

Bundle Finance Committee 26 May 2020

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Healthcare Contracting Report

Presenter: Shaun Ayres

2 4 Contracting Update Finance Committee Report May 2019 2020.docx

2 4 Appendix 1 - Healthcare Contracting Report - Financial Year 2019-20.docx

2 4 Appendix 2 FC Paper LTA Summary.docx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 May 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Healthcare Contracting Report: Year End 2019/20 and Planning 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive 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 Year End position in relation to Long Term Agreements (LTAs). It seeks to highlight some of the areas that have driven the 2019/20 performance, whilst demonstrating the work undertaken to ensure that the final outcome reflects a reduction in the expenditure forecasted above plan.

The report further highlights the agreed contract values for 2020/21, and notes the approach to contracting during Q1 and the response to COVID-19 (as detailed separately). The paper then highlights the areas of focus to ensure strong contract management and Value For Money throughout 20/2021

The Committee is asked to note the report and the steps being taken to manage contracts in 20/2021.

Cefndir / Background

The Health Board spends c. £144m on commissioned services and receives c. £33m of income through its provision of services to other organisations (*Healthcare Contracting Expenditure and Income*).

There is a need for the Health Board to exercise a robust grip and control upon its contracting portfolio and liabilities.

The Finance Committee needs to be fully abreast and sighted on any material changes affecting external spend or receipt of income, and briefed fully on LTA contracts.

Asesiad / Assessment

Appendix 1 provides a high level summary of the final position with regard to the LTAs and associated areas. Expenditure on LTAs represented over-plan performance of £388k and Health Board income from LTAs was £565k more than planned levels.

The expenditure position in particular improved significantly over the final quarter of the year (c. £1.0m improvement from M8/9) as the Health Board's Healthcare Contracting Team engaged with its partners, began to employ more rigour around the control of its contracts (e.g. scrutiny and challenge applied to the activity datasets received for the LTAs) and pushed hard on negotiating and closing out liability associated with non-contract activity.

A list of the 2020/21 LTAs and their contract values is provided in Appendix 2 for noting by the Committee. All contracts are agreed and signed within Welsh Government timelines and Health Board budgetary expectations.

Much of the work employed in the latter months of 2019/20 should provide a robustness and level of rigour and assurance for the remainder of 2020/21.

A push for more visibility, focus and discussion of the quality aspects and delivery is underway with our Health Board colleagues with the aim of developing a better understanding of patient outcomes. This ensures that all aspects of each contract are reviewed when considering Value for Money (VFM).

There is on-going work with operational colleagues around pathway design, (e.g. Spinal work/ Cardiology) repatriating activity where appropriate and seeking opportunities where Hywel Dda University Health Board (HDdUHB) may be better served to enhance or expand services within its hospitals.

Connected to the above, the Contracting Team is reviewing cross-border activity flows, including consideration of opportunities to deliver care closer to home.

Additional work continues on non-contract activity, closing out negotiations on aged debt, whilst improving process regarding income generation – this includes income relating to overseas visitors and private patient income.

Prior to the COVID-19 outbreak, there was a focused effort around rebasing LTAs to gain appropriate recompense for the work undertaken by HDdUHB for other Health Boards. For example, there was a focus on rebasing the existing LTAs, as many of these arrangements are predicated upon historic baselines and marginal rates. Whilst this work has temporarily ceased because of COVID-19, it does set out a plan for future years, particularly as other Health Boards have been informed of HDdUHB's intention to review the current approach to contracting from 2021/22. Contract baselines will be set to reflect the expected outturn, with appropriate marginal rates and controls in place to ensure equitable recompense.

To note, it has been agreed across Wales to block Quarter 1 LTA income and expenditure at 2019/20 outturn levels, plus inflation and pay awards. LTAs have been agreed on historical baselines for the remainder of 2020/21. However, with the move away from block arrangements, the process will need careful management.

The position as of Month 1 is slightly beneficial to HDdUHB LTAs due to the outturn position being slightly better than historically-adjusted contract baselines. However, the risk around Non Commissioned Activity (NCA) income is significant; currently this lost income is badged as COVID-19-related cost (£+300k per month).

