

Bundle Finance Committee 27 January 2020

2.7

Contracting Update

Presenter: Shaun Ayres

2 7 Contracting Update Report SBAR

2 7 Healthcare Contracting Update Report



PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 January 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Contracts 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)

Er Gwybodaeth/For Information

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

This report provides the Finance Committee with the Month 9 current and forecast position in relation to Long Term Agreements (LTAs). The report, attached at Appendix 1, highlights the key drivers of expenditure and activity within the LTAs.

The Committee is asked to note the report and the steps being taken to mitigate the financial risk in the LTAs.

Cefndir / Background

There are significant opportunities to improve governance of the ratification of additional investments within the LTAs. LTA expenditure is increasing year on year and poses a significant risk to Hywel Dda University Health Board's (HDdUHB's) Financial Control Total

The Finance Committee needs to be fully abreast of, and sighted on, any material changes affecting the increase in external spend and briefed on external contracts.

Asesiad / Assessment

The financial over-spend is predominantly driven within Swansea Bay University Health Board (SBUHB), where Critical Care, Neurology and High Cost Drugs are the key drivers of expenditure.

For Cardiff and Vale University Health Board (CVUHB) the key drivers remain High Cost Drugs and Critical Care, where expenditure has increased compared to Month 8; however an improvement in the financial position is reported due to Orthopaedic activity falling below plan

Welsh Health Specialised Services Commission (WHSSC) is financially under-plan, mainly due to the release of reserves.

Argymhelliad / Recommendation

The Committee is asked to note the report and the steps being taken 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:	Not Applicable
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:	This report goes to Finance Committee and Business, Planning and Performance Assurance Committee.

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	The year-to-date position is £466k above the Financial Plan

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 SBUHB and CVUHB
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Appendix 1

Staff and Resources – NHS external providers – direct patient care

Lead Committee: IPAC

Executive Lead: Huw Thomas

Senior Responsible Officer: Shaun Ayres

Latest data

Month 9 - Current and Forecast Position – Financial Position – All Providers

Direct Patient Care Summary	Annual Budget	M9 YTD Budget	YTD Expenditure	YTD Variance
	£'000	£'000	£'000	£'000
Swansea Bay	33,004	24,753	25,256	503
Cardiff & Vale	5,270	3,953	4,106	153
WHSSC - Specialised Services	72,310	54,068	53,401	(667)
WHSSC - EASC	22,596	16,947	16,947	0
Aneurin Bevan	266	200	207	7
Betsi Cadwaladr	271	203	170	(33)
Cwm Taf	451	338	344	6
Powys	182	136	142	6
Velindre	964	723	682	(41)
Welsh Ambulance	1,080	810	818	8
Public Health Wales	60	45	45	0
Other UK NHS Trusts	930	698	1,129	431
NCA	812	609	714	105
IPC	650	488	477	(11)
TOTAL - Direct Patient Care	138,848	103,971	104,438	467

Swansea Bay:

- Swansea Bay, as of Month 8, is above the Contract Plan to the sum of £117,829 - £82,481 after the marginal rate is applied. This is a step change between months of £50,974 at marginal cost. The key drivers remain Critical Care, Cardiology, Neurology, Vascular Surgery and Spinal Surgery.
- The additional cost pressures remain within High Cost Drugs.
- Swansea Bay is still forecast to be the highest contract overspend in 19/20 with an overspend of £503,000 as at Month 9.

Cardiff and Vale:

- Cardiff and Vale year-to-date (YTD) position is above the Financial Plan by £153,000 (compared to £143,000 reported for Month 8). This is due to activity being below plan in Orthopaedics, the general LTA and a reduction in Adult Critical Care utilisation.
- HIV activity is above the YTD plan; this run rate is forecast to continue for the remainder of 19/20.
- As at Month 8, High Cost Drugs are £92,000 above the Financial Plan.
- Haematology day-cases remain above plan by 1480%, with an expenditure of £185,030. However, this area is to be re-modelled as part of the 20/21 LTA, as the run rate has been consistently high for several years.

