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2006/07 nGMS Contract: Financial Implications

To: All PCO Chief Executives

From: Barbara Hakin
Chair of nGMS
Negotiators

CC: PCO Directors of Finance
SHA Directors of Finance
SHA Primary Care Leads

20th December 2005

Dear Colleague,

Negotiations between NHS Employers and the BMA have now been concluded in respect of the 2006/07 nGMS contract. I am pleased to be able to advise that despite tough negotiations, we have reached an agreement which includes:

- no uplift to any element of the contract for inflation or cost pressures;
- the 50 QOF access points and associated funding will be amalgamated into a new access DES, in total worth £2.06 per head of registered population;
- changes to QOF, including new clinical areas and tougher thresholds. 166 points have been recycled, 138 going into new areas and 28 incorporated into existing indicators;
- a choice and booking DES will reward practices 95p per patient if patients have been offered choice (measured through independent survey) and booking has been effected through the choose and book software. The costing for this DES will be reviewed for 2007/08;
- a one year DES to encourage engagement in practice based commissioning with 95p per patient for time involved in service redesign and a further 95p to be reinvested if agreed reductions in secondary care activity are achieved. This second element is an optional alternative to savings and is only to be used to maintain secondary to primary shift;

- a one off DES for adopting IM&T systems to implement the Connecting for Health programme. The total payable is £1.33 per patient but the cost is likely to be spread over 2 years in most areas;
- an increase in the maximum locum reimbursement for maternity, paternity and adoption leave, though the payment remains at the PCT's discretion; and,
- changes in payments to Dispensing Doctors which create savings on VAT and remove incentives to prescribe.

Further details of the general agreement can be found on the NHS Employers website at www.nhsemployers.org

The purpose of the remainder of this letter is to provide more detail regarding the financial implications of the agreement to support your 2006/07 financial planning.

Global Sum and Carr Hill Formula

There is no change whatsoever to the £ per patient payable under the global sum. The equivalent inflationary increase may therefore be presented as cash releasing efficiency savings.

For future years we have agreement, where relevant that increases to the global sum will reduce correction factor payments and thereby support the 'phasing out' of Minimum Practice Income Guarantee (MPIG) costs.

There is no change to the components of the Carr Hill formula. The formula review is on-going and will make recommendations during 2006/07 for implementation, where appropriate, from April 2007.

Arrangements covering global sum payments to practices from April 2006 will now be subject to normalisation nationally, rather than just at PCO level, on a quarterly basis. This should prevent some of the significant changes in practices income which occurred over the end of the financial year. This process will be completed automatically through the Exeter system.

Quality and Outcome Framework (QoF)

There is no change whatsoever to the £ per point payable under the QoF. The equivalent inflationary increase should be presented as cash releasing efficiency savings.

In addition, the equivalent of a further 166 points will be provided by re-using existing indicators or (for 138 of these points) re-focusing them in more critical, clinical areas. The initial work covered by these points will still be expected to be completed as part of practices basic governance responsibilities within the global sum payments. The equivalent financial value of these points may be presented as productivity gains.

The existing 50 points relating to access have been removed from the QoF and amalgamated within the new Access DES detailed below. The 2006/07 QoF will therefore revert to a total of 1000 points.

Agreement has been reached that future increases in average practice list sizes, which for the QoF are currently funded through the Contractor Population Index (CPI) mechanism within the Schedule of Financial Entitlements (SFE), will become resource neutral in-year and remove this area of PCO cost growth.

Enhanced Services

There are a number of additional DES's which have been agreed to support key Government priorities. These arrangements and their supporting financial framework supersede previous guidance, issued alongside the 2006/07 allocations, regarding the level of uplift to be applied to enhanced service floors.

(a) Access
A new Access DES has been developed using the previous national values of the QoF Access points and the current Access DES. Local payments to practices in respect of these two existing Access schemes should therefore cease after the end of 2005/06.

The local cost of this new DES may not equal the same value that PCO's have historically paid through the QoF access points and the previous Access DES. This variation will need to be managed on an individual PCO basis. However, it should be possible to present productivity gains locally where practices provide higher standards under the terms of this DES than were achieved under the current DES and QoF Access points.

The first component of the new DES is payable to practices who commit to delivering 48 hour, advanced booking, good telephone access and, participation in the PCAS survey. Practices should be paid the equivalent of 56p per patient as registered on the list size of the practice within Exeter. Further guidance on PCAS will be issued by the DH in the new year.
The second component, £1.50 per patient, is payable solely on the outcome of the new patient survey, even if this is different to the results of the PCAS survey. The patient survey will be undertaken towards the end of 2006/07.

This is a recurrent DES, although as with all components of the contract will be subject to future review. In cashflow terms , the 2006/07 reward funding linked to the second component of this DES is unlikely to be paid until the 2007/08 financial year.

(b) Choice and Booking
As detailed in the website briefing this is a 95p per registered patient DES which, due to the payment triggers will be likely to continue to impact upon

PCO cashflow during 2007/08. This DES will be reviewed for 2007/08 once workload implications are fully understood .

(c) Towards Practice Based Commissioning
The first component of this DES is payable as soon as practices have their plan agreed with PCOs and should equate to 95p per patient.

The subsequent reward element, similarly 95p per patient, should be paid subject to full year activity targets being achieved. However, practices successfully taking on Practice Based Commissioning are likely to be realising savings from existing healthcare budgets and therefore should not receive the reward element of this DES if they also receive savings.

Because of the variations in current progress and the different local priorities for Practice Based Commissioning, PCOs have the ability to vary the terms and value of the reward element of this DES, provided, as a minimum, practice have the ability to achieve the 95p per patient for achieving the agreed reductions in referrals and admissions.
Again, this is a one year, non-recurrent DES since it is assumed that full practice based commissioning will take over in subsequent years. For cashflow purposes, the 2006/07 reward element of this DES will not be made until during 2007/08.

(d) IM&T Adoption
Whilst this is a non-recurrent DES, achievement of the different elements of this DES is likely to be reached at different times for individual practices. Due to the Connecting for Health rollout timetable, some elements may not be payable until during 2007/08 or, in exceptional circumstances, even later. Therefore, for both cashflow and I&E reporting, PCOs should budget for and manage these variations locally and across financial years as necessary.

Premises and IT

£132 million will be available for locally agreed direct investment in new premises and IT for 2006/07 and this is included, on a weighted capitation basis, in PCO's growth allocations for 2006/07.

Maternity

Through the SFE, PCOs currently have discretionary powers to fund locum cover for maternity, paternity and adoptive leave for GP Principles. The SFE currently recommends a ceiling of £978.91 per week for such payments.

The SFE for 2006/07 will be amended to recommend a ceiling of £1,500 for such locum costs from week three of the potential entitlement. I would remind PCOs however that all such payments remain discretionary and should be set in the context of ensuring the continuity of local access to healthcare whilst recognising that GPs remain independent practitioners.

Likely costs of this proposal will obviously vary locally.

Dispensing Doctors

A new fee scale has been agreed for 2006/07 which combines the previous fee per item and on-cost elements of dispensing doctors remuneration. It similarly includes an additional allowance for compliance with the Disability Discrimination Act and to meet any necessary container costs. The current container cost allowance for dispensing doctors will be abolished at the end of 2005/06. This will save 90% of the current container cost allowance.

A significant change in dispensing doctor arrangements is that relating to VAT. With effect from 1 April 2006, the PPA and DH will no longer reimburse Dispensing Practices for the equivalent VAT costs relating to the purchase of drugs. To receive such reimbursement, practices will be expected to register for VAT purposes with HM Revenue and Customs (HMRC).

Joint guidance will soon be issued by NHS Employers and the BMA covering excessive and inappropriate prescribing. This will raise the seriousness of situations where prescribing patterns are changed for anything other than sound clinical reasons. This guidance, combined with the removal of some of the links between dispensing doctors income and the cost of drugs prescribed, should significantly reduce the pressures being placed upon PCOs prescribing budgets. PCOs will further have recourse to address such inappropriate prescribing.

As a result of a recent High Court ruling known as the 'Beynon' case, VAT costs relating to Personally Administered items are no longer reclaimable through the HMRC. Therefore an equivalent allowance will be paid through the PPA and DH which will result in a small increase in such charges to PCO's prescribing budgets for both dispensing and non-dispensing practices.

For PCOs with dispensing practices, there will be an additional DES covering dispensing standards. However, overall PCOs with dispensing practices should be able to demonstrate material overall savings from these arrangements.

Other Changes

There are a number of additional smaller changes which will have financial implications.

We have now explicitly recorded that future annual negotiations covering nGMS will be subject to the same efficiency requirements and Gershon implications as all other commissioning arrangements across the NHS.

The Gross Investment Guarantee will cease from April 2006 and enhanced services floors will reduce in emphasis to indicative monitoring levels only.

However, PCOs must still offer as a minimum, the funding levels indicated, to practices choosing to provide the required service levels under the Directed Enhanced Services set out within these new arrangements.

All financial values and resource envelopes quoted in this correspondence and supporting guidance includes the full effect of associated superannuation payments.

Conclusion

In summary this is a 2006/07 agreement for which local efficiencies should be clearly demonstrable between 6% and 10%. In addition, whilst the required level of new investment will vary, this should be significantly less than 4% in most PCOs.

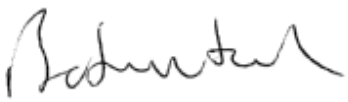
I am sure you will agree, that in the context of 2006/07 growth allocations of around 9%, the combined productivity and efficiency gains within this agreement, along with good progress on key Government priorities for significantly reduced new investment, represents a considerably improved overall value for money position across the nGMS contract.

I would remind PCOs that PMS contracts continue to be locally negotiated but which are expected to remain subject to similar negotiated changes as GMS practices. As such I would expect the levels of efficiencies and new DES investments set out here to be broadly replicated in local PMS contracts.

If you require further assistance please access the 'Ask the Advisor' function available at www.primarycarecontracting.nhs.uk. If you are unable to find the information you require, this function on the NHS PCC website enables you to e-mail your question to an advisor. Local primary care contracting advisors can support PCTs with implementation.

NHS Employers will provide more detailed information to support implementation at the end of January. From February, NHS Primary Care Contracting will offer a number of events around the country to go through the detail of the contract. Details of the national events, and contact details for local advisors are also available on the NHS PCC website address above.

Yours sincerely



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