Report to: Trust Board – 30th May 2013

<table>
<thead>
<tr>
<th>Title</th>
<th>Contract and implications for financial strategy</th>
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<tr>
<td>Sponsoring Executive Director</td>
<td>Neil Nisbet, Finance Director</td>
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<td>Author(s)</td>
<td>Neil Nisbet, Finance Director</td>
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<td>Purpose</td>
<td>To inform Trust Board of the latest position with regard to the agreement of the 2013/14 Contracts.</td>
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### Executive Summary

At the April Board meeting, Contracts with the two main local Commissioners were still to be signed because of concerns relating to:

- The contract values for A&E case mix and Ambulatory Care.
- The achievement of Commissioner QIPP in 2013/14.
- Cash transfer, particularly in respect to the anticipated Commissioner QIPP plans.
- The opportunity to obtain transitional support in respect of Commissioner QIPP plans; and
- The use of re-admissions monies held by the Commissioner.

This paper provides an update of the progress made.

### Related SATH Objectives

<table>
<thead>
<tr>
<th>Financial Strength: Building a sustainable future</th>
<th>SATH Sub-Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS3: Deliver a financial surplus of £1.2 million.</td>
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<tr>
<td>FS4: Deliver Trust’s 5% implied efficiency target and support delivery of joint QIPP</td>
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### Risk and Assurance Issues (including resilience risks)

### Equality and Diversity Issues

### Legal and Regulatory Issues

### Action required by the Trust Board

To NOTE the basis on which the 2013/14 Contracts with the two local Commissioners have been agreed.
Trust Board – 30th May 2013

Contract and implications for financial strategy

1. Introduction

At the April Board meeting, contracts with the two main local Commissioners were still to be signed because of concerns relating to:

- The contract values for A&E case mix and Ambulatory Care.
- The achievement of Commissioner QIPP in 2013/14.
- Cash transfer, particularly in respect to the anticipated Commissioner QIPP plans.
- The opportunity to obtain transitional support in respect of Commissioner QIPP plans; and
- The use of re-admissions monies held by the Commissioner.

This paper provides an update of the progress made.

2. The position now reached

The Trust progressed each of the above items to potential arbitration, to be held on 10th May 2013. Agreements were reached however before that date and so arbitration was avoided.

The agreements reached with the two local Commissioners were made possible through the construction of ‘side letters’ to the National Contract. These ‘side letters’ are attached as Annexes 1 & 2.

The position reached and hence reflected in the ‘side letters’, is as follows:

2.1 Contract values for A & E case mix and zero length of stay

Joint reviews to be completed by the 31st July 2013 and the jointly agreed result from the review followed thereafter. Payment being based upon PBR rules.

2.2 Commissioner QIPP

PBR rules to be applied. In the event that Commissioner QIPP is not achieved, a recovery plan to be constructed. Trust to receive transitional support in respect of changes introduced within a recovery plan.
2.3  **Cash Payments**

Cash payments to be paid to the Trust at a level that excludes the impact of anticipated QIPP savings and A & E case mix and zero length of stay differences. Transfer to actual cash, based upon the application of PBR rules to apply from September onwards.

2.4  **QIPP transitional support**

Telford and Wrekin CCG to pay for transitional support associated with 2013/14 QIPP schemes. Shropshire County CCG to secure funding through retained transitional support withheld by the Shropshire and Staffordshire Area Team and/or by repaying monies withheld as a consequence of the application of contract penalties.

2.5  **Re-admissions Monies**

Trust and CCGs to agree the use of monies withheld from the Trust in respect of re-admissions by 30th June 2013.

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Neil Nisbet  
Finance Director  
23rd May 2013
10 May 2013

Mr Neil Nisbet,
Finance Director
The Shrewsbury & Telford Hospital NHS Trust

Dear Neil

**Additional information in support of the contract offer**

Further to the meeting held this morning including yourself, myself, Caron Morton, David Evans and Andrew Nash the CCG would like to provide the following assurances alongside the contract offers.

**Re-investment of the Readmissions funding**

The CCG will ensure that clinicians from all of the organisations who were involved in the Readmissions audit have the opportunity to discuss the themes raised out of the audit and the actions required to reduce future avoidable readmissions. Once this discussion has taken place, prior to 30th June the CCG will consider the recommendations from the clinicians alongside the existing draft plan in order to produce a final investment plan for the current year.

**A&E Case mix and Ambulatory (0 day LOS) activity**

The CCG and the Trust would like these issues to be resolved as quickly as possible. The activity will undergo a clinical and business rules assessment by CCG prior to 31st July and we will ask CCG leads to progress this with trust colleagues within this timeframe. Following joint agreement, of these two issues the CCGs and Trust then agree that PBR rules will apply.

**QIPP**

It is recognised that further work needs to be completed to enable QIPP plans to be agreed by both the CCGs and the Trust. PBR rules will apply across each of the areas identified within the CCG QIPP savings plan.

It is important to state that both CCG’s have fully utilised the financial resource available to them within the overall quantum of the contract and in the event that the health system QIPP schemes do not fully achieve the planned outcomes or the counting and coding changes outlined above prove to be valid under the PbR rules, it will be necessary to
implement a financial recovery plan. The sharing of contract monitoring within the national contract will serve as an early warning system of financial distress. Any required financial recovery plan will be prepared taking into account the NTDA’s QIPP checklist.

