



# General Practitioner Industry Benchmark Report 2019







# Foreword

General Practice remains under financial pressure across the country. In this current landscape it is vitally important to know how to improve profitability and where to look for assistance.

---

General Practice benchmarks are a crucial tool in understanding the drivers in your business.

---

We know that general practices are the backbone of the Australian medical industry and they are the backbone of Prosperity's health practice. Prosperity Health specialises in providing medical and allied health professionals with the financial services they need. Our team of specialists provide comprehensive planning, accounting, audit, taxation, salary packaging and personal financial advice to a wide range of health sector members.

At Prosperity Health, we want to make sure we are doing everything possible to support our general practice clients to grow, improve and eventually sell their practices for the highest price, so they can live and retire financially secure. We continually invest in developing our own professional skills, so we can make sure our clients receive best of breed advice from us and our trusted team of experts.

With 11 partners and over 130 staff throughout the firm, Prosperity has the necessary expertise, experience and resources to service our clients' needs throughout NSW, ACT and QLD. We are very proud of our leading reputation and we follow best practice processes and procedures to ensure our clients receive consistently high-quality services and solutions.

To provide our practice owning GP's with accurate, real time industry performance benchmarking information, we are proud to release our fifth Prosperity Health Benchmark Study as a tool to assist practices in understanding their key performance metrics and to help them keep ahead of their competition.

Stephen Guthrie  
Director  
Prosperity Health

---

There is a growing trend in better utilisation of the MBS and improved efficiencies in the bulk billing system

---

## Recent industry analysis

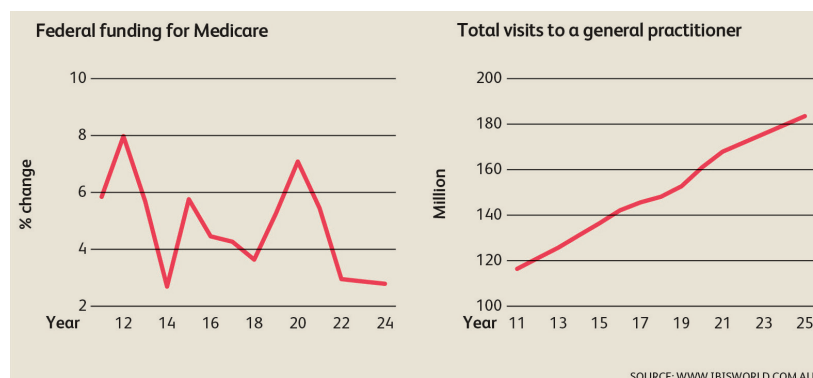
General Practice revenue is growing but only slowly - is this the impact of the Medicare cuts or are there other factors at play?

The April 2019 IBISWorld Industry Report into General Practice Medical Services provides some interesting high-level industry statistics:

- The General Practice Medical Services industry has grown over the last 5 years at an average rate of 3.5% per annum and at 3.0% for the 2018/19 year. Some of this growth has been as a result of small increases to MBS rates but the primary driver has been the increase in the number of consultations and the impact of our ageing population.
- Over the next five years, the industry is still expected to increase by an average of 3.8% per annum, driven by both population growth and the ageing population.
- A consequence of the ageing population has been the increase in bulk-billing rates, which covered up to 85% of all GP consultations over the past five years.
- Total visits to GP's have been steadily rising for a number of years and the report from IBISWorld expects this trend to continue.

While the number of patient visits is increasing, it appears that bulk billing is driving this increase. As a result, total industry growth is being driven by volume increase and not by price increases. This will continue to place further pressure on GPs to improve their efficiency and could lead to GPs pushing the boundaries of good medicine vs consultation time. This pressure could be the reason we are seeing a growing trend in Practitioners trying to better utilise the MBS and extract more value from the billing codes available under the bulk billing system.

The IBISWorld Industry Report shows the growing trend in patient visits.



## About the Prosperity Health GP Benchmarking Study

Our practice benchmarking study is in its fifth year and covers a broad cross section of our GP clients from NSW and QLD. Respondent practices cover a diverse cross section of the general practice industry.

