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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS MEETING

HELD ON 21 SEPTEMBER 2011

Subject	Agreement of Contract with PCT Consortium 2012/13
Supporting TEG Member	Kirsten Major
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Status[1]	A

PURPOSE OF THE REPORT

To provide the Board with the context for the contracting process and an outline timetable.

KEY POINTS

- The existing Contract expires on 31 March 2012;
- There is uncertainty about future NHS commissioning arrangements;
- A process and timetable is proposed to ensure early agreement of the contract terms for 2012/13.

IMPLICATIONS[2]

Achieve Clinical Excellence	Will secure income for the continued provision of high quality services.
Be Patient Focused	Sets standards and provides safeguards for patients.
Engaged Staff	Clinical directorates will be fully engaged in the contract process.

RECOMMENDATIONS

- The Board is asked to note the current uncertainties and to support the outline timetable.

APPROVAL PROCESS

Meeting	Presented	Approved	Date

[1] Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note

Sheffield Teaching Hospitals NHS Foundation Trust

AGREEMENT OF CONTRACT 2012/13 WITH PCT CONSORTIUM

Report to Board of Directors 21 September 2011

1. Purpose

The national contract under which we are providing services in 2011/12 expires on 31 March 2012 with no extension permitted.

The NHS Reforms are leading to a number of changes in NHS commissioning arrangements. This is creating great uncertainty in relation to both the contracting process we will need to follow for 2012/13, and who from the commissioners we will be dealing with.

Therefore we wish to put in place a process and timetable for the negotiation of the 2012/13 contract which will give the greatest certainty that the financial terms for next year will be agreed and clearly documented by 31 March 2012.

2. Timing of contracts rounds

Set out below is a summary of the eventual timing of the last two annual contract negotiations, and by contrast, what we intend will happen for next year.

2010/11 contract

- The existing Contract which we had signed in 2009/10 remained in place.
- Discussions were inconclusive for some months and we therefore set out our entire contract proposal on 25 March 2010.
- High level financial agreement was signed off on 31 May.
- However, a small number of further issues then emerged and discussions continued without fully resolving these.
- The Annual Contract Agreement was therefore not agreed for signature until 8 September.

2011/12 contract

- We considered that the STHFT entire contract proposal had been a helpful way forward in 2010/11, and this time sent it to the Consortium on 1 February 2011.
- High level financial agreement was signed off on 3 June.
- The existing Contract expired on 30 June following a three month extension.
- All the documentation was agreed and ready for sign off on 13 July.
- A paper went to the Board on 20 July explaining the risks for STHFT in the new national contract and the mitigating action taken.
- The Chief Executive was then able to sign the Contract on 20 July.

2012/13 contract intended

- STHFT entire contract proposal to be sent to Consortium on 31 January 2012.
- High level financial agreement to be reached by 2 March.
- All essential documentation to be agreed and ready for sign off by 30 March.
- The current Contract expires on 31 March.
- Paper to Board on 18 (TBC) April providing assurances about the new Contract.
- Chief Executive then able to sign the Contract on 18 April.

3. Key issues for 2012/13 contract

3.1 Commissioning changes – specialised services

The specialised commissioning arrangements will be aligned to the National Commissioning Board and the four SHA clusters which have now been established. We believe based on current information from the Department of Health that we will have a single national contract for specialised services covering the whole of England. This will introduce an additional contract because Yorkshire and Humber SCG and East Midlands SCG are currently Associates of the single contract with the PCT Consortium. Equally though it will remove the need for separate contracts with each of the other SCGs in England.

The National Commissioning Board will operate to a standard definition of specialised services for the whole country, which will eliminate some variation between different SCGs. The algorithm for determining specialised services has not been shared publically and is currently being tested by Leeds THT. We have gained the impression that the final algorithm may be published in October, which will enable us to determine the volume of services that will fall within the separate specialised services contract, and the balance remaining within the Consortium contract and other small contracts.

We are not yet clear of the extent to which the existing Yorkshire and Humber SCG commissioning arrangements will remain in place, or whether we will be dealing more directly with the North SHA cluster. An obvious threat is that we are located right on the border between the North and the Midlands, and therefore we will wish to maintain the excellent direct relationships we have with East Midlands.

3.2 Commissioning changes – local services

The PCT Cluster for South Yorkshire and Bassetlaw covers five out of six of our main PCT commissioners, with Derbyshire County being the exception. The Cluster has delegated commissioning responsibility to the five Clinical Commissioning Groups which correspond to the current PCTs. The PCT remains the statutory body until this is changed by legislation. So we may expect that NHS Sheffield will remain as our Co-ordinating Commissioner in much the current form, but with the addition of elected GP members on the shadow board. The Cluster may take on some of the co-ordinating role, but we will also wish to maintain the relationship with Derbyshire County.

The reforms may create more uncertainty around the PCT Consortium arrangements than they do for specialised services. If PCT Clusters become pre-eminent, the Consortium may start to break up. Alternatively, with specialised services going into

a single contract, it may be convenient for more PCTs to join the Consortium for other services. These arrangements therefore remain uncertain.