Of further note is the work which the Contracting Team has commenced around the Directorate Service Level Agreements (SLAs). Whilst the budgetary responsibility does not sit with the Healthcare Contracting Team, there are a significant number of SLAs where the Team provides advice and guidance around commissioning and contracting elements, ensuring that

national guidance has been followed and appropriate rigour has been employed. A push for expanded VFM reviews in this area is now underway.

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
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	This report is submitted to Finance Committee and People, Planning and Performance Assurance Committee.

Effaith: (rhaid cwblhau)

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

Staff and Resources – NHS External Providers – Direct Patient Care

Lead Committee: IPAC

Executive Lead: Huw Thomas

Senior Responsible Officer: Shaun Ayres

Latest data

Table 1: 19/20 Year End Position – Financial Position – All Providers

Direct Patient Care Summary	Annual Budget £'000	YTD Expenditure £'000	YTD Variance £'000
Swansea Bay	33,004	33,733	729
Cardiff & Vale	5,270	5,328	58
WHSSC - Specialised Services	72,440	71,897	(543)
WHSSC - EASC	22,596	22,596	0
Aneurin Bevan	266	275	8
Betsi Cadwaladr	271	227	(43)
Cwm Taf	451	439	(12)
Powys	182	233	51
Velindre	964	906	(58)
Welsh Ambulance	1,080	1,090	10
Public Health Wales	60	30	(30)
Other UK NHS Trusts	930	1,155	225
NCA	812	812	0
IPC	650	652	2
SARC	92	83	(9)
TOTAL - Direct Patient Care	139,068	139,456	388

Healthcare Contracting Summary:

The portfolio was above the planned expenditure by £388k in 2019/20. Whilst, this is still a final adverse position, it represents a significant positive movement of c. £1.0m in the final quarter of the year. This movement has been driven by strong contract management, check and challenge by the Healthcare Contracting Team and indeed, in part, by some unexpected reduction in activity

Swansea Bay University Health Board:

- Swansea Bay University Health Board (SBUHB) finished the year

above the contract plan to the sum of £729k. The key drivers of the additional spend were activity levels in Critical Care, Cardiology, Neurology, Vascular Surgery and Spinal Surgery.

- Additional cost pressures remained within High Cost Drugs.

Cardiff and Vale University Health Board:

- Cardiff and Vale University Health Board outturn was also above plan to the sum of - £58k.
- Within the contract the areas above plan were Haematology regular day attenders (£300k), ICU (£200k) and high cost drugs (£100k).
- The areas which were below plan were mainly within CAVOC (£600k) – the Orthopaedic Centre, which is cost-per-case, but is underutilised and the plan is not reflective of activity in the past two years (NB. This also generally mitigates the increase in Spinal activity within SBUHB above).
- The pathway for Haematology patients is one of the areas HDdUHB is discussing with Cardiff and Vale University Health Board during 20/21.

Welsh Health Specialist Services Committee

- Activity levels were at plan for HDdUHB throughout the year.
- The release of reserves and slippage on developments contributed to the positive position (under budget by £543k), as opposed to being below plan due to activity and/or cost variation.

Additional Areas:

- UK Trusts (mainly English Providers) and Non Commissioned Activity (NCA) has over-performed against the plan by £225k
- Orthopaedic activity at Robert Jones Agnes Hunt is the main cost driver with additional spikes in activity at UH Bristol (Ophthalmology) and North Bristol (ICU and T&O)

Appendix 1

Table 2 Income LTA performance:

Direct Patient Care Summary	Annual Budget £'000	FY Income £'000	FY Variance £'000
Cardiff	349	328	-21
ABM	3,757	3,714	-43
Powys	7,156	7,315	159
Aneurin Bevan	340	349	9
Cwm Taf	418	442	24
Betsi Cadwalader	4379	4686	307
WHSSC	1581	1613	32
NCA Income	4312	4370	58
Private Patient Income	50	12	-38
Overseas Visitors	188	266	78
TOTAL - Direct Patient Care	22,530	23,095	565

Healthcare Contracting Summary:

The portfolio has performed higher than planned within income by £565k in 2019/20. This represents a positive position against plan. Attributable to positive processes adapted in relation to the recovery of income namely NCA and Overseas Visitors (OSV), which resulted in 40% outturn above plan. It is noteworthy that both HDdUHB income and expenditure contracts are subject to marginal rates above plan. Thus, income recovery could be far greater if plans were aligned to actual outturn rather than historic values (c. £1.0 to £1.5m if the Health Board was to rebase contracts and negotiate accordingly, noting that due to COVID-19 arrangements, it would have been ill advised to do so for 2020/21).

