



**CYFARFOD BWRDD PRIFYSGOL IECHYD  
UNIVERSITY HEALTH BOARD MEETING**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	26 May 2022
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Long-Term Agreement (LTA) Values and Process for 2022/23
<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 Penderfyniad/For Decision

**ADRODDIAD SCAA**

**SBAR REPORT**

Sefyllfa / Situation

Long-Term Agreements (LTAs) during 2021/22 were subject to a block arrangement between Health Boards in Wales. This arrangement was put in place at the beginning of the COVID-19 pandemic and continued for the remainder of 2021/22. The purpose of the arrangement was to ensure that there was a collective focus on operational recovery. Moving forward into 2022/23, the block arrangements have been deemed inappropriate and, therefore, a hybrid approach has been agreed and adopted.

The principles have been agreed and ratified via the Directors of Finance forum. The purpose of this report is to summarise the agreement reached on the All Wales LTAs for 2022-23 at the All Wales Directors of Finance meeting held on 18<sup>th</sup> March 2022. This report is intended to serve as a useful comparator and an illustrative example of how the 2022/23 principles would impact on the 2021/22 performance, should the current run rate continue.

The table below sets out the 2022/23 LTA contract values for expenditure

Expenditure LTA Contract Values

Health Board	Description	Annual Value 22/23	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Hywel Dda residents in and by Swansea Bay UHB	£37,450,788	01-Apr-22	31-Mar-23
Aneurin Bevan UHB	Provision of clinical services provided to Hywel Dda UHB residents	£276,510	01-Apr-22	31-Mar-23
Betsi Cadwaladr UHB	Provision of clinical services provided to Hywel Dda UHB residents	£289,328	01-Apr-22	31-Mar-23
Cardiff & Vale UHB	Provision of clinical services provided to Hywel Dda UHB residents	£6,018,476	01-Apr-22	31-Mar-23
Cwm Taf Morgannwg UHB	Provision of clinical services provided to Hywel Dda UHB residents	£488,917	01-Apr-22	31-Mar-23
Powys Local Health Board	Provision of clinical services provided to Hywel Dda UHB residents	£194,575	01-Apr-22	31-Mar-23
Velindre NHS Trust	Provision of clinical services provided to Hywel Dda UHB residents	£1,122,800	01-Apr-22	31-Mar-23

WHSSC & EASC	Provision of clinical services provided to Hywel Dda UHB residents ( <b>NB - No document exchange or signatures on this LTA</b> )	£114,217,032	01-Apr-22	31-Mar-23
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The above total quantum is circa £160,058,426.

### Income LTA Contract Values

Health Board	Description	Annual Value 22/23	Start Date	End Date
Aneurin Bevan	Provision of clinical services to Aneurin Bevan residents	367,856	01-Apr-22	31-Mar-23
Betsi Cadwaladr	Provision of clinical services to Betsi Cadwaladr residents	4,737,814	01-Apr-22	31-Mar-23
Cardiff & Vale	Provision of clinical services to Cardiff & Vale residents	340,089	01-Apr-22	31-Mar-23
Cwm Taf Morgannwg	Provision of clinical services to Cwm Taf Morgannwg residents	452,463	01-Apr-22	31-Mar-23
Powys	Provision of clinical services to Powys residents	8,264,978	01-Apr-22	31-Mar-23
Swansea Bay	Provision of clinical services to Swansea Bay residents	4,690,974	01-Apr-22	31-Mar-23
WHSSC	Provision of clinical services to UHB residents by Hywel Dda	1,708,243	01-Apr-22	31-Mar-23
Public Health Wales (Directorate)	Provision of clinical services to UHB residents by Hywel Dda	861,634	01-Apr-22	31-Mar-23

### Cefndir / Background

#### **Financial Flows Workstream 2022/23 Agreement**

The All Wales Directors of Finance forum established a Financial Flows Workstream sub-group, with the task of developing an approach to LTAs for 2022/23. It is recognised that, whilst the NHS is still emerging from the pandemic in 2022/23, there is a requirement to establish an interim arrangement for one year, which supports the need to return to business as usual, and to facilitate discussions to agree a longer term approach from 2023/24 onwards.

