government furloughed workers scheme](#) (Coronavirus Job Retention Scheme) allows employers to lay staff off, pay them 80% of their pay, and claim that 80% from the government (up to a maximum of £2500 pcm). This is a temporary scheme initially put in place for 4 months starting from 1 March 2020, but it has now been extended until the end of October. Employers can use this scheme at anytime during this period. New flexibility has been introduced from August allowing employees to return part time but employers will only be able to claim 60% from August. Further clarity is needed on this change to the scheme.

There is now clarity on whether mixed NHS/private practices (which accounts for most primary care orthodontic practices) can access support from this scheme. On 2<sup>nd</sup> April 2020, NHS England clarified that mixed practices can claim for furloughed workers for part of the time, in respect of private income and still receive their NHS income. NHS England has said that it will be asking of evidence of the portion of NHS/private income used in any applications for additional support.

The amount of money claimed under the furloughed workers scheme should be in proportion to the private income of the practice. Staff cannot be furloughed and paid in full from NHS payments at the same time. They should be either furloughed on 80% pay (subject to agreement) or paid in full in accordance with the new NHS income conditions.

As a Provider, review the members of the team that are working, the numbers required and if necessary, consider furloughing some of the employees to ease the financial burden of numerous staff at time when income will be reducing.

Support for employers can be [found here](#). Support for employees can be found [here](#).

Staff have to be furloughed for at least three weeks at any one time. If desired staff can be rotated on and off the scheme. Staff cannot carry out work for the employer whilst they are furloughed although can undergo training and CPD providing that it does not contribute directly to income generation for the business. Otherwise, there are few set rules as to how choose what staff to furlough or for how long.

BDA guidance is available here on [how to claim for furloughing payments](#). [Full government guidance on claiming for furlough payments](#) was issued on 20 April 2020. Keep good records of what you claim.

#### 5. Considerations for associates

Neither England, Wales, Scotland or Northern Ireland will be paying 100% of the contract payments. There are a number of conditions that apply to the continued NHS contract payments. Those conditions include:

- All staff, **including associates**, continue to be paid at previous levels
- Practices don't seek other assistance which would be duplicative

- All available staff may be required to be redeployed.

With respect to associates and NHS services, the starting point is that practices should continue to pay associates the NHS contract payments they would have received had COVID-19 not happened. Agreements to start or end associateships are, generally, likely enforceable and should be kept. In most cases, if a practice has agreed that an associate can start an associateship, the associates should start and should receive the NHS contract payments.

Most orthodontic businesses are continuing to share private income with associates on the same basis as it is received.

The BDA has set up a pay dispute service to support member associates during this time. Details can be found [here](#).

The BOS and the BDA expect the overwhelming majority of corporates or practice owners to pay associates appropriately. If this is not the situation for you, the BDA will happily take up this issue on your behalf and liaise constructively with your provider.

## **6. Financial management and cashflow considerations**

Businesses should adopt robust financial reporting moving forwards and it is recommended that businesses consider adopting more regular management accounts as a pro-active tool.

Develop a short term cashflow forecast. This should ideally cover a full quarter as it will capture all major outgoings such as rent etc. Your accountants or advisers will be able to help you with this.

- Monthly forecasting is unlikely to be adequate whilst daily forecasting creates too much work and may not be helpful. Generally, weekly forecasting is recommended.
- Make forecasting easy to ‘roll forward’ – the chances are you’ll be doing it again next week, so build a spreadsheet structure that can easily move on from week to week. If you are doing 13 weeks, will you use the same 13 columns again in the next update and relabel them
- Accountancy firm UNW has published [advice on the financial impact of COVID-19](#) for dentists and dental practices. They have also kindly agreed to let BOS share their [Viability Planning Forecast templates](#) for practices and a [12-week cashflow forecast template](#).
- Mechanisms to improve cashflow are discussed in sections 7,8 and 9.

In the longer term, the pandemic has highlighted the importance of contingency planning for businesses whether it is for unplanned absence, interest rate rises or further lockdowns in future years. This will be discussed more in guidance at a later stage of the recovery.

## 7. Cost control

### a. Anticipated cost increases

In their cashflow forecasting, practices should be aware of anticipated cost increases in the immediate post restriction period. These include but are not limited to:

- Additional PPE, screens for reception and any alterations to the premises.
- Additional staff costs upon end of furlough support.
- Possible additional staff costs due to potential increase in clinic hours and need for additional personnel with respect to cross-infection control procedures.
- Potential cost of any remedial work required to resolve clinical problems that may have arisen during lockdown.

