

<b>Report to:</b>	Trust Board – 30 <sup>th</sup> May 2013	Enclosure No. 8
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<b>Title</b>	Contract and implications for financial strategy
<b>Sponsoring Executive Director</b>	Neil Nisbet, Finance Director
<b>Author(s)</b>	Neil Nisbet, Finance Director
<b>Purpose</b>	To inform Trust Board of the latest position with regard to the agreement of the 2013/14 Contracts.
<b>Previously considered by</b>	

<b>Executive Summary</b>
<p>At the April Board meeting, Contracts with the two main local Commissioners were still to be signed because of concerns relating to:</p> <ul style="list-style-type: none"> <li>• The contract values for A&amp;E case mix and Ambulatory Care.</li> <li>• The achievement of Commissioner QIPP in 2013/14.</li> <li>• Cash transfer, particularly in respect to the anticipated Commissioner QIPP plans.</li> <li>• The opportunity to obtain transitional support in respect of Commissioner QIPP plans; and</li> <li>• The use of re-admissions monies held by the Commissioner.</li> </ul> <p>This paper provides an update of the progress made.</p>

<b>Related SATH Objectives</b>	<b>SATH Sub-Objectives</b>
Financial Strength: Building a sustainable future	FS3: Deliver a financial surplus of £1.2 million. FS4: Deliver Trust's 5% implied efficiency target and support delivery of joint QIPP

<b>Risk and Assurance Issues (including resilience risks)</b>	
<b>Equality and Diversity Issues</b>	
<b>Legal and Regulatory Issues</b>	

<b>Action required by the Trust Board</b>
To <b>NOTE</b> the basis on which the 2013/14 Contracts with the two local Commissioners have been agreed.

**Trust Board – 30<sup>th</sup> 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 10<sup>th</sup> 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 31<sup>st</sup> 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 30<sup>th</sup> June 2013.

Neil Nisbet  
Finance Director  
23<sup>rd</sup> May 2013

## Shropshire Clinical Commissioning Group

William Farr House  
Mytton Oak Road  
Shrewsbury  
SY3 8XL  
Tel: 01743 277540

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 30<sup>th</sup> 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 31<sup>st</sup> 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

#### CCG Clinical Board Members

Accountable Officer: Dr Caron Morton GMC: 4379025  
Dr Catherine Beanland GMC: 4192363  
Dr Stephen James GMC: 2808190  
Dr Julian Povey GMC: 3557093

Vice-chair: Dr Bill Gowans GMC: 2856265  
Dr Peter Clowes GMC: 2386261  
Dr Sal Riding GMC: 3202654  
Dr Kieran McCormack GMC: 3343278

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 1/12<sup>th</sup> 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.

	Shropshire Contract * £	Shropshire Cash Support to Trust £
April	9,577,310	384,000
May	9,577,310	384,000
June	9,577,310	384,000
July	9,577,310	384,000
August	9,577,310	384,000

\*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

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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**

CCG Clinical Board Members

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10 May 2013

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Mr N Nisbet  
Finance Director  
The Shrewsbury and Telford Hospital NHS Trust  
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SY3 8XQ

Dear Neil

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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.

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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 30<sup>th</sup> 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 31<sup>st</sup> 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 1/12<sup>th</sup> 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.

	Telford & Wrekin Contract £	Telford & Wrekin Cash Support to Trust £
April	6,674,477	266,000
May	6,674,477	266,000
June	6,674,477	266,000
July	6,674,477	266,000
August	6,674,477	266,000

### 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 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**