

## Bundle Finance Committee 30 November 2020

2.1.3

Healthcare Contracting Update

*Presenter: Shaun Ayres*

[2.1.3 Healthcare Contracting SBAR Mth7 21 Final.docx](#)

[2.1.3 M07 LTA Finance Dashboard 06.11.20.pdf](#)

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	30 November 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Healthcare Contracting Report: Month 7 Update
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	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

This report provides the Finance Committee with the Month 7 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, Q2 and Q3 in response to the COVID-19 pandemic 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 (VFM) 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, Q2 and Q3 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 7 is beneficial to the HB's Income LTAs, due to the outturn position being better than historically-adjusted contract baselines. The effects of COVID-19 and the

associated lockdown in the HB's Non-Contracted-Activity (NCA) position are still evident. However, in Month 6, £2.044m Welsh Government funding was received to cover losses in NCA income, and a further improvement of £64k, based on increased activity, is now reported. There is still a significant reduction in income compared to previous years from the CRU\* and OSV (Overseas Visitors). However, it should be noted that a reduction in CRU income represents a positive outcome in terms of fewer road traffic accidents.

The contracts relating to Expenditure are blocked and consequently the liabilities equal the budgeted values (for core LTA activity). It should be noted 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 £1.102m 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 slippage on its position forecasting a c. £1m full year under-spend.

The Assistant Directors of Commissioning and of Quality respectively, are working with Swansea Bay University Health Board to assess the quality impact of such significant High Cost Drug slippage to budget.

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

As previously described and still of note:

- Contracts continue to be blocked;
- Discussions continue around the management of activity and contracts following the block arrangements;
- The HB continues to work with partner organisations in an attempt to obtain more visibility, focus and discussion of the quality and delivery aspects of the HB's LTAs, with the aim of achieving a better understanding and improved physical outcomes, driven by VFM principles.
- Work is underway to review activity with the HB's partners in order to seek advantages from treatment pathway design, 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.
- Additional work continues on NCA, closing out negotiations on aged debt, whilst improving processes relating to income generation in readiness for a more 'business as usual' approach.
- The establishment of the Commissioning Sub-Committee will have a significant focus on all aspects of commissioned services.

\* 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 and quality risks in the LTAs.

<b>Amcanion: (rhaid cwblhau)</b> <b>Objectives: (must be completed)</b>	
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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve Population Health through prevention and early intervention

<b>Gwybodaeth Ychwanegol:</b> <b>Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Report, attached at Appendix 1
Rhestr Termau: 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:	People, Planning and Performance Assurance Committee.

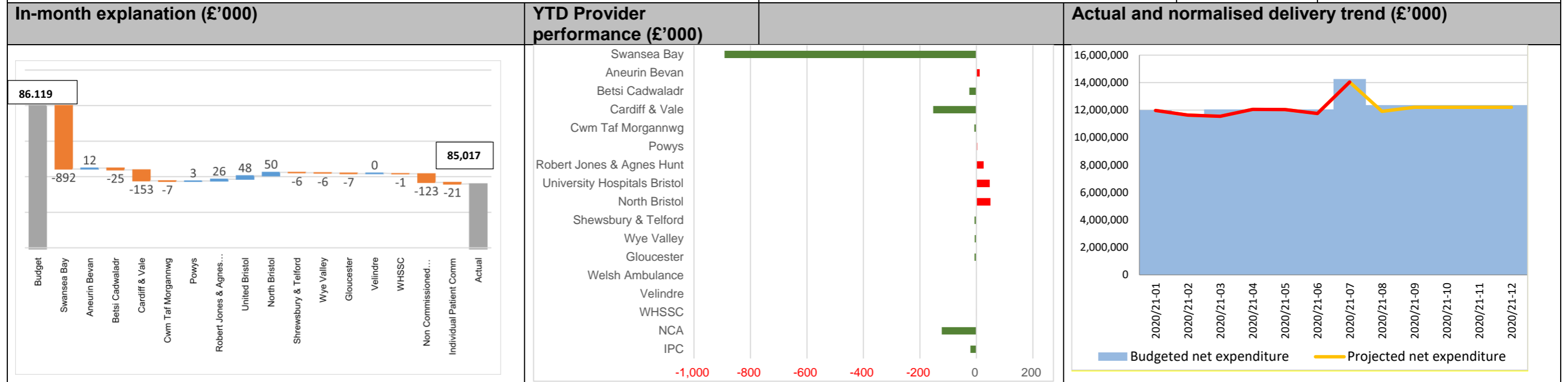
<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Appendix 1
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	Not Applicable
<b>Gweithlu:</b> <b>Workforce:</b>	Not Applicable

