

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	29 April 2021
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Arrangements for NHS Contracting and Payment During 2021-22
<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

The Long-Term Agreements (LTAs) between Health Boards are normally signed at the end of March relating to the forthcoming financial year. Due to COVID-19 and a number of All Wales LTA meetings, Welsh Government (WG) has postponed the signing of LTAs from the 31<sup>st</sup> March until 11<sup>th</sup> June 2021. Furthermore, any disputes between Health Boards must be highlighted in Month 2 of the Monthly Monitoring Return which is due on the 11<sup>th</sup> June 2021 (there are no anticipated disputes from Hywel Dda University Health Board's perspective). However, should a dispute arise in part or full, the deadline for submitting arbitration papers is midday on 14<sup>th</sup> June 2021, with the outcome of said dispute to be made known to Health Boards before the 30<sup>th</sup> June 2021.

##### Cefndir / Background

- NHS England and NHS Improvement issued guidance detailing next steps in response to the COVID-19 pandemic in March and April 2020. As a result, an all Wales Director of Finance agreement was made concerning LTA agreements in 2020/21.
- Subsequently, LTA agreements were blocked in 2020/21 with other Health Boards, based on 2019/20 outturn plus inflation for the full year, and pass-through activity and payment being the only exception.
- The Health Board (HB) is proposing to spend c. £151m on commissioned services and provide c. £33m of income through provision of services to other organisations (Healthcare Contracting Expenditure and Income) in 2021/22.
- Within this transactional range there are requirements to exercise grip and control, and to ensure the quality of the HB's contract portfolio, and scope to seek and act upon opportunities identified within the service activities provided.
- Negotiations and conversations relating to 2021/22 around the approach to be undertaken in the new financial year have been ongoing.

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

## Asesiad / Assessment

This paper represents a continuation of the previous contracting update relating to the 2021/22 Long Term Agreements (presented to Finance Committee at its meeting on 23<sup>rd</sup> March 2021).

Key to this paper is a reminder of the recommendations made to the Directors of Finance (DoF) forum in March 2021.

### Summary of recommendations to DoF forum (via Deputy DoF)

1. For Quarter (Q)1 of 2021-22 to remain on a block contract for both LTA and Service Level Agreements, with the aim of returning to a flexible payments method as soon as possible. Payment to be based on 2020-21 plus 2%.
2. To enable adjustments for repatriation, investment and dis-investment with agreement of both/ all parties through a robust and open book process.
3. To maintain operation of the LTA Task and Finish Group to review the situation on a monthly basis with an aim to return to full LTA arrangements when it is appropriate to do so, and also to agree a mechanism for payment.
4. To retain integrity in LTA arrangements by ensuring equal access for commissioner patients in line with extant contracts and providing data relating to activity, waiting times and patient quality, and finance information, on a monthly basis.

Subsequently, for contracting purposes in 2021/22 the following principles have been agreed as the basis of planning for LTA agreements and LTA payments during Q1 and (probably) Q2:

- Contracts (and contract values) are to be agreed on a historical basis, utilising the relevant uplifts - these predominantly being inflation, wage awards and any agreed developments.
- Block arrangements are to be in place for Q1 (and likely for Q2) based on the original agreed DoFs paper (March 2020) ie. 2019/20 outturn plus 2%, with a further inflationary uplift (also 2%) for 2021/22.

The following tables detail the position and values of the HB's Income and Expenditure LTAs for which Board approval is required, in keeping with the timeline above:

Table 1: Expenditure LTA Contract Values

Health Board	Description	Annual Value 21/22	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Hywel Dda residents in and by Swansea Bay UHB	£36,131,006	01-Apr-21	31-Mar-22
Aneurin Bevan UHB	Provision of clinical services provided to Hywel Dda UHB residents	£268,979	01-Apr-21	31-Mar-22
Betsi Cadwaladr UHB	Provision of clinical services provided to Hywel Dda UHB residents	£281,447	01-Apr-21	31-Mar-22
Cardiff & Vale UHB	Provision of clinical services provided to Hywel Dda UHB residents	£5,854,549	01-Apr-21	31-Mar-22
Cwm Taf Morgannwg UHB	Provision of clinical services provided to Hywel Dda UHB residents	£475,600	01-Apr-21	31-Mar-22

Powys Local Health Board	Provision of clinical services provided to Hywel Dda UHB residents	£190,925	01-Apr-21	31-Mar-22
Velindre NHS Trust	Provision of clinical services provided to Hywel Dda UHB residents	£1,069,074	01-Apr-21	31-Mar-22
Welsh Health Specialised Services Committee	Provision of clinical services provided to Hywel Dda UHB residents ( <b>NB - No document exchange or signatures on this LTA</b> )	£107,347,000	01-Apr-21	31-Mar-22
Public Health Wales (Microbiology)	Microbiology Contract - Extended 19/20 for further 12 months	£1,660,560	01-Apr-21	31-Mar-22