Powys Teaching Health Board

- Powys Teaching Health Board finished the year above the contract plan to the sum of £159k. The key drivers of the additional income were activity levels in Day Case Ophthalmology, General Surgery and Urology.

Betsi Cadwaladr Health Board:

- Betsi Cadwaladr Health Board outturn was significantly above plan - the final position was £307k above the contracted value of £4,379M.
- The main drivers of the additional income were Ophthalmology, General Surgery, General Medicine and Urology.
- Whilst the activity is significantly over plan, it is not a material increase compared to the previous year. This further reinforces the need to re-base the LTAs.

Additional Areas:

- NCA and Overseas Visitor (OSV) Income represents a sizable return within Income. The final position represents c.£100k above plan due to continued hard work and due diligence by the Contracting Team
- OSV Income has significantly increased over the year and is +40% above plan. There has been a continued focus in this area, which has involved significant focus to ensure maximum recovery.

Contracting – 2020/21 Executed (Signed) Long Term Agreements (LTAs)

The executed (signed) LTAs for 2020/21 are summarised in the tables below by financial value and Health Board:

Income LTAs

Health Board	Description	Annual Value 2020/21	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Swansea Bay UHB residents and by HDUHB	£4,473,729	01-Apr-20	31-Mar-21
Cardiff & Vale UHB	Provision of clinical services to Cardiff & Vale residents and by HDUHB	£324,339	01-Apr-20	31-Mar-21
Betsi Cadwalladr UHB	Provision of clinical services to Betsi Cadwaladr residents and by HDUHB	£4,518,400	01-Apr-20	31-Mar-21
Aneurin Bevan UHB	Provision of clinical services to Aneurin Bevan residents and by HDUHB	£350,821	01-Apr-20	31-Mar-21
Cwm Taf Morgannwg UHB	Provision of clinical services to Cwm Taf residents in and by HD UHB	£431,509	01-Apr-20	31-Mar-21
Powys Local Health Board	Provision of clinical services to Powys residents and by HD UHB	£7,574,834	01-Apr-20	31-Mar-21
Welsh Health Specialised Services Committee (WHSSC)	Provision of specialised clinical services by HDUHB	£1,629,132	01-Apr-20	31-Mar-21
Public Health Wales (PHW)	Services provided to support Cervical Screening within HDUHB	£779,982	01-Apr-19	31-Mar-22

Expenditure LTAs

Health Board	Description	Annual Value 2020/21	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Hywel Dda residents in and by Swansea Bay UHB	£35,461,250	01-Apr-20	31-Mar-21
Aneurin Bevan UHB	Provision of clinical services provided to Hywel Dda UHB residents	£263,705	01-Apr-20	31-Mar-21
Betsi Cadwaladr UHB	Provision of clinical services provided to Hywel Dda UHB residents	£275,929	01-Apr-20	31-Mar-21
Cardiff & Vale UHB	Provision of clinical services provided to Hywel Dda UHB residents	£5,739,833	01-Apr-20	31-Mar-21
Cwm Taf Morgannwg UHB	Provision of clinical services provided to Hywel Dda UHB residents	£465,172	01-Apr-20	31-Mar-21
Powys Local Health Board	Provision of clinical services provided to Hywel Dda UHB residents	£187,181	01-Apr-20	31-Mar-21
Velindre NHS Trust	Provision of clinical services provided to Hywel Dda UHB residents	£1,039,099	01-Apr-20	31-Mar-21
Welsh Health Specialised Services Committee (WHSSC)	Provision of clinical services provided to Hywel Dda UHB residents (NB - No document exchange or signatures on this LTA)	£98,353,416	01-Apr-20	31-Mar-21
Public Health Wales (PHW)	Microbiology Contract - Extended 19/20 for 12 months	£1,628,000	01-Apr-20	31-Mar-21