The benchmarking and key performance indicator (KPI) results have been divided into four broad categories:

- Trading KPI's - including patient fees, bulk billing rates, and billing consultations split between consultation levels;
- Growth and Performance KPI's - including consulting room utilisation levels, patients per GP, and net profit;
- Staff KPI's - including the percentage of GP's that are full time, and staff salaries; and
- Operating Cost KPI's - including rent, electricity and other costs as a percentage of patient fees.

In each category we have provided two measures:

**Industry average** This represents the average benchmark / KPI result across the whole database of contributing practices

**Highest 20%** This shows the benchmark / KPI result for the upper 20% of each category, calculated separately for each individual benchmark.

Also included are a number of non-financial questions for Practice Managers and Owners. These questions provide insight into the owner doctors' thoughts on the industry and their practice and track trends for long term participants on issues such as:

- The owners' level of concern over sustainable patient numbers
- Whether it feels harder to run a GP practice in the current market compared to last year
- Concerns about the future of general practice

Over the next few pages we have listed some of what we see as the key highlights from the study.

---

Five years of benchmarking data is starting to reflect some consistent trends

---

## Understanding the Benchmark Numbers

Not all benchmarks are created equally. Whilst the process of data collection can itself provide useful insights, it is in the interpretation and analysis of the results where most knowledge is gained. Over the last five years we have found some benchmark results to be interesting but probably self-evident, whilst others results provide data of much greater relevance to the end users of the reports.

Some of the key findings which contribute to running a financially sound practice are highlighted below.

A large proportion of practice income is usually derived from the Service fees charged to consulting Doctors. Consequently, the individual performance of each Doctor in a clinic is crucial to the overall financial success of the practice itself. Once practice expenses are paid and the practice profit is determined, we can measure the contribution to this profit from each Doctor on a Full Time Equivalent (FTE) basis.

The four major variables in driving practice profitability are:

- The patient fees of the collective GP team
- The Service fee percentage charged
- Wages paid to nurses and admin staff
- Operating costs

### The Patient Fees of the GP

The first piece of the puzzle is the level of billings by each Doctor. The practice receives a service fee calculated as a percentage of the billings of the Doctors and this generally makes up a majority of the income of the practice. Some Doctors will bulk bill and others will have a majority of private billings. Even when bulk billing, the amount billed is also then dependent on the consultation level undertaken and billed.

Our benchmarking data show that the average billings per FTE GP is around \$411,000, with the top 20% of GPs billing an average of \$567,000 per year. Noticeably, the more successful practices tend to have a higher proportion of Level B and Level D consultations.

	Study Average	Top 20%
Fees charged per GP	\$411,650	\$567,771
Bulk Billing Percentage	57%	89.9%
Level B Consultation %	59.6%	75.4%
Level D Consultation %	5.3%	13.2%

## Understanding the Benchmark Numbers (continued)

### The Service fee percentage charged

While Service fees charged are dependent on many factors, including the patient mix and supply of and demand for GPs in a particular region, as a rule a higher percentage is charged by those practices where greater assistance is provided by nursing and administration staff.

### Wages paid to Nurses and Administration staff

As billings are typically considered to be income of the Doctors, the practice then charges the Doctors a service fee, with this service fee treated as income of the practice. Therefore, it is usually the wage expense of the practice nursing and administration staff which forms the largest expense of the practice. Control of this area of expenditure is a significant factor in the overall financial success of the practice.

Where practice nurses are more involved in patient care and hence allow a GP to effectively increase the overall patient fee base, scope exists to reduce the Service fee percentage slightly and still see a financial benefit for both the Doctor and the practice. However, the Practice needs to constantly monitor the use of nurses (paid by the practice) to make sure that the Doctor /Nurse mix is managed and remains financially viable.

On average practices spend 20.6% of total billings on Nurses and Administration Staff Wages and Salaries (including on-costs). However, larger practices with efficient staff management routines have been able to drive this cost down to an average of 12.5% of billings. This margin can make a significant difference to the financial outcomes for the practice.

	Study Average	Top 20%
Nurse and Administration Salaries	20.6%	12.5%

### Operating costs

Some of the less crucial benchmarking numbers from the study include other operating expenses. While it is important not to pay too much for medical supplies or outgoings, we have found that variances in these costs do not make major contributions to the overall success of the practice.

## Understanding the Benchmark Numbers (continued)

The largest area of cost (excluding staffing costs) is rent, at around 6% of billings – most other expenses are relatively insignificant and generally represent less than 1% of billings.

