TRUST BOARD

Date of Meeting: 10/07/2012	**Agenda Item No:** 6.3	**Enclosure:** 4
Intended Outcome:		
For noting ✓	**For information**	**For decision**
Title of Report: Contracting and Cost Savings Update		

Aims:
To update the Trust Board in relation to the clinical contracts for 2012/13, including the CQUIN targets, the Quality schedule and the current performance up to the end of May 2012. In addition this paper updates the Trust Board on the current performance against the savings target.

Executive Summary:

The Trust has a statutory duty to breakeven year on year whilst also ensuring that national access targets are achieved at the same time as maintaining safe and high quality services. Through the contracting process, financial incentives and penalties are now becoming the norm to influence behaviour to ensure organisations are rewarded for best practice and penalised for failing to deliver against a number of quality standards.

The Trust formally agreed its contract with NHS Cumbria by the required national deadline of March. This is the first year that the contract has been agreed within the stipulated timetable and without the need to enter mediation or formal arbitration. The Trust has four formal activity based contracts, the values of which are detailed in the main body of the paper below, with NHS Cumbria / Cumbria CCG acting as the lead commissioner. This means that terms agreed with NHS Cumbria are applied to all the contracts, with the exception of Dumfries and Galloway, who operate under slightly different terms due to them being based outside of the English NHS framework.

2012/13 is a transitional year with PCTs being replaced by Clinical Commissioning Groups (CCGs) who will formally take over as the lead commissioners next year. The relationship is developing well with the Cumbria CCG, with both sides being open and transparent. It is becoming apparent as we progress through the year that there is more emphasis on managing and overseeing the Trust's performance both operationally and financially.

At this stage of the year there are no significant activity variances which are causing a concern, however, waiting times in Ophthalmology and Gynaecology continue to be closely monitored with additional lists being provided to ensure the waiting times are reduced in line with national waiting targets.

The Trust's performance on the Commissioning for Quality and Innovation (CQUIN) measures are reviewed and monitored by NHS Cumbria Commissioners. CQUIN measures are based on three separate categories, with a total of 11 schemes agreed for 2012/13. CQUIN for 2012/13 has been increased to 2.5%, an increase of 1% compared to last year (1.5% in 2011/12). This is currently valued at £4.3m.

The CQUIN targets are monitored on a monthly basis and are formally discussed with the commissioners at the Service & Quality Contract Sub Group. The Trust is currently

forecasting that it will achieve 100% of the CQUIN target at this stage of the year.

The Trust has set a CIP target of £16.9m to close the financial gap between expenditure and income. The required target is a function of the 4% national pressure which all organisations face plus the need to recover the Trust's underlying deficit which has accrued over many years and not been addressed on a recurrent basis.

In terms of achievement in the first two months of the financial year, £2.2m of savings have been delivered against a target of £16.9m. This is behind the planned target although the profile of the CIP delivery is phased towards the end of the financial year. It is essential that all plans are delivered according to the agreed timescales and that ideas being developed are converted into firm plans as quickly as possible to enable the Trust to maximise the delivery of CIP savings during the year.

Overview of key areas for consideration or noting:

The Trust's financial plan contains significant challenges. Specifically we must;-

- Ensure achievement of contracted levels of activity in all specialties whilst maintaining waiting lists within national target levels, including diagnostic waiting times.
- Ensure achievement of all quality and performance related payments through the contract.
- Minimise any contractual penalties which may be applied.
- Ensure delivery of the necessary cost improvement targets which remain a significant risk.
- Balance the financial and performance requirements with maintaining the highest levels of patient quality, safety and care.

Specific implications and links to the Trust's Strategic Aims:	
Ensure we provide high quality, safe and effective care for all our patients including meeting essential standards of safety and quality as set out by the CQC	✓
Develop a viable integrated clinical strategy for secondary care services which is sustainable and affordable	
Develop a new healthcare facility in West Cumbria that is fit for the 21st century	
Achieve sustainable financial balance through the delivery of the Trust's internal Cost Improvement Programme, securing a viable contract income from our GP commissioners and contributing to the system wide cost reductions	
To develop and implement a successful merger or acquisition plan that enables the Trust to become part of an existing NHS Foundation Trust	

Recommendations:

The Trust Board is asked to note this report.

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TRUST BOARD
CONTRACTING AND COST SAVINGS UPDATE
JULY 2012

1. INTRODUCTION

The Trust has a statutory duty to breakeven each year whilst also ensuring that national access targets are maintained and, critically, that the core purpose of providing the highest quality safe patient care is at the centre of all that we achieve.

