

Bundle Finance Committee 26 August 2020

2.6

Healthcare Contracting Report

Presenter: Shaun Ayres

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[2.6 Appendix 1 M4 Income Dashboard.docx](#)

[2.6 Appendix 2 M4 LTA Dashboard.docx](#)

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 August 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Healthcare Contracting Report: Month 4 Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Shaun Ayres, Assistant Director of Value Based Contracting

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

This report provides the Finance Committee with the Month 4 position, specifically in relation to Long Term Commissioned Agreements (LTAs), and also highlights other areas that affect the year-to-date Healthcare Contracting position.

The report outlines the Health Board's (HB) approach to contracting during Quarter (Q)1 and Q2 in response to the COVID-19 pandemic (as previously described) and details some of the areas subject to ongoing work by the Healthcare Contracting Team (HCT) to ensure that robust contract management and Value For Money principles are employed throughout 2020/21.

Cefndir / Background

The HB spends c. £140m on commissioned services and receives c. £30m of income through provision of services to other organisations (*Healthcare Contracting Expenditure and Income*).

Within that transactional range there are requirements to ensure the exercise of grip and control of the HB's contract portfolio and also 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, and briefed fully on LTA contracts.

Asesiad / Assessment

The Committee is requested to note pan-Wales agreements to block Q1 and Q2 LTA income and expenditure at 2019/20 outturn levels, plus inflation and pay awards. Contracts have been agreed upon historical baselines for the remainder of 2020/21, which facilitates stability and understanding, both during this period and at the point when activity moves away from block contracting arrangements, the process for which will need careful management.

The position at Month 4 is beneficial to the HB's Income LTAs, due to the outturn position being better than historically-adjusted contract baselines. However, there is significant risk to income

from Non-Contracted-Activity (NCA), with this lost income badged as a cost of COVID-19 (c. £450k per month). There is also a significant reduction in income received from the CRU* (road traffic accidents) and OSV (Overseas Visitors), and thus the 'benefit' gained from increased income from the block LTAs is negated by this 'lost' revenue, resulting in a reported adverse position of £1.93m – the majority of this sum being attributable to NCA 'lost' income. This is not necessarily indicative of future trend, and as lockdown measures are eased it is possible that evidence of improvement in this position will be seen relatively rapidly over the forthcoming months.

The blocks upon Expenditure LTAs means that they run more or less at budgeted values. It is noteworthy that high cost drugs, being a 'pass-through' payment, are not subject to the block arrangement. This is the main driver of the expenditure position, which is a £580k positive position (spend less than budget). High cost drug expenditure is historically volatile and will require the collation of further information and evidence over the next few months to provide a clear understanding of the position, and to inform a robust forecast. Welsh Health Specialised Services Committee (WHSSC) is currently reporting a position over budget due to the block arrangement in place. Indications are that the position will improve over the next few months as the delivery of that particular contract is reviewed in the light of UK NHS guidance and the ability to deliver planned service developments.

High level summary information on the Healthcare Contracting Income and Expenditure positions are provided within Appendices 1 and 2.

As previously described, the contracts are blocked for the first six months of 2020/21. During this period a push for more visibility, focus and discussion of the quality and delivery aspects of the HB's LTAs is underway with partner organisations, with the aim of achieving a better understanding and improved physical outcomes, driven by VFM principles. A clear added concern for all HBs is the management of activity and contracts following the block arrangements; therefore dialogue with the HB's contracting colleagues is ongoing, looking at, for example, Referral To Treatment positions, whilst awaiting any relevant central guidance that may be issued.

Work is underway to review activity with the HB's partners in order to seek advantages from treatment pathway design, (eg. Spinal work/ Cardiology), repatriating activity where appropriate and seeking opportunities where Hywel Dda University Health Board (HDdUHB) may be better served by enhancing or expanding services within its hospitals (eg. Ophthalmology services). Work has also been ongoing with English providers, looking at cross-border patient flows and arrangements that better serve the HB's patients (in terms of quality), and the HB (in financial terms).

Additional work continues on NCA, closing out negotiations on aged debt, whilst improving process regarding income generation in readiness for a more 'business as usual' approach.

Prior to the COVID-19 outbreak, the HCT had worked on rebasing LTA contracts to gain appropriate recompense for work undertaken for other HBs and to avoid effectively reduced income incurred by the setting of historic baselines and marginal rates. Effectively, the block agreements represent the future arrangements that the HCT had sought to make. Whilst the underlying agreement of plans is still based upon the historical position, the opportunity to contract at outturn plus adjustments, in line with the All-Wales approach to the block arrangement process, will be supported for future commissioning arrangements in 2021 (notwithstanding any central guidance to the contrary) and presents a real opportunity to improve the HB's income position

* The Compensation Recovery Unit (CRU), part of Department for Work and Pensions, works with insurance companies, solicitors and any DWP customers, to recover costs incurred by NHS hospitals and Ambulance Trusts for treatment from injuries from road traffic accidents and personal injury claims (Recovery of NHS Charges).