The total LTA expenditure for 21/22 is:

Expenditure	£153,279,140
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**Table 2: Income LTA Contract Values**

Health Board	Description	Annual Value 21/22	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Swansea Bay UHB residents and by HDUHB	£4,563,204	01-Apr-21	31-Mar-22
Cardiff & Vale UHB	Provision of clinical services to Cardiff & Vale residents and by HD UHB	£330,826	01-Apr-21	31-Mar-22
Betsi Cadwaladr UHB	Provision of clinical services to Betsi Cadwaladr residents and by HDUHB	£4,608,768	01-Apr-21	31-Mar-22
Aneurin Bevan UHB	Provision of clinical services to Aneurin Bevan residents and by HDUHB	£357,837	01-Apr-21	31-Mar-22
Cwm Taf Morgannwg UHB	Provision of clinical services to Cwm Taf residents in and by HD UHB	£440,139	01-Apr-21	31-Mar-22
Powys Local Health Board	Provision of clinical services to Powys residents and by HD UHB	£8,039,862	01-Apr-21	31-Mar-22
Welsh Health Specialised Services Committee	Provision of specialised clinical services by HDUHB	£1,661,714	01-Apr-21	31-Mar-22
Public Health Wales	Services provided to support Cervical Screening within HDUHB (21-22 Value)	£823,530	01-Apr-19	31-Mar-22

The total LTA income for 21/22 is:

Income	£20,825,880
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Noting the sum of £20.8m above, the total HB Income is circa £33m, with the LTA position accounting for roughly 63.1% of this Income. The residual elements of circa £12.2m consist of areas such as Road Traffic Accident, Non-Contract Activity, Deanery, Overseas Visitors and Public Health Wales.

Assuming that the HB then moves 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. For example, a given hospital could feasibly complete its full planned (contracted) elective activity within the remaining nine months of the year, if it has the capacity to achieve this. The commissioner in this example would therefore,

pay in full its annual contracted level and have additionally paid a block amount for a quarter of the period also, where in effect it received little or no activity.

Thus, as a system, the HB needs to be sighted on this potential risk and deal with it in as equitable a manner as possible, which does not disadvantage one Health Board over another, which would be contrary to a collective shared and pragmatic approach to contracting in Q1. Consideration needs to be given to the next steps when exiting the block arrangement and the expectation regarding 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 requested to note the overview of the approach taken to contracting throughout Q1 (and potentially further ahead).

The Committee is requested to note that the Board will be asked to provide its approval for 'sign off' the contract values, those values presented in the tables above having been agreed in principle by both parties within the respective Health Boards.

### **Amcanion: (rhaid cwblhau)**

#### **Objectives: (must be completed)**

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	3.5.9 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:	646 (score 16) Ability to achieve financial sustainability over medium term.
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:	Not Applicable

### **Gwybodaeth Ychwanegol:**

#### **Further Information:**

Ar sail tystiolaeth: Evidence Base:	NHS Circulated Guidance referred to in the paper: <ul style="list-style-type: none"> <li>• IMPORTANT AND URGENT – NEXT STEPS ON NHS RESPONSE TO COVID-19 – Issued March 17<sup>th</sup> by NHSE &amp; NHSI to all Chief Executives and CCG Accountable Officers</li> <li>• Revised arrangements for NHS contracting and payment during the COVID-19 pandemic – Issued March 26<sup>th</sup> by NHSE &amp; NHSI to all Chief Executives and CCG Accountable Officers</li> </ul>
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	<ul style="list-style-type: none"> <li>COVID 19 - Recommended Interim Approach to Funds Flow for Quarter 1 – Paper to All Wales Director of Finance, March 27<sup>th</sup>.</li> </ul>
Rhestr Termau: Glossary of Terms:	Explanation of terms is included in the main body of the report.
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Commissioning Group LTA Task and Finish Group

<b>Effaith: (rhaid cwblhau)</b>	
<b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Not applicable
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	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
<b>Gweithlu: Workforce:</b>	Not applicable
<b>Risg: Risk:</b>	Not applicable over and above impacts above
<b>Cyfreithiol: Legal:</b>	Not applicable
<b>Enw Da: Reputational:</b>	Not applicable
<b>Gyfrinachedd: Privacy:</b>	Not applicable
<b>Cydraddoldeb: Equality:</b>	Equality not altered (EQIA not required)