Whilst there are many complex aspects to the achievement of these objectives there are certain elements which underpin much of what we do as an organisation, amongst these are;-

- The contractual framework which we agree with our commissioners for the provision of clinical care.
- How we ensure that quality measures are included within the contractual framework and.
- How we achieve financial balance through the achievement of planned savings programmes.

2. CONTRACTING WITH COMMISSIONERS

The Trust, as with all other NHS organisations, adopts the national standard contract with its commissioners for the provision of care. The Trust's main contracting partner is NHS Cumbria as represented by the Clinical Commissioning Group (CCG) of the area. There is significant change happening within the commissioning elements of the health service and the coming year will see the demise of NHS Cumbria and the emergence of the CCG as the lead for commissioning. 2012/13 is therefore a transition year with the contract being with NHS Cumbria, but the lead on the detail of the development of the contract and its application and management throughout the year resting with the CCG.

From 2013/14 the CCG will assume full responsibility for all local commissioning issues. The contract agreement was signed with commissioners on 15 March 2012 for the financial year 2012/13 in line with the national timeframe. This is the earliest the Trust and commissioners have reached agreement, with the contract having been settled either through arbitration or a dispute process in the last 3 respective years. This is a positive reflection of the ever improving relationships between the Trust and its commissioning partners in the form of the CCG. The relationship will be critical in ensuring that health services operate effectively across all health sectors in future periods.

The contract includes a series of schedules, and whilst all schedules are important the main schedules are those associated with;-

- The value of the contract, with agreed prices for all services delivered by the Trust either at the national Payment by Results Tariff or locally agreed prices if no national tariff exists.
- The volume of care to be delivered by the contract split by speciality and patient category (eg daycase, outpatient etc).
- The quality schedules and deliverables contained within the contract which underpin the standards to which care should be delivered

The agreed contract value with NHS Cumbria is £169.4m, an increase of £4.8m compared to the previous year.

A summary of the key contract points are as follows;-

- The contract is based on a forecast outturn at month 8 in 2011/12, with £1.6m being added for demographic change and £1.9m being deducted for demand management schemes (this includes a reduction of £654k for evidenced based referrals)
- The contract includes a provisional amount for PCI activity of £1.2m, although it is recognised that the final activity volume and values may be closer to £3m
- Investment of £0.6m in high costs drugs, recognising that further investment may be required
- Investment in bowel screening, sleep apnoea and best practice tariffs
- A reduction in the contract of £1.6m for readmissions within 28 days, subject to an audit being completed by the end of June 2012 in line with the national PbR guidance
- The contract is on a Payment by Results and cost and volume basis, with the exception of Paediatrics which is paid for as a block amount as services are reconfigured during the year
- The contract has no floors, ceilings, collars or caps – commissioners will pay for the activity we undertake with no risk share arrangements
- The Quality schedule has been enhanced and does create some financial risks, most notably the requirement for the Trust to implement electronic discharge summaries

3. CONTRACT VALUES

A summary of the contracts held by the Trust are summarised below.

Commissioner	**£000**
NHS Cumbria	169,374
North West Specialised Commissioning Group	3,196
Non Contract Activity	3,100
Dumfries & Galloway Health Board	3,100
Northumberland Care Trust	917
Total Contract Income	**179,687**

The contract with North West Specialist Commissioning Group will increase as we progress throughout 2012/13 as more services are moved over to this specialist

commissioner. Other contracts will reduce by the same amount having a neutral impact on the overall contract values.

The National Tariff has reduced by 1.5% in 2012/13 compared to 2011/12. Within the tariff there is an inherent requirement to achieve a minimum of 4% CIP to cover pay and prices inflation. The Trust's CIP target is £16.9m which represents 7.8% of the Trust's turnover.

4. CURRENT CONTRACT PERFORMANCE

The current activity performance is shown in the tables below.