	Study Average	Top 20%
Rent Expense	6.0%	3.8%
Electricity Expenses	0.5%	0.1%
Telephone Expenses	0.8%	0.5%

### Net Contribution per GP

All of the above factors form part of a bigger picture and drive the overall profitability of the practice. One way to measure this profitability is the Net Contribution per FTE GP. This is the actual profit of the practice expressed in terms of the dollar value generated per full time equivalent GP.

This measure will vary from practice to practice and largely depends on the patient demographic, the billing practices and the Doctors. To illustrate the variability of factors, consider the following two scenarios:

Doctor A – privately bills above the MBS, has a high percentage of schedule B consultations, averages four patients per hour, performs the majority of consultations without nursing involvement and who pays 35% as a Service fee to the practice.

Doctor B – bulk bills all patients, sees an average of six patients per hour, utilises a variety of billing codes, uses the services of a nurse regularly and pays 40% as a service fee to the practice.

Without a correct benchmarking process, it is simply not possible to second guess which scenario produces a better financial result - both for the individual Doctor and also for the practice.

Our study has found that the average practice generates a net profit of approximately \$37,000 per full time equivalent GP, whilst high-profit practices achieve a 230% better outcome.

	Study Average	Top 20%
Net Contribution per FTE GP	\$37,689	\$85,742

Given the risks involved in running a medical practice and the extra time typically invested by owner Doctors into the practice, is this return on investment enough to warrant the additional stress and time involved? We have seen a growing trend amongst younger GPs to reject practice ownership in favour of longer-term associate doctor agreements, in order to benefit from greater flexibility and improved lifestyle outcomes.







## The need for supplementary income

Most practices understand billings and the importance of the income generated by the Doctors. However, in many cases the net Contribution of the FTE GP's is not achieved solely through patient billings.

To be a financially successful practice, income needs to be generated from sources other than patient billings. For example, a typical practice might have the following costs as a percentage of patient billings:

- |                          |     |
|--------------------------|-----|
| • Contracting Doctors    | 65% |
| • Nurses and Admin costs | 20% |
| • Rent                   | 6%  |
| • Other costs            | 5%  |

This leaves a 4% profit for the practice - not a large margin for error. If some Doctors demand a lower Service fee percentage or the staff mix isn't quite right, it is very easy to slip into a loss situation very quickly, where the owners need to subsidise the underperforming practice. It is typically the Owner Doctors who end up covering this shortfall and taking home a lower percentage of their own billings.

Most practices now realise that to succeed in the current environment, they need other sources of income. This income will not just supplement the practice profits, but in most cases it will prove essential to the practice turning a profit and achieving a net contribution per GP.

This additional income can come from a number of sources, with the main source being Government incentives such as PIP and PNIP. This income can vary from 0% to 13% of patient billings, depending on a range of factors and the accreditation of the practice.



## The need for supplementary income (continued)

As well as Government incentives, practices are supplementing their income by renting under-utilised rooms to third parties. Historically, the most lucrative tenants have been pathology or other medical service suppliers but changes from 1 July 2018 (as set out in the Department of Health (DOH) Redbook) have mandated changes in this area. From that date new lease contracts entered into will be required to ensure that:

- the rent charged is not substantially different from the market value of rental rates for the rest for the premises;
- the rent is not related to the number, kind or value of requests for pathology or diagnostic imaging services made by the relevant requester; and
- if the provider is a pathology provider, the provider either establishes an approved collection centre or an accredited pathology laboratory in the premises within 60 days of entering the arrangement, or renders professional services in the premises, and does not use or occupy the premises for any other purpose.

These changes are already having a significant impact on the level of supplementary income generated by medical practices. With the pathology and diagnostic imaging incomes potentially reducing when contracts are renewed, combined with the reduction in pharmacy rental arrangements a few years ago, many practices will face a much tougher future.



## Technology and AI as drivers of change

With third party sources of income under pressure, many practices are turning to technology to drive efficiency and process improvements. Practices are increasingly investing in systems and technology to assist in collecting richer financial data on a timelier basis, improving billing automation between practice management systems and accounting systems, automating patient booking systems and streamlining online payroll and rostering systems.