Argymhelliad / Recommendation

The Committee is asked to note the steps being taken to manage contracts for the remainder of 2020/21 and to mitigate the financial risk in the LTAs.

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:	856 (score 20) Ability to deliver the Financial Plan for 2020/21
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: Hyperlink to HDdUHB Well-being Statement	Improve Population Health through prevention and early intervention

Gwybodaeth Ychwanegol:

Further Information:

Ar sail tystiolaeth: Evidence Base:	Report, attached at Appendix 1
Rhestr Termiau: Glossary of Terms:	Included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	People, Planning and Performance Assurance Committee.

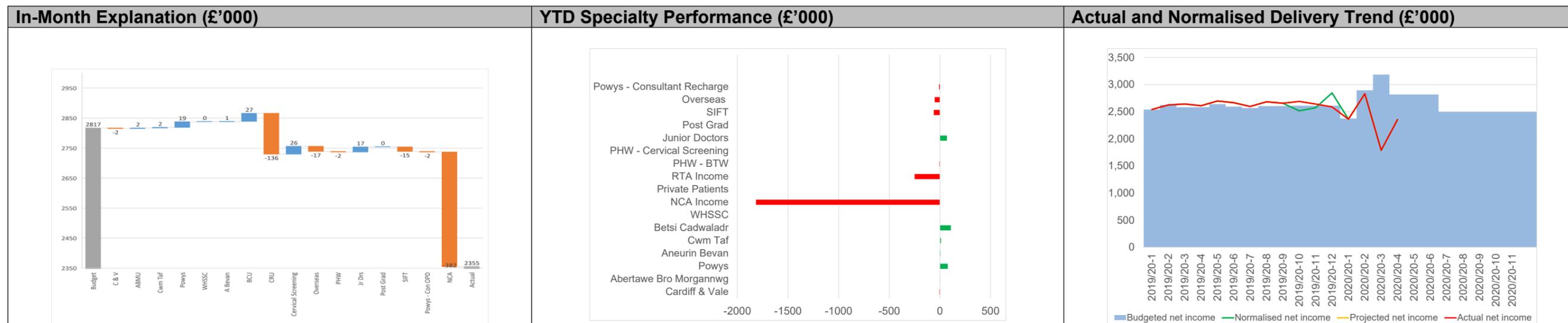
Effaith: (rhaid cwblhau)

Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Appendix 1
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

Appendix 1 – Healthcare Income Monthly Dashboard

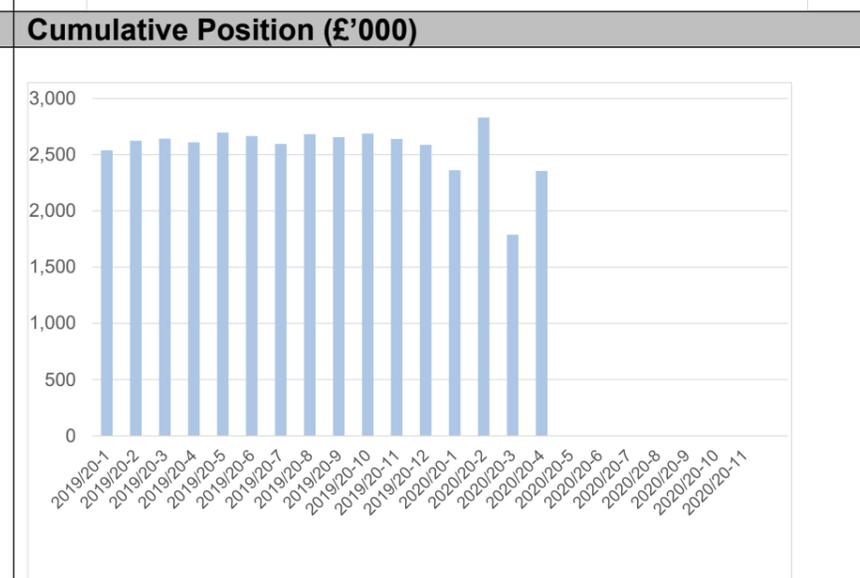
Division	Central Income	Month	4	In-Month RAG Variance (Green, favourable; Amber > 0%; Red > 3%)	16%	Variance against YTD ave (↓deterioration; ↑improvement)		In-month Variance (£'m)	0.46
								Adverse is positive	
								Cumulative Variance (£'m)	1.93
								Projected Variance (£'m)	2.61