Key Principles agreed by Directors of Finance against which the sub-group developed its options are:

1. Requirement to move away from the Blocks
2. The contract model needs to incentivise patient treatment
3. 2022/23 is a transition year
4. The NHS policy is to return to 2019/20 levels of activity
5. Requirement for a realistic assessment of the deliverability of activity (tolerance levels)
6. Requirement to minimise the risk from activity variations and recognition of the cost of Recovery

#### **Options and Decisions**

The tables below set out the options identified, and the decisions reached at the All Wales Directors of Finance meeting on 18<sup>th</sup> March 2022.

**Non admitted / Outpatient incl. Regular day attenders and Ward attenders**

	<u>Options</u>	<u>Decision</u>
<b>Contract Model</b>	Block OR Cost & Volume – same as Elective	Block
<b>Activity / Cost</b>	19-20 Activity Baseline <ul style="list-style-type: none"> <li>• Actual Activity</li> <li>• Actual Cost</li> </ul> Plus LTA inflation to 22-23	Agreed
<b>Activity Tolerance</b>	n/a	n/a
<b>Marginal Rates</b>	n/a	n/a
<b>Recovery Activity</b>	Activity delivered beyond 19-20 levels at an enhanced rate	n/a

**Non-Elective**

	<u>Options</u>	<u>Decision</u>
<b>Contract Model</b>	Block OR Cost & Volume	Cost & Volume
<b>Activity / Cost</b>	19-20 Activity Baseline <ul style="list-style-type: none"> <li>• Actual Activity</li> <li>• Actual Cost</li> </ul> Plus LTA inflation to 22-23	Agreed
<b>Activity Tolerance</b>	10% activity tolerance at Specialty level for underperformance for 19-20 levels to protect provider	10% Tolerance
<b>Marginal Rates</b>	Extant marginal rates for activity below tolerance	Agreed
<b>Recovery Activity</b>	Activity delivered beyond 19-20 levels at an enhanced rate	70% Marginal Rate for Recovery Activity (or extant if greater)

**Elective**

	<u>Options</u>	<u>Decision</u>
<b>Contract Model</b>	Cost & Volume	Cost & Volume
<b>Activity / Cost</b>	19-20 Activity Baseline <ul style="list-style-type: none"> <li>• Actual Activity</li> <li>• Actual Cost</li> </ul> Plus LTA inflation to 22-23	Agreed
<b>Activity Tolerance</b>	5% activity tolerance at Specialty level for underperformance for 19-20 levels to protect provider	10% Tolerance

<b>Marginal Rates</b>	Extant marginal rates for activity below tolerance	Agreed
<b>Recovery Activity</b>	Activity delivered beyond 19-20 levels at an enhanced rate	70% Marginal Rate for Recovery Activity (or extant if greater)

### **All Points of Delivery (PODs)**

<b>Efficiencies / Service Change</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ Any agreed LTA baseline adjustments to be transacted as normal and planned – e.g. repatriations, investments, disinvestments, service changes etc</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>
<b>Pass through Payments</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ National Institute for Health and Care Excellence (NICE) High Cost Drugs, Blood Products and other current pass-through arrangements to remain on existing LTA bases – usually actual cost incurred/recharged To continue</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>

### **Other**

<b>Activity Tolerance - Velindre</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ Umbrella proposal for all commissioned (PODs) Cancer Services to reflect pathway component of the service. Baseline efficiency adjustment below 90% of 19-20 levels ie 10% tolerance.</li> <li>➤ Extant marginal rates for activity below tolerance.</li> <li>➤ Activity delivered beyond 19-20 levels at an enhanced rate of 70% (or extant if greater)</li> <li>➤ Mechanism for premium rate outsourcing is required</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ 10% Tolerance, application of marginal rates agreed.</li> </ul>
<b>WHSSC</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ WHSSC to have some flexibility to implement its Joint Committee agreed Integrated Commissioning Plan, but with the principles set out here guiding their approach with providers, or as a fall-back position</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>
<b>Screening Service Level Agreements (SLAs)</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ 19-20 Contracted Activity Baseline</li> <li>➤ Plus LTA inflation to 22-23</li> <li>➤ Adjusted for Service Changes</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>
<b>Microbiology</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ Cost &amp; Volume - 19-20 Activity Baseline</li> </ul>