3.3 Publication of Payment by Results Guidance

Judging from recent years, we currently expect that the NHS Operating Framework 2012/13 will be published in mid December. The PbR Guidance and national tariff prices will then follow in final draft form in the week of 19 December. This leads on to a period of about one month when we will be reviewing the implications of the guidance, setting up the technical processing of the new tariffs and business rules, and arriving at a full set of contract values by commissioner on the new tariffs. The current intention is that the initial contract values based on the new rules will be produced by 31 January.

There are several important areas of work that can be progressed in advance of the PbR Guidance being published, and these are described in the following sections. Progress made in the period October to December will be crucial for reaching earlier agreement.

3.4 Activity targets

It will be possible to determine a technically accurate set of activity targets by specialty and commissioner based on the half year activity results in 2011/12. This will provide a reliable starting point for purposes of calculating the contract values. The changes which happen subsequently are mainly associated with changes in commissioning intentions, service changes which we wish to instigate, and any emerging trends in the level of demand.

The lead in time involved in translating the activity targets into a full set of contract values has increased to several weeks due to the complexity of the calculations. We will therefore wish to ensure that there are fixed cut off points for each iteration of the activity targets.

3.5 Coding and classification changes

Both parties have until 30 November each year to put forward proposed changes to the recording, coding and classification of activity which could affect payment. It is essential that all potential changes are identified as early as possible.

3.6 Outstanding issues in 2011/12 contract

There are a small number of outstanding issues to do with the classification and pricing of activity on which we failed to reach final agreement this year. In the view of the Trust, these should be capable of resolution in advance of the PbR Guidance being published. Classification reviews have already been set up for the two main issues: the counting of consultant ward visits to be resolved during October; and the classification of ambulatory activity between day cases and outpatient procedures to be resolved during November.

3.7 NHS Sheffield QIPP programme

NHSS has agreed to engage with the Trust at a much earlier stage and to work through the proposed list of QIPP schemes to arrive at a programme which can be accepted by both parties. This will build on the Emergency Care plan and other schemes instigated in 2011/12.

3.8 CQUIN scheme

There is a slight risk that we could do a great deal of work on the CQUIN scheme only to find that it does not feature in the national payment arrangements for next year. However, on balance it will be better to go ahead to agree an outline scheme or schemes (for each contract).

3.9 Publication of national contract

As noted before, we will be required to adopt the new national form of contract for specialised services and for the balance of acute services. We will also need to decide on the form of contract for community services, which may be combined with acute. In doing so the Trust will wish to negotiate Local Implementation Agreements which clarify how the contract terms will be applied to give as much protection and stability as possible. Judging from previous years, the publication of the new national contracts may be late and piecemeal (possibly as late as March). We intend in the meantime to make representations to the Department of Health to influence earlier publication and longer term contracts.

Ultimately though, in order to achieve the intended timetable, we may need to be prepared to reach agreement about the annual terms for 2012/13, in advance of having completed the full documentation for the new contract. This would be acceptable to the Trust but would need to be agreed with commissioners.

4. Outline timetable

It follows from all the above, that the broad timetable for the 2012/13 contract will be in the following phases.

Phase 1 – October to December 2010

- Identify activity requirements by specialty and commissioner;
- Resolve outstanding issues from 2011/12 contract, including consultant ward visits and ambulatory activity classification;
- Each party to raise Coding and Classification Change proposals and all known issues at this stage;
- Determine split of specialist and non-specialist activity and therefore expected values of each contract;
- Agree Sheffield QIPP programme to be incorporated in the contract;
- Agree outline CQUIN scheme.

Phase 2 – January 2012

- Review and reach common understanding of PbR Guidance;
- Refine activity targets by specialty and commissioner;
- Produce first cut contract values using 2012/13 prices;
- Each party to set out full contract proposals for 2012/13 including all foreseeable issues.

Phase 3 – February 2012

- Further iterations of activity targets and costed contract values as agreed necessary;

- Work through respective contract proposals and reach resolution of differences of view;
- Reach high level financial agreement as the basis for the Annual Contract Agreement.

Phase 4 – March 2012

- Prepare all contract documentation and schedules;
- New national contract and associated local agreements to be incorporated if possible (depending on DOH publication);
- Contract / Annual Contract Agreement ready for signature on Friday 30 March;
- If the new Contract is ready to be adopted, assurances required to Board of Directors on 18 April prior to signature.

The enclosed schedule summarises key milestone dates.

5. Conclusion

Reaching final agreement about the contract for 2012/13 by 31 March 2012 looks very challenging in comparison to previous years. However, this is a realistic goal provided:

5.1 Sufficient progress is made in the period October to December 2011;

5.2 PbR Guidance is published as expected by 23 December 2011;

5.3 Each party is pragmatic about the extent to which the new national contract documentation can be incorporated in the agreements by the end of March (depending on DOH publication dates).

5.4 Each party is committed to resolving differences with a view to reaching agreement in this timescale.

Service Provision Director
14 September 2011