Commentary	Key actions		
	Action	Responsibility	Due date
<ul style="list-style-type: none"> All LTAs agreed and signed off with other Health Boards in Wales for 2020/21 NCA tariffs 2020/21 now agreed and activity up to Month 3 invoiced, EOY outturn substantially impacted due to COVID, budgets adjusted to take into account seasonality CRU has been adjusted to take into account decreased A& E activity impacting on claims submitted Income budgets have been adjusted to reflect the underperformance against the relevant individual areas. 	Progress how LTAs are going to be managed after Q2 block arrangement	SA/SS	On going
	Chase HEIW when allocations for 2020/21 will be finalised	AB	On going
	COVID position will be revised monthly as lockdown restrictions and guidance is updated and reflected in ledger position	All	On going



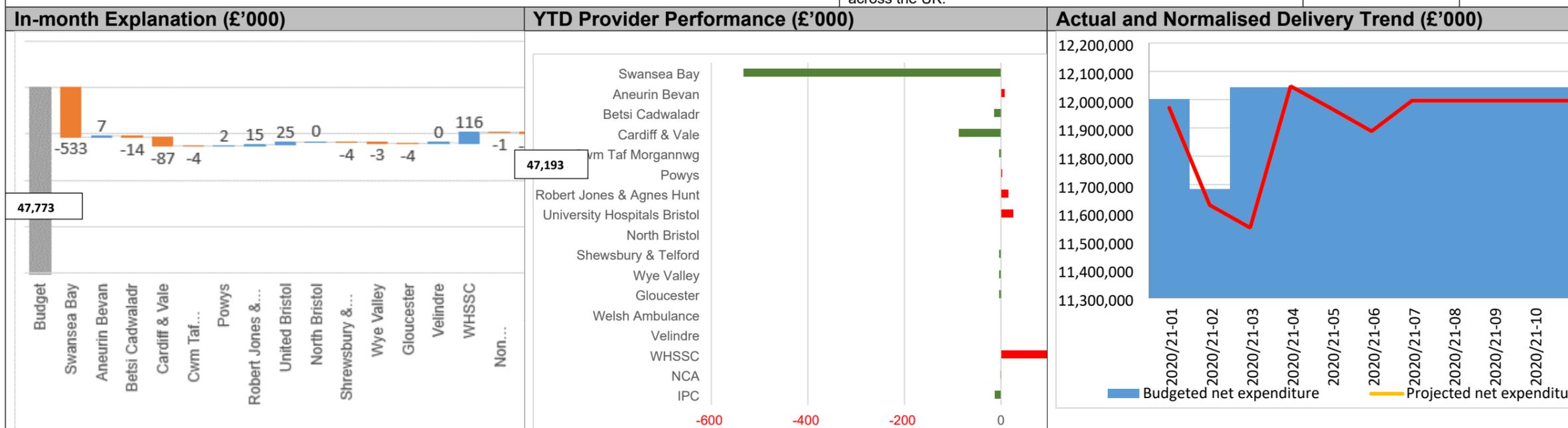
Forecast (£'m)			
	Status (Signed)	Outturn Forecast £'m	Variance £'m
Cardiff & Vale	✓	(0.3)	0
Swansea Bay	✓	(3.8)	0
Powys	✓	(7.5)	(0.2)
Aneurin Bevan	✓	(0.3)	0
Cwm Taf Morgannwg	✓	(0.5)	0
BCU	✓	(4.9)	(0.3)
WHSCC	✓	(1.7)	0
NCA		(1.4)	2.9
RTA		(1.0)	0.1
PHW – Cervical Screening		(0.8)	0
Education & Training		(6.5)	0
Overseas		(0.1)	0.1
Powys – Con Recharge	✓	(0.2)	0
Total		(29.0)	2.6

YTD Explanation (£'m) Outline of £ consequences from key issues	
	£'m
BCU – over performance	(0.10)
Powys – over performance	(0.08)
NCA - impact of COVID	1.8
CRU – Impact of COVID	0.25
Other	0.06
Variance against budget	1.93



Month	04	In-Month RAG Variance (Green, favourable; Amber > 0%; Red > 3%)	0%	Variance against YTD ave (↑ deterioration; ↓ improvement)	↑	In-month Variance (£'m)	0.004
						Adverse is positive	
						Cumulative Variance (£'m)	(0.580)
						Projected Variance (£'m)	(1.086)