### b. Cost control

#### i. Relationships with suppliers

Now is the time to work closely with your preferred suppliers as there are many ways they can help orthodontic businesses.

- Take full advantage of your standard 30- or 60-day payment terms.
- Discuss with your supplier what additional terms may be available, perhaps on larger orders.
- Some suppliers are open to “split payments” and also consignment ordering whereby you might negotiate a price based on a large order or annual usage but only take delivery of and pay for the materials in small amounts as you require them. In effect, the supplier holds the stock for you and retains ownership of it until you draw it down avoiding the need to tie up cash in stock.
- Explore deals with other suppliers, especially for high value items.

#### ii. Stock control

Sound financial practice would recommend not having too much cash tied up in stock, particularly over the next few months. However, this must be balanced with supply chains as some manufacturers have had interruptions with manufacturing during restrictions.

Check with your preferred supplier. Consider the following:

- Use this downtime to carry out robust stock take and identify longstanding stock that could be used.
- Operating maximum and minimum stock levels (check your supply chain) to avoid having too much cash tied up in stock
- Many suppliers are open to “little and often ordering” and are being more flexible about minimum order values.

### **Overheads: including rent, equipment costs**

Many landlords will be amenable to discussions about a rental holiday period allowing businesses to reduce one of their major overheads at this time. Similarly, many lenders are open to payments holidays for equipment loans or leases.

#### **iii. Other costs including professional fees**

Members of Dental Protection are being offered [two months' subscription relief](#), or the option to [defer their membership](#) for the duration of the pandemic.

Members of the Medical and Dental Defence Union of Scotland will have their subscriptions markedly reduced from April - by around 75% for full time dentists.

The Dental Defence Union is offering its members '[reduced subscriptions and prompt refunds tailored to individual circumstances](#)' on application.

BDA Indemnity is [reducing subscriptions](#) by around 70-80% for Associate Dentists and 65-70% for practice owners.

### **8. Increasing income**

Once restrictions are eased, a major priority will obviously be addressing the needs of existing patients. However, for many practices, seeing new patients and generating new income will also be a high priority.

- Schedule your new patient consultation slots and promote these sensitively through your preferred marketing channels.
- Consider continued use of remote consultation media such as video consultations to attract a wider demographic and also open up capacity. Keep in mind that as restrictions are lifted, the availability of many potential patients may also be impacted and so a video consultation may become an attractive option.
- Invest time in staff training and processes to maximise uptake from the consultations that are seen.
- Consider using a third-party company to offer finance options to patients, rather than using in house payment plans. This brings the treatment fee into the business immediately and will help cashflow, albeit there is a fee due to the provider.

### **9. Retail sales and cash handling**

Continued retail sales will provide a welcome income boost.

- Consider moving your retail sales to an online platform or simply by telephone or e-mail. Your website developer will be able to help you with an online platform. Services such as [shopify.co.uk](https://shopify.co.uk) or [shopwired.co.uk](https://shopwired.co.uk) make this very achievable.
- Contact your existing patients base to see if they require any retail sales.
- Once restrictions are lifted, consider adopting a cash-free approach to eliminate or reduce cash handling.

## **10. Patient factors and consumer behaviour/affordability**

Providers should be mindful of potential changes in consumer behaviour as a result of the pandemic and likely affordability issues with existing and potential private orthodontic patients.

- Many providers of patient finance are open to patients taking payment holidays which may help some patients in treatment. Providers should be mindful that this could also be an issue with patients with in-house payment plans and develop a strategy to deal with this sensitively.
- Moving forwards more potential patients are likely to be attracted to longer term payment plans. 3<sup>rd</sup> party providers are able to provide longer terms, often interest free to patients and their use also improves cashflow considerations for an orthodontic practice.
- Some 3<sup>rd</sup> party providers are open to re-financing existing in house payment plans to accelerate cash into a business.

## **11. Resources**

For the latest information from NHS England and NHS Improvement (including the CDO letters of preparedness) [click here](#).

For the latest BDA information and support, [click here](#).

Government guidance on the furlough scheme can be [found here](#).

Details of other government financial support measures can be [found here](#).

## **12. Acknowledgements**

Thanks to Alan Suggett and the team at UNW accountancy for kindly allowing us to share some of their resources. UNW is a leading independent firm of chartered accountants that delivers a wide range of accountancy and business advisory services to its clients. If you would like to contact them regarding their services then follow [this link](#).