The cost of investment in better technology and reporting processes can often be offset by savings in administration wages.



We see this area as a major driver in the management of Medical Practices in the future, as well as a means of driving a reduction in expenses and hence contributing to the maintenance and even growth of Medical Practice profitability into the future.

## Conclusion

At Prosperity Health we offer tailored benchmarking and practice consulting services to help you monitor and improve the performance, growth, profitability and value of your practice. For further details and to review your own practice planning matters, contact your local Prosperity Health office to arrange for an initial consultation.

## Want to get involved?

Health practitioners understand the importance of diagnosing the correct cause of a health issue. By correctly identifying the symptoms, the right treatment can be provided and the benefit to the patient will be invaluable.

The Prosperity Health team has applied the same philosophy to our benchmarking program. A tailored individual diagnostic report will assist your practice by correctly identifying potential issues and the follow up consideration will address and prioritise key focus areas to support the achievement of your practice goals.

The Prosperity Health team is offering medical practices an exclusive tailored diagnostic report and follow up consultation. The necessary information can be gathered by you or your practice manager within an hour, and our report will be received within 10 business days. Please call your local Prosperity Health office or email us at [mail@prosperity.com.au](mailto:mail@prosperity.com.au) for more details.

---

Is your practice  
meeting or  
exceeding the  
benchmarks?

---

## A dedicated team



**Stephen Guthrie**

Director, Business Services & Tax  
T 02 8262 8702  
E [sguthrie@prosperity.com.au](mailto:sguthrie@prosperity.com.au)  
Location: Sydney



**Megan Smith**

Director, Business Services & Tax  
T 02 4907 7207  
E [msmith@prosperity.com.au](mailto:msmith@prosperity.com.au)  
Location: Newcastle



**Ashley Quinton**

Director, Business Services & Tax  
T 07 3007 1915  
E [aquinton@prosperity.com.au](mailto:aquinton@prosperity.com.au)  
Location: Brisbane



**Brendan Campbell**

Director, Business Services & Tax  
T 07 3007 1909  
E [bcampbell@prosperity.com.au](mailto:bcampbell@prosperity.com.au)  
Location: Brisbane



**Gary Dean**

Director, Financial Services  
T 02 8262 8712  
E [gdean@prosperity.com.au](mailto:gdean@prosperity.com.au)  
Location: Sydney



**John Manuel**

Director, Financial Services  
T 02 4907 7252  
E [jmanuel@prosperity.com.au](mailto:jmanuel@prosperity.com.au)  
Location: Newcastle



**Hamish Landreth**

Associate Director, Financial Services  
T 07 3007 1922  
E [hlandreth@prosperity.com.au](mailto:hlandreth@prosperity.com.au)  
Location: Brisbane



**Sam Gadani**

Associate Director, Business Services & Tax  
T 02 8262 8747  
E [sgadani@prosperity.com.au](mailto:sgadani@prosperity.com.au)  
Location: Sydney



Prosperity is an independently owned, award-winning chartered accounting and financial advisory firm with offices in Sydney, Brisbane and Newcastle.

Our Health team specialises in providing medical and allied health professionals with the financial services they need. Our team of specialists provide comprehensive accounting, audit, taxation, salary packaging and financial advisory services to practices of all sizes as well as individual practitioners and their families.

With 11 partners and over 130 staff throughout the firm Prosperity has the necessary expertise, experience and resources to service our clients' needs throughout NSW, the ACT and QLD. We are very proud of our reputation among our clients and we follow best practice processes and procedures to ensure our clients receive consistently high-quality service and solutions.

You may be interested in viewing our video series on GPs at our website [www.prosperity.com.au](http://www.prosperity.com.au)

Our experienced Prosperity Health team can work closely with you to assess your individual circumstances and work with you to develop strategies to reach financial goals and objectives.

---

Your Prosperity  
is our business

---





prosperity  
health

Sydney  
Level 11,  
309 Kent Street  
Sydney NSW 2000

T 02 8262 8700  
[prosperity.com.au](http://prosperity.com.au)

Newcastle  
2nd Floor,  
175 Scott Street  
Newcastle NSW 2300

T 02 4907 7222

Brisbane  
Level 22,  
333 Ann Street  
Brisbane QLD 4000

T 07 3839 1755