Commentary	Key Actions		
	Action	Responsibility	Due date
<ul style="list-style-type: none"> As a result of the COVID-19 pandemic all contracts have moved to a series of block agreements where the quantum is roughly at a budgeted level. There has been a £500k positive movement against plan as result of NICE drugs usage in the Swansea Bay contract – High Cost drugs being ‘pass-through’ payments are not subject to the block agreements. 	Progress how LTAs are going to be managed after Q2 block arrangement.	SS/SH	Ongoing
	Continued performance management of Non Contracted Activity and IPFR Expenditure/agreements to ensure reductions in expenditure where possible.	SS/SH	Ongoing
	Ensure management and influence is present within the WHSSC contract to keep a tight rein on expenditure & afford the Health Board the potential benefits it may be due to a potentially revised and delivered contract due to changing commissioned services across the UK.	SS/SH	Ongoing



WHSSC Provider Breakdown (£'000) – Month 03 2020/21	YTD Out-turn Explanation £'000s						Cumulative Position (£'000)																																																																																																							
<table border="1"> <thead> <tr> <th></th> <th>£'000 Month 03</th> <th>£'000 Month 03 EOY</th> </tr> </thead> <tbody> <tr> <td>WHSSC</td> <td>115</td> <td>115</td> </tr> </tbody> </table>		£'000 Month 03	£'000 Month 03 EOY	WHSSC	115	115	<table border="1"> <thead> <tr> <th>Provider variance against budget not LTA</th> <th>Mth 4 £,000s</th> <th>Mth 3 £,000s</th> <th>Change</th> <th>Mth 3 £,000s</th> <th>Mth 2 £,000s</th> </tr> </thead> <tbody> <tr><td>Swansea Bay</td><td>(533)</td><td>(509)</td><td>(25)</td><td>(509)</td><td>8</td></tr> <tr><td>Cardiff & the Vale UHB</td><td>(87)</td><td>(65)</td><td>(22)</td><td>(65)</td><td>(44)</td></tr> <tr><td>United Hospitals Bristol</td><td>25</td><td>19</td><td>6</td><td>19</td><td>12</td></tr> <tr><td>Shrewsbury, Hereford and Gloucester</td><td>(11)</td><td>(8)</td><td>(3)</td><td>(8)</td><td>(5)</td></tr> <tr><td>Robert Jones and Agnes Hunt</td><td>15</td><td>11</td><td>4</td><td>11</td><td>7</td></tr> <tr><td>North Bristol</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(5)</td></tr> <tr><td>Aneurin Bevan</td><td>7</td><td>5</td><td>2</td><td>5</td><td>3</td></tr> <tr><td>Powys</td><td>2</td><td>1</td><td>0</td><td>1</td><td>1</td></tr> <tr><td>Non Contracted Activity</td><td>(1)</td><td>(62)</td><td>61</td><td>(62)</td><td>358</td></tr> <tr><td>IPC</td><td>(12)</td><td>(9)</td><td>(3)</td><td>(9)</td><td>(6)</td></tr> <tr><td>Betsi Cadwaladr</td><td>(14)</td><td>(11)</td><td>(4)</td><td>(11)</td><td>(7)</td></tr> <tr><td>Velindre</td><td>-</td><td>-</td><td>-</td><td>-</td><td>(39)</td></tr> <tr><td>Cwm Taf Morgannwg</td><td>(4)</td><td>(3)</td><td>(1)</td><td>(3)</td><td>(2)</td></tr> <tr><td>WHSSC</td><td>116</td><td>87</td><td>29</td><td>87</td><td>58</td></tr> <tr><td>SARC</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr> <tr><td>Total</td><td>(498)</td><td>(544)</td><td>45</td><td>(544)</td><td>339</td></tr> </tbody> </table>	Provider variance against budget not LTA	Mth 4 £,000s	Mth 3 £,000s	Change	Mth 3 £,000s	Mth 2 £,000s	Swansea Bay	(533)	(509)	(25)	(509)	8	Cardiff & the Vale UHB	(87)	(65)	(22)	(65)	(44)	United Hospitals Bristol	25	19	6	19	12	Shrewsbury, Hereford and Gloucester	(11)	(8)	(3)	(8)	(5)	Robert Jones and Agnes Hunt	15	11	4	11	7	North Bristol	-	-	-	-	(5)	Aneurin Bevan	7	5	2	5	3	Powys	2	1	0	1	1	Non Contracted Activity	(1)	(62)	61	(62)	358	IPC	(12)	(9)	(3)	(9)	(6)	Betsi Cadwaladr	(14)	(11)	(4)	(11)	(7)	Velindre	-	-	-	-	(39)	Cwm Taf Morgannwg	(4)	(3)	(1)	(3)	(2)	WHSSC	116	87	29	87	58	SARC	-	-	-	-	-	Total	(498)	(544)	45	(544)	339	
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