Point of Delivery	Annual Plan Activity	April			May			TOTAL		
		Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
Daycase	25,599	1,941	2,255	314	2,327	2,427	100	4,268	4,682	414
Elective	7,350	556	557	1	715	621	(94)	1,271	1,178	(93)
Non-Elective	32,991	2,772	2,798	27	2,942	2,593	(349)	5,714	5,391	(323)
Excess Bed days	12,255	1,009	1,100	91	1,091	1,037	(54)	2,100	2,137	37
Outpatients	233,150	17,700	18,158	459	20,645	22,660	2,015	38,345	40,818	2,473
A&E	70,847	6,025	6,217	192	6,213	6,454	241	12,238	12,671	433
Non-PbR	2,896,152	237,553	236,516	(1,037)	245,862	249,916	4,054	483,415	486,432	3,018
NHS Clinical Income	**3,278,344**	**267,556**	**267,602**	**46**	**279,796**	**285,707**	**5,912**	**547,351**	**553,310**	**5,958**

Point of Delivery	Annual Plan Income	April			May			TOTAL		
		Plan	Actual	Var	Plan	Actual	Var	Plan	Actual	Var
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Daycase	18,775	1,423	1,583	160	1,732	1,760	28	3,155	3,344	188
Elective	18,713	1,418	1,395	(23)	1,806	1,746	(60)	3,224	3,141	(83)
Non-Elective	57,612	4,838	4,821	(17)	5,138	4,824	(314)	9,976	9,645	(331)
Excess Bed days	2,810	231	260	28	250	243	(8)	482	502	21
Outpatients	29,136	2,212	2,252	40	2,584	2,728	143	4,796	4,979	183
A&E	6,911	588	616	28	606	639	33	1,194	1,254	60
Non-PbR	67,293	6,222	5,805	(417)	5,635	5,505	(130)	11,857	11,310	(547)
NHS Clinical Income	**201,251**	**16,933**	**16,731**	**(201)**	**17,752**	**17,444**	**(308)**	**34,684**	**34,175**	**(509)**

The daycase over performance relates predominantly to Dermatology and Ophthalmology, with General Surgery and Urology also being ahead of the plan at this stage of the year, although the casemix has been lower than originally forecast. A number of specialties are behind the Elective activity plan by a small margin, although the casemix is currently richer than original planned. Non-Elective activity is behind the plan but remains high as it did during 2011/12.

Outpatients continue to be above the plan with too many follow up appointments being carried out. There is a risk to the Trust of not being paid for some of this activity due to the number of follow ups being in excess of national upper quartile performance in terms of the ratio of follow up outpatient attendances compared to new outpatient attendances. The number of Outpatient Procedures continues to be above plan with increasing numbers of procedures being undertaken in this category.

A&E performance has been above plan at the start of the year with the financial over performance reflecting the increased activity. Non-PbR activity remains above the plan in activity terms, mainly due to direct access Pathology, but is below plan in financial

terms. This is due to a number of adjustments being factored into this category, including contract penalties which are discussed below.

At this stage of the year, there are no significant activity variances which are causing a concern, however, waiting times in Ophthalmology and Gynaecology continue to be closely monitored with additional lists being provided to ensure the waiting times are reduced in line with national waiting targets.

A readmission audit for patients readmitted within 30 days took place in June in line with the national guidance. The data will be used to identify common themes with plans being formulated to help reduce readmissions and improve efficiency in the future. Commissioners must invest the savings in the contract (£1.6m) into agreed schemes to help reduce readmissions further. The Trust will be discussing the CCG's plans over the coming months when the result of the audit is made available.

5. QUALITY OUTCOMES WITHIN THE CONTRACTING PROCESS

5.1 CQUIN

The Trust's performance on the Commissioning for Quality and Innovation (CQUIN) measures are reviewed and monitored by NHS Cumbria Commissioners. CQUIN measures are based on three separate categories;

1. Department of Health (DoH) National Measures,
2. Strategic Health Authority Regional Measures, and
3. Locally agreed measures set by NHS Commissioners.

All local CQUIN measures have been agreed and finalised for 2012/13. The CQUIN targets are monitored on a monthly basis and are formally discussed with the commissioners at the Service & Quality Contract Sub Group.

CQUIN for 2012/13 has been increased to 2.5%, an increase of 1% compared to last year (1.5% in 2011/12). It is currently valued at £4.3m.

National Measures
The National Measures for 2012/13 are:

- Venous-Thromboembolism (VTE) Prevention.
- Patient Experience based on the Care Quality Commission nationally co-ordinated adult inpatient survey programme.
- Dementia which consists of three separate categories; screening, risk assessment and, where indicated, referral for specialist diagnosis.

