

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 March 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Healthcare Contracting Report: Month 11 Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Shaun Ayres, Assistant Director of Commissioning

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The report outlines the Health Board's (HB) approach and negotiations relating to contracting in 2021/22. There have been initial conversations across Wales around the approach to be undertaken in the new financial year. The Healthcare Contracting Team (HCT) continues to advocate that robust contract management and Value For Money principles must be employed throughout 2021/22.

Cefndir / Background

The HB is proposing to spend c. £151m on commissioned services and provide c. £33m of income through provision of services to other organisations (*Healthcare Contracting Expenditure and Income*) in 2021/22.

Within this transactional range there are requirements to exercise grip and control, and ensure the quality of the HB's contract portfolio, and scope to seek and act upon opportunities identified within the service activities provided.

The Finance Committee needs to be fully abreast of, and sighted on, any material changes affecting external spend or receipt of income. This includes, but is not limited to, the proposed approaches to the 2021/22 contracting round.

Asesiad / Assessment

The paper supplements the previous contracting update relating to discussions held by the Wales LTA Task and Finish Group (the Group) regarding the 2021/22 Long Term Agreements (LTAs), which was presented to the Committee in its meeting held on 25th February 2021.

Due to the continued uncertainty resulting from the COVID-19 pandemic, unprecedented changes in activity trends for the end of the financial year 2019-20 and throughout 2020-21 have been seen. Elective Care activity was suspended on two separate occasions in 2020-21, and NHS Providers and Health Boards are facing a significant backlog in their waiting lists, with increased waiting times. LTA contractual arrangements have been suspended in 2020/21 to ensure financial stability for all Health Boards, Trusts and Welsh Health Specialised Services.

These arrangements exclude high cost drugs and devices, which continue to be charged on a 'pass through' basis. The payments for 2020/21 are based on 2019/20 out turn plus inflation and uplift, and amended for any service development or investment/ dis-investment. The adverse impact on Planned Care work is acknowledged, with high numbers of COVID-19 patients being admitted through Unscheduled Care. In addition, due to the enhanced levels of infection control required, it is unclear what the 'new normal' will look like, based on restricted capacity in the future.

There is an expectation that during 2021/22, given the continued progress of the Vaccination Programme, Elective Care services will be able to resume.

LTA and Service Level Agreement (SLA) contracts are still required to be signed by the 31st March 2021.

Principles agreed by the Wales LTA Group

- Agreements should simplify full LTA processes during the pandemic period;
- The arrangements should be fair;
- Integrity within the system will continue;
- Funds Flow - no Health Board should suffer financial disadvantage due to the temporary LTA arrangements which are in place. Recommendations should be made to Welsh Government (WG) that adjustments in COVID-19 allocations for 2021-22 should reflect any change in LTA payments arising through temporary arrangements.

Assessment of Factors and Options

There were two main factors considered by the Wales LTA Group – these being contractual terms and payment mechanisms, and the time frames that would be applied:

1. **Contractual Terms and Payment Method** – consideration was given to the following options:
 - a. Block Payment
 - b. Return to established LTA and SLA arrangements
 - c. Enhanced payment for waiting list recovery work
 - d. NHS England-type arrangement with threshold payments
2. **Time Frame** – how long does the agreement need to be in place?

It was agreed that extant LTA agreements (2020/21) should be considered as the default option, with other options being viewed as temporary solutions for consideration.

Outcomes of Discussions held by the Wales LTA Group:

- An NHS England-type system was discussed, which would require further work, with some amendments to align with NHS Wales arrangements.
- All organisations agreed to block arrangements for the first quarter; however HDdUHB required a firm commitment to leaving the block in Quarter 2.
- It was agreed that a monthly review would be undertaken throughout the 2021/22 financial year, or for as long as required to assess the appropriate approach for each forthcoming quarter.
- All representatives agreed that adjustments should apply for repatriation/ investment/ dis-investment etc. as long as appropriate scrutiny is in place.
- Pass-through costs for high cost drugs and devices would continue.

It was accepted by the Group that the service implications for 2021/22 would potentially follow the forecast profile i.e. Months 1-6 are likely to reflect current 'COVID-19' conditions, with a return to normal service delivery likely for Quarter 3, and recovery beginning from Quarter 4. Although there was a mutual recognition of the need to leave the block arrangement as soon as possible, it was acknowledged that there would be a high level of uncertainty and that arrangements would need to be responsive to changing situations. It was therefore agreed that the most appropriate timescale should be predicated on agreeing principles for Quarter 1 with subsequent rolling monthly review by the Group.

Other Discussions

1) WG funding for Recovery Work

The Group identified WG funding support and Funds Flow as a key factor to consider when determining the preferred option and recommendation to ensure equity. The Group debated the approach to be adopted in relation to whether funding should be channelled through Providers or Commissioners. Whilst this discussion falls outside the remit of the Group, it was felt that it was important to highlight the issue to ensure that Funds Flow does not create inequity in terms of financial performance across Wales and that patients who are treated in England are fully funded.

2) National Tariff

The Group felt that in order to support future LTA negotiations and the potential re-basing of activity levels due to capacity changes brought about by the COVID-19 pandemic and inability to deliver previous baselines, it would be timely and appropriate to develop an all Wales tariff to underpin future agreements.

3) Quality Impact and Waiting Lists

HDdUHB representatives raised concerns around the waiting lists and lack of clarity around the risk of patient harm. It was advocated that there needs to be clear articulation pertaining to the monthly Patient Treatment List(s) (PTL). Furthermore, a clear understanding was required regarding how any planned reduction within the PTL was going to be undertaken/ achieved. This, coupled with a review of patient harm and equity of access, was confirmed as essential going into 2021/22.

Summary of Recommendations to Director of Finance (DoF) Forum (via Deputy DoF):

1. To remain on a block contract for both LTAs and SLAs for Quarter 1 of 2021/22, with the aim of returning to a flexible payment method as soon as possible. Payments to be based on 2020/21 plus 2%.
2. To enable adjustments for repatriation, investment and dis-investment with agreement of both/ all parties through a robust and open book process.
3. To maintain the Wales LTA Task and Finish Group to review the situation on a monthly basis with an aim to return to full LTA arrangements when it is appropriate to do so, and also to agree a mechanism for payment.
4. To retain integrity in LTA arrangements by ensuring equal access for Commissioner patients in line with extant contracts and to provide financial information and data relating to activity, waiting times and patient care quality on a monthly basis.

Argymhelliad / Recommendation

The Committee is asked to note the negotiations and discussions held to date, and to note the recommendations made by the Wales LTA Group.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	5.5.9 Commissioning regular reviews of key contracts, suppliers and partners to ensure they continue to deliver value for money
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	646 (score 16) - Ability to achieve financial sustainability over medium term
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives:	Improve Population Health through prevention and early intervention

Gwybodaeth Ychwanegol: Further Information:

Ar sail tystiolaeth: Evidence Base:	Evidence is included within the report
Rhestr Termiau: Glossary of Terms:	Explanation of terms is included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	Not Applicable

Effaith: (rhaid cwblhau) Impact: (must be completed)

Ariannol / Gwerth am Arian: Financial / Service:	Value For Money principles to be included in LTAs
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable
Risg: Risk:	Included within the report

Cyfreithiol: Legal:	Not Applicable
Enw Da: Reputational:	Possible impact upon relationship with Swansea Bay University Health Board (SBUHB) and Cardiff and Vale University Health Board (CVUHB)
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable