

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	28 April 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Revised arrangements for NHS contracting and payment during the COVID-19 pandemic
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas
SWYDDOG ADRODD: REPORTING OFFICER:	Shaun Ayres/Simon Shelton

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 briefing paper highlights the current approach surrounding the Governance of Long Term Agreements (LTAs)
- In particular it centres on the approach taken concerning recent NHS Guidance recommending revised arrangements for NHS contracting and payment during the COVID-19 pandemic

Cefndir / Background

- NHS England and NHS Improvement issued guidance detailing next steps in response to the COVID-19 pandemic (in particular March 17th Circular) issued a letter to all NHS organisations on 26th March titled: "Revised arrangements for NHS contracting and payment during the COVID-19 pandemic". This was followed and ratified by the issuing of an all Wales Directors of Finance Briefing Note titled: COVID 19 - Recommended Interim Approach to Funds Flow for Quarter 1 (Q1)
- As a result of the COVID-19 pandemic, the Welsh NHS will be redesigning its service delivery, stopping the majority of elective care and focussing on treating patients with the greatest needs.
- It is unclear what the total period of the pandemic will be, but 12 weeks is currently identified as the minimum period for significant impact on the population and the health service, hence the current application to Q1. (this may be extended if considered necessary).
- There are significant financial funds which flow through LTA's, SLA's and NCA's to support service delivery. A large proportion of these agreements relate to elective or planned services which in all probability will be significantly below plan and under normal circumstances would not be paid for.
- It is in response to the aforementioned guidance and subsequent discussions with other Health Board Colleagues that HDdUHB have adopted a revised approach. During Q1 the financial values are fixed, based on 19/20 Outturn. The purpose of this is to ensure that during these exceptional circumstances no Health Board and/or Trust face a cash flow issue. It is also imperative that some traditional contracting negotiations do not

become a distraction and thus cause attention to be diverted from the operational delivery and response to COVID-19 pandemic.

- Finance Committee needs to be fully abreast and cited of any material changes affecting the funds flow in both income and expenditure

Asesiad / Assessment

Following on from the aforementioned guidance and discussion with Welsh Health Boards the following approach has been adopted to contracting during Q1 for Welsh LTAs:

- Health Board to Health Board or Trust LTA – Q1 expenditure and income based on 2019/20 agreed outturn + 2% + pay awards + agreed committed investments (this is be a 'block' agreement and does not generate a performance cost variation)
- NICE drugs and recharges – cash based on outturn and paid in twelfths. As the costs are pass through, actuals to be revisited in future to adjust and account for actual spend.
- Velindre NHS Trust (Cancer): The recommended approach for quarter 1 is to remain with the existing model and funds flow based on the above principles for quarter one, accepting this can be revisited as part of the shift to the new contract model when finalised.
- Welsh Health Specialised Services Committee (& EASC) – Commissioners – agreement to pay into WHSSC based on 2020/21 IMTP plan. Providers – agreement to pay providers based on expected delivery as per 2020/21 IMTP plan. Both are a block agreement and do not generate a performance cost variation

The expected impact, in financial terms, is demonstrated in the tables below:

Table 1: Block Impact on HDdUHB Income:

	Q1 Block Income	Expected Planned Income	Variance
Commissioner	£	£	£
Swansea Bay	942,360	957,175	-14,814
Powys	1,882,768	1,893,708	-10,941
Cwm Taf	114,002	107,877	6,125
C & V	84,541	81,085	3,456
A Bevan	89,819	87,705	2,114
BCU	1,223,279	1,129,600	93,679
WHSSC	415,535	415,535	0
TOTAL:	4,752,304	4,672,685	79,620

Table 2: Block Impact on HDdUHB Expenditure:

	Q1 Block Spend	Expected Planned Spend	Variance
Provider	£	£	£
Swansea Bay	8,885,918	8,865,313	-20,605
Powys	47,979	46,902	-1,077
Cwm Taf	113,318	116,293	2,975
C & V	1,369,479	1,434,958	65,479
A Bevan	71,096	65,926	-5,169
BCU	58,365	68,982	10,617
Velindre	231,673	262,028	30,356
WHSSC	24,581,960	24,728,460	146,500
TOTAL:	35,359,787	35,588,862	229,075

At present, the impact should be favourable to HDdUHB in terms of income recovery and outgoing expenditure of approximately, £300k. WHSSC agreement is yet to be finalised and may well reduce this 'benefit' – agreement has to be finalised on what agreed 20/21 investments should be included. The main reason for the impact is the disparity between outturn and the historic way we set contract plans across the Welsh NHS.

Following the guidance HDdUHB has also entered into block contract agreements with two English Trusts, namely University Hospital Bristol and Robert Jones Agnes Hunt. The arrangements follow the guidance on 'material funds flow' between Welsh Commissioners and English Providers, provided by NHSE and supported by Welsh Government. This will not materially affect any expected expenditure with these two Trusts. However, neither contract is likely to deliver value for money, as the majority of this work is elective. The expected impact is circa £200k per quarter across both providers. All other English activity will be treated as non-contracted activity and paid for on a cost-per-case basis (as the guidance permits), accepting that this activity should be minimal.

The material risk for HDdUHB is within Non-Contracted Activity (NCA). At present, the NCA income is significantly more than NCA expenditure. The below shows the income and expenditure over the last 4 years:

Income-April to September

16-17	£3,084,149
17-18	£3,183,883
18-19	£3,034,946
19-20	£3,477,443

Expenditure-April-September

16-17	£616,510
17-18	£790,428
18-19	£692,489
19-20	£731,625

As demonstrated above, last year saw a positive impact in terms of NCA Income up £442,497 from 18/19 (**14.58%**). Over the last 4 years our financial run rate has averaged £3,195,105. If we contrast this to expenditure, we have been invoiced an average of £701,761 (financial run rate) over the same period. What this demonstrates, is a loss of income to HDdUHB of £3.2M. However, even when we 'net off' the £702k in expenditure we end up with a negative movement/impact of circa £2.5m. This is further worsened by a further £400k under the block arrangements for the same period (April to September) as we don't have any reciprocal contracts with English CCGs/Trusts. Therefore, it is likely that under the NCA and English Block Arrangements HDdUHB will be impacted to the sum of circa £2.9m.

Assuming we then move from a block arrangement to a cost and volume (planned) arrangement in-year. This poses inherent risks not covered by the contract and/or guidance. The main potential risk being that each Health Board will have different capacity to perform (or 'catch up') against its elective waiting lists and equally so, each Health Board will have different capacity to pay for / commission this activity.

Consideration needs to be given to the next steps when exiting the block arrangement and the expectation to the levels of activity to be undertaken for the remainder of the year and their subsequent reimbursement (including marginal rate applications at appropriate levels).

Argymhelliad / Recommendation

The Committee is asked to note the report and discuss the financial implications

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	3.4 Information Governance and Communications Technology Choose an item. Choose an item. Choose an item.
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. Choose an item. Choose an item. Choose an item.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Not Applicable Choose an item. Choose an item. Choose an item.

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	NHS Circulated Guidance referred to in the paper: <ul style="list-style-type: none"> • IMPORTANT AND URGENT – NEXT STEPS ON NHS RESPONSE TO COVID-19 – Issued March 17th by NHSE & NHSI to all Chief Executives and CCG Accountable Officers • Revised arrangements for NHS contracting and payment during the COVID-19 pandemic – Issued March

	<p>26th by NHSE & NHSI to all Chief Executives and CCG Accountable Officers</p> <ul style="list-style-type: none"> • COVID 19 - Recommended Interim Approach to Funds Flow for Quarter 1 – Paper to All Wales Director of Finance, March 27th.
Rhestr Termau: Glossary of Terms:	
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Impact within paper c. £2.6m to £2.9m
Ansawdd / Gofal Claf: Quality / Patient Care:	N/a over and above the impact of COVID-19 as it stands, but potential risk if not managed adequately coming off the COVID and block arrangement period
Gweithlu: Workforce:	N/a
Risg: Risk:	N/a over and above impacts above
Cyfreithiol: Legal:	N/a
Enw Da: Reputational:	N/a

Gyfrinachedd: Privacy:	N/a
Cydraddoldeb: Equality:	Equality not altered (EQIA not required)