<b>Risg: Risk:</b>	Included within the report
<b>Cyfreithiol: Legal:</b>	Not Applicable
<b>Enw Da: Reputational:</b>	Possible impact upon relationship with Swansea Bay University Health Board (SBUHB) and Cardiff and Vale University Health Board (CVUHB)
<b>Gyfrinachedd: Privacy:</b>	Not Applicable
<b>Cydraddoldeb: Equality:</b>	Not Applicable

Appendix 2 LTAs Finance monthly dashboard

Month	07	In-month RAG variance (Green, favourable; Amber > 0%; Red > 3%)	0%	Variance against YTD ave (↑ deterioration; ↓ improvement)	↓	In-month variance (£'m)	(0.216)
						Adverse is positive	
						Cumulative variance (£'m)	(1.102)
						Projected variance (£'m)	(2.173)

Commentary	Key actions		
	Action	Responsibility	Due date
<ul style="list-style-type: none"> <li>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</li> <li>There has been a £697k 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</li> <li>North Bristol - £50K over budget due to 1 high cost, long stay patient, not medically fit for discharge</li> <li>Increase in budget in Mth 7 as a result of drawdown of agreed (funded) reserve to right-size WHSSC position</li> </ul>	Progress how LTAs are going to be managed after Q3 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



LTA Block v's Budget (£) – Month 07 2020/21					YTD Out-turn explanation £'000s							Cumulative position (£'000)											
Table View of LTA (only) Variance as at M6 (for M7):					Provider variance against budget not LTA							Mth 1 20/21 to Mth 12 20/21											
View at Month 6:	Expenditure LTA	Income LTA	Combined View	Comment:	Provider variance against budget not LTA	Mth 7 £,000s	Mth 6 £,000s	Change	Mth 6 £,000s	Mth 5 £,000s	Change												
Block V Budget	-£743,787	£60,589	-£683,198	Actual Benefit from Block payments against budgeted position	Swansea Bay	(892)	(697)	(194)	(697)	(529)	(168)												
Drugs/Pass through benefit	-£928,558	0	-£928,558	Additional cost per case benefit	Cardiff & the Vale UHB	(153)	(131)	(22)	(131)	(109)	(22)												
Actuals V Plan	-£19,950,916	£3,721,517	-£16,229,399	Actual Activity (£) v plan incurred (ie. underspend if block was not in place)	United Hospitals Bristol	48	41	6	41	31	10												
Actuals V Block	-£19,207,129	£3,660,928	-£15,546,201	Actual Activity (£) v Block incurred	Shrewsbury, Hereford and Gloucester	(19)	(16)	(3)	(16)	(14)	(3)												
FOT Actual V Plan	-£39,881,982	£7,565,219	-£32,316,763	FOT actual activity v plan (if no block or marginal rate)	Robert Jones and Agnes Hunt	26	22	4	22	18	4												
FOT Actual V Plan (inc. MR)	-£20,447,546	£4,022,597	-£16,424,948	FOT actual activity v plan (if no block, but with marginal rate)	North Bristol	50	50	-	50	-	50												
FOT Actual V Block	-£38,414,258	£7,321,856	-£31,092,402	FOT actual v agreed block payments rather than plan	Aneurin Bevan	12	10	2	10	9	2												
FOT Actual V Block (inc. MR)	-£19,625,668	£3,901,419	-£15,724,249	(Above line with marginal rate included)	Powys	3	2	0	2	2	0												
					Non Contracted Activity	(123)	(122)	(0)	(122)	(102)	(20)												
					IPC	(21)	(18)	(3)	(18)	(15)	(3)												
					Betsi Cadwaladr	(25)	(21)	(4)	(21)	(18)	(4)												
					Velindre	-	-	-	-	-	-												
					Cwm Taf Morgannwg	(7)	(6)	(1)	(6)	(5)	(1)												
					WHSSC	(1)	-	(1)	-	144	(144)												
					SARC	-	-	-	-	-	-												
					<b>Total</b>	<b>(1,102)</b>	<b>(886)</b>	<b>(216)</b>	<b>(886)</b>	<b>(587)</b>	<b>(299)</b>												