Regional Measures
The regional measures for 2012/13 are:

- NHS Safety Thermometer, which surveys monthly all appropriate patients using a point prevalence survey method on four outcomes;-

1. pressure ulcers,
2. falls,
3. urinary tract infection in patients with catheters
4. VTE;

- Advancing Quality (AQ) which consists of clinical process measures for;
  Acute Myocardial Infarction,
  Heart Failure,
  Hip and Knee Replacement,
  Pneumonia,
  Stroke and
  AQ patient experience.

Local Measures
The local measures for 2012/13 are:

- Emergency Floor, which comprises of joint working between primary, community and secondary care on ambulatory care pathways and the development of an integrated emergency floor;

- Children: Integrated Care, which comprises of the development and implementation of agreed pathways;

- Make Every Contact Count, which comprises of ensuring that service users are provided with brief intervention advice in relation to smoking, alcohol abuse and substance misuse;

- Evidence Based Referrals, which comprises of identified clinical surgical procedures to which referrals and thresholds have been agreed by clinicians.

- Service Reviews, which consist of undertaking six service reviews; dementia, mortality (x4) and end of life care.

- Patient Experience and Satisfaction, to improve responsiveness to the personal needs of patients, carers and other providers.

5.2 <u>Quality Schedule</u>

A key document of the contract is also the Quality schedule, which lists a number of quality targets that must be achieved in order to be paid the full contract value. The Quality schedule imposes penalties in line with national standards for a number of scenarios such as never events, mixed sex accommodation breaches and various A&E targets.

The main risk within the Quality schedule for the Trust relates to the provision of electronic discharge summaries for all patients within 24 hours of discharge. The penalties for failing to achieve this increase as the year progresses, although they are capped at £250,000 per quarter for the first three quarters. The Trust has made progress in the development of electronic discharge summaries; however, there is still a considerable amount to do before the Trust can be confident that no penalties will be

applied. The penalty for not providing electronic discharge summaries is currently factored into the Non-PbR income category above.

6. SAVINGS PROGRAMMES ACROSS THE TRUST

The Trust, through its financial planning for 2012/13, has identified the requirement to deliver a savings target of £16.9m to maintain financial balance. The required target is a function of the 4% national pressure which all organisations face plus the need to recover the Trust's underlying deficit which has accrued over many years and not been addressed on a recurrent basis.

Recognising the scale of this challenge, a process for the generation, development, delivery and tracking of savings schemes was started in September 2011. This process of turnaround, which blends tactical ideas, divisional strategies and significant organisational pathway change, has developed since that period and contributed significantly to the delivery of plans and outcomes in 2011/12. Looking forward to 2012/13 the current development of the plans against the £16.9m target is as follows.

Narrative	Value £m
Firm Plans – Full Year Impact	5.3
Ideas	2.4
Themes	3.8
Unidentified	5.4
Total	**16.9**

The plans are closely monitored for development and delivery through a series of divisionally based and corporate meetings with each plan having an identifiable lead responsible officer held to account for its delivery.

In managing the delivery of CIPs there is also a strict process to ensure that patient safety and the provision of high quality of care is not impacted upon by financial achievement. This process, which is divisionally based but then has final sign off by the Medical Director and Director of Nursing from a quality and safety perspective, has been externally and independently tested by the Strategic Health Authority and found to be in alignment with their expectations of how clinically sound and safe cost reduction programmes should be developed.

In terms of achievement in the first two months of the financial year, £2.2m of savings have been delivered against a target of £16.9m. This is behind the planned target although the profile of the CIP delivery is phased towards the end of the financial year. A number or large scale reviews are currently taking place which should be completed over the summer months to enable savings to be realised after the period of consultation has ended. Work on other significant schemes, including the Elective Flow and Non Elective Flow to change patient pathways, continues with incremental changes taking effect month on month.

The CIP target for 2012/13 has now been devolved to all the divisions.

Going forwards it is imperative that

- The plans in place are delivered in a timely way

- The ideas in the pipeline are converted into deliverable plans
- That additional opportunities continue to be explored
- Staff engagement continues to be built across the broadest base

7. CONCLUSION

The Trust's financial plan contains significant challenges. Specifically we must;-

- Ensure achievement of contracted levels of activity in all specialties whilst maintaining waiting lists within national target levels, including diagnostic waiting times.
- Ensure achievement of all quality and performance related payments through the contract.
- Minimise any contractual penalties which may be applied.
- Ensure delivery of the necessary cost improvement targets which remain a significant risk.
- Balance the financial and performance requirements with maintaining the highest levels of patient quality, safety and care.

The Trust Board is asked to note this report.

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DEPUTY CHIEF EXECUTIVE