	<ul style="list-style-type: none"> <li>➤ 10% activity tolerance for underperformance for 19-20 levels to protect provider</li> <li>➤ Activity delivered beyond 19-20 levels at extant marginal rate (typically 50%)</li> <li>➤ Adjusted for Service Changes</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>
<b>'Other SLAs'</b>	<p>Proposal:</p> <ul style="list-style-type: none"> <li>➤ Where activity-based - Back to Cost &amp; Volume, 19-20 activity/financial baseline + inflation, 10% tolerance for under performance with extant marginal rates beyond, Full/Enhanced rates for delivery over 19/20 out-turn</li> <li>➤ Where not activity-based – Block, 19/20 financials + inflation, adjusted for agreed changes</li> <li>➤ Any separate bi-lateral agreement may take precedent but this is the default / fall-back position</li> </ul> <p>Decision:</p> <ul style="list-style-type: none"> <li>➤ Agreed</li> </ul>

### **2023/24 Onwards**

This is a one year agreement only, and there is no agreement regarding the approach to 2023-24. Should there be a further significant COVID-19 wave, which has a material impact on elective activity, this agreement will be reviewed to assess the impact on activity levels. It is recommended that the Financial Flows Workstream sub-group is requested to meet on a monthly basis to review performance against the agreement set out above and to begin discussions on the approach to 2023-24 and beyond.

### **Asesiad / Assessment**

An assessment has been undertaken (see Appendix 1 for details) for indicative impact on the Health Board financial position, if the 2021/22 performance was to be replicated in 2022/23 (not including Welsh Health Specialised Services Committee (WHSSC)).

The £1.3m impact is predicated on the current under-performance (below plan), including the 10% tolerance agreed via the Directors of Finance. The £1.3m is therefore based on the 70% marginal rate rebate (or greater) principle.

### **Argymhelliad / Recommendation**

The Board is asked to ratify and endorse the Long-Term Agreement (LTA) resource allocation and approach.

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

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

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
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Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5.1 Timely Access
Amcanion Strategol y BIP: UHB Strategic Objectives:	6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019</a>	10. Not Applicable

<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Contained within the report
Rhestr Termau: Glossary of Terms:	Contained within the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Cyfarfod Bwrdd Iechyd Prifysgol: Parties / Committees consulted prior to University Health Board:	A version of this report was shared with the Quality, Safety and Experience Committee

<b>Effaith: (rhaid cwblhau) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	The financial implications are contained within the report
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	Not Applicable
<b>Gweithlu: Workforce:</b>	Not Applicable
<b>Risg: Risk:</b>	Not Applicable
<b>Cyfreithiol: Legal:</b>	Not Applicable
<b>Enw Da: Reputational:</b>	Not Applicable
<b>Gyfrinachedd: Privacy:</b>	Not Applicable
<b>Cydraddoldeb: Equality:</b>	Not Applicable

## Appendix 1

	<i>Block</i>	<i>Cost &amp; Volume</i>	<i>Forecasted Over/( Under Performance)</i>
Swansea Bay	14,255,626	22,196,267	-1,948,320
Cardiff & Vale	2,583,829	3,350,975	465,017
Cwm Taf	96,963	192,704	16,067
Aneurin Bevan	51,800	245,257	5,651
Betsi	15,534	183,768	176,661
Powys	32,560	183,099	-1,852
	<b>17,036,311</b>	<b>26,352,070</b>	<b>-1,286,776</b>