**Cashflow**

The CCG note the Trust’s cash flow challenges and therefore agree that in addition to the monthly cash payment (based on 1/12th of the contract value) the following monthly cash only payments will be made (without prejudice) to assist the trust with cashflow in the early part of the financial year.

The additional payments will cease after M5 as the CCG and trust, at that point, will jointly review the first quarters data and adjust contract payments in line with the agreed reconciliation process outlined in the contract.

<table>
<thead>
<tr>
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<th>Shropshire Contract * £</th>
<th>Shropshire Cash Support to Trust £</th>
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<tbody>
<tr>
<td>April</td>
<td>9,577,310</td>
<td>384,000</td>
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<td>384,000</td>
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<td>384,000</td>
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<td>384,000</td>
</tr>
<tr>
<td>August</td>
<td>9,577,310</td>
<td>384,000</td>
</tr>
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*subject to confirmation of Specialised services adjustment.

**Financial Penalties (excluding Readmissions penalty)**

Neither CCG has included within their plans a financial benefit from receipt of contract penalties with the Trust. The assumption is that the service delivered will be of the highest standard in line with the national contract and such penalties will not be necessary. If services fall below the required standards penalties will apply in line with the national contract.

Should such penalties be incurred, the funding will be ringfenced as a first call to support transitional and stranded costs impacting upon the Trust as a consequence of the implementation of the CCGs QIPP plan should the CCGs not be able to provide non-recurrent support through any other funding source (e.g. Transformation budget).

The trust and CCG will, as a matter of urgency, need to jointly agree the process by which costs will be identified and how the funds will be released. This process being based upon clearly defined implementation plans that have been jointly agreed between the CCG and the Trust.

As outlined above and discussed at the meeting the financial position of the CCG is such that any net over performance on the contract will result in financial recovery plans being required including a review of activities to be decommissioned. You have indicated that you
understand this position and are willing to work with the CCG to resolve over performance issues should they occur.

Yours sincerely

Donna McGrath
Chief Finance Officer
10 May 2013

Mr N Nisbet
Finance Director
The Shrewsbury and Telford Hospital NHS Trust
Royal Shrewsbury Hospital
Mytton Oak Road
SHREWSBURY
SY3 8XQ

Dear Neil

**Additional information in support of the contract offer**

Further to the meeting held this morning including yourself, myself, Caron Morton, David Evans and Donna McGrath the CCG would like to provide the following assurances alongside the contract offers.

**Re-investment of the Readmissions funding**
The CCG will ensure that clinicians from all of the organisations who were involved in the Readmissions audit have the opportunity to discuss the themes raised out of the audit and the actions required to reduce future avoidable readmissions. Once this discussion has taken place, prior to 30th June the CCG will consider the recommendations from the clinicians alongside the existing draft plan in order to produce a final investment plan for the current year.

**A&E Case mix and Ambulatory (0 day LOS) activity**
The CCG and the Trust would like these issues to be resolved as quickly as possible. The activity will undergo a clinical and business rules assessment by CCG prior to 31st July and we will ask CCG leads to progress this with trust colleagues within this timeframe. Following joint agreement, of these two issues the CCG and Trust then agree that PBR rules will apply.

**QIPP**
It is recognised that further work needs to be completed to enable QIPP plans to be agreed by both the CCG and the Trust. PBR rules will apply across each of the areas identified within the CCG QIPP savings plan.

It is important to state that both CCG’s have fully utilised the financial resource available to them within the overall quantum of the contract and in the event that the health system QIPP schemes do not fully achieve the planned outcomes or the counting and coding changes outlined above prove to be valid under the PbR rules, it will be
necessary to implement a financial recovery plan. The sharing of contract monitoring within the national contract will serve as an early warning system of financial distress. Any required financial recovery plan will be prepared taking into account the NTDA’s QIPP checklist.

Cashflow
The CCG notes the Trust’s cash flow challenges and therefore agree that in addition to the monthly cash payment (based on 1/12th of the contract value) the following monthly cash only payments will be made (without prejudice) to assist the trust with cashflow in the early part of the financial year.

The additional payments will cease after M5 as the CCGs and trust, at that point, will jointly review the first quarter’s data and adjust contract payments in line with the agreed reconciliation process outlined in the contract.

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Neither CCG has included within their plans a financial benefit from receipt of contract penalties with the Trust. The assumption is that the service delivered will be of the highest standard in line with the national contract and such penalties will not be necessary. If services fall below the required standards penalties will apply in line with the national contract. Should such penalties be incurred, the funding will be reinvested in the Health System to improve quality.

Jointly agreed Stranded costs and transitional costs attributable to the implementation of the QIPP schemes will be funded by the CCG from non recurrent sources. The trust and CCGs will, as a matter of urgency, need to jointly agree the process by which costs will be identified and how the funds will be released. This process being based upon clearly defined implementation plans that have been jointly agreed between the CCG and the Trust.

As outlined above and discussed at the meeting the financial position of the CCG’s is such that any net over performance on the contract will result in financial recovery plans being required including a review of activities to be decommissioned. You have indicated that you understand this position and are willing to work with the CCG’s to resolve over performance issues should they occur.

Yours sincerely

Andrew Nash
Chief Finance Officer

TAKING CARE OF TELFORD AND WREKIN
Every patient experience matters - Every clinician is involved