Welsh Health Specialist Services Committee (WHSSC)

- The forecast position includes £541,000 of non-recurrent reserve releases related to 18/19.
- £137,000 is related to slippage from 19/20 developments.
- Excluding the reserves and developments, this translates as a forecast overspend at Year End for HDdUHB across the main portfolio of services of £195,000. This includes a forecast £313,000 overspend at Welsh Providers, partially balanced by a £161,000 underspend from out-of-area Mental Health services, and an underspend of £46,000 for Individual Patient Funding Requests (IPFR), In Vitro Fertilisation (IVF) and Renal treatments.
- As at Month 9 the cumulative underspend against the WHSSC budget stands at £667,000, with a forecast Year-End underspend of £369,000

Table A : Current and Forecast Position: Activity (to Month 08 2019/20)

Organisation	Agreed Activity	Activity to Month 8	Actual Activity	Variance
Swansea Bay				
Elective Inpatients	1,316	877	731	(146)
Emergency Inpatients	3,116	2,077	2,116	39
<i>Total Inpatients</i>	<i>4,432</i>	<i>2,955</i>	<i>2,847</i>	<i>(108)</i>

Appendix 1

Day Cases	2,035	1,357	1,466	109
Regular Day Attendances	1,123	749	460	(289)
Outpatient Procedures	2,340	1,560	2,541	981
Total Outpatients	28,738	19,159	18,952	(207)
Other	25,306	16,869	17,367	498
Total Activity	62,073	41,381	41,750	369
Cardiff & the Vale				
Elective Inpatients	348	232	178	(54)
Emergency Inpatients	324	216	176	(40)
Total Inpatients	672	448	354	(94)
Day Cases	300	200	62	(188)
Regular Day Attendances	48	32	318	286
New Outpatients	1,152	768	668	(100)
Follow Up Outpatients	3,864	2,576	2,360	(216)
Outpatient Procedures	168	112	79	(33)
Total Outpatients	5,184	3,456	3,107	(349)
Orthopaedics	255	170	112	(58)
Mental Health Daycare	36	24		(24)
Mental Health Beddays			183	183
Total Activity	6,495	3,789	3,953	(427)

What are the challenges?

- The information contained within this report is based upon Month 8 2019/20 for activity and Month 9 for the financial position. The LTA Activity is currently showing activity below plan but, given some budget shortfalls and additional requirements for the National Institute for Healthcare Excellence (NICE) or High Cost Drugs, there is a current Year-End forecast deficit position of **£1.143 m** at December 2019.

What is being done?

- Regular communications with WHSSC to understand the potential future impact of the Risk Sharing Arrangements for the services managed on the Health Board's behalf;
- Regular LTA meetings with Providers to review activity, resolve any capacity or service issues and to develop better working

relationships;

- Working with Swansea Bay to get real time data analytics for Mental Health and Neurology;
- More detailed analysis of the NICE/ High Cost Drug costs at Swansea Bay, Cardiff and Vale and Velindre;
- Greater liaison with the Referral Management Centre in respect of IPFRs;
- Validation of LTA performance activity and Non-Commissioned Activity (NCA) invoices backing information to identify and challenge inappropriate charges;
- Reviewing Minimum Data Sets to ensure accuracy of coding;
- Close scrutiny of the basis of both Swansea Bay and Cardiff and Vale LTA component lines.

When can we expect improvement and by how much?

Both the Health Board and the Providers covered by the LTA contract mechanisms, which regulate costs and service developments, closely monitor direct patient care. In order to achieve any significant reductions in costs over and above what has already been achieved, there needs to be a significant reduction in referrals to out-of-area Providers. To deliver this, a fundamental review of referral processes is needed, in collaboration with the Referral Management Centre, and Primary and Secondary Care Clinicians.