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| MEETING TITLE Trust Board Meeting held in Public | | MEETING DATE 26/03/2013 | |
| TITLE of PAPER | A&E and PTS Contract updates for 2013/14 | PAPER REF | 6.1 |
| STRATEGIC OBJECTIVE | <ul style="list-style-type: none"> All | | |
| PURPOSE OF THE PAPER | <p>This paper provides the Board with:</p> <ul style="list-style-type: none"> an overview of the current contract negotiation positions financial information for the A&E contract financial information for the PTS contracts | | |
| For Approval | <input type="checkbox"/> | For Assurance | <input checked="" type="checkbox"/> |
| For Decision | <input type="checkbox"/> | Discussion/Information | <input type="checkbox"/> |
| AUTHOR / LEAD | Catherine Balazs | ACCOUNTABLE DIRECTOR | Director of Finance & Performance |
| PREVIOUSLY CONSIDERED BY | Committee/Group: Finance & Investment Committee | Date: 07/03/2013 | |
| RECOMMENDATION | The Board note the current progress of the A&E and PTS contract positions and delegate authority for contract approval to the Chief Executive and Chairman | | |
| RISK ASSESSMENT | | Yes | No |
| Corporate Risk Register and/or Board Assurance Framework amended | | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Resource Implications (Financial, Workforce, other - specify) | | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Legal implications/Regulatory requirements | | <input type="checkbox"/> | <input type="checkbox"/> |
| Quality and Diversity Implications | | <input type="checkbox"/> | <input type="checkbox"/> |
| ASSURANCE/COMPLIANCE | | | |
| Care Quality Commission Registration Outcome(s) | | All | |
| NHSLA Risk Management Standards for Ambulance Trusts | | All | |

1. Purpose

1.1 This paper provides the Board with

- An overview of the current contract for the A&E and PTS contracts for 2013-14
- Financial information linked to all the contracts
- An overview of expected outcomes, timeframes and any risks to each contract

The paper asks for authority to be delegated to the Chief Executive and Chairman to approve the final contracts for A&E PTS when these become available in order to comply with national guidance to have contracts approved by 31st March 2013.

2. Background

2.1 In January 2013 a review of all contracts across YAS was carried out and each contract assigned a lead contract manager and lead finance manager.

2.2 This process has ensured that all contracts have a single point of contact and the workload of individuals could be planned in advance to allow for timely responses to commissioners as we enter the contracting period.

2.3 PTS is made up of four separate contracts and is managed by Mike Power, Head of Contracts, with Anna Rispin, Associate Director of Finance as lead for finance.

2.4 The A&E contract is one Yorkshire wide contract covering all the existing PCTs, and is managed by Catherine Balazs, Head of Business Development, with Rod Barnes, Executive Director of Finance and Performance as lead for finance.

2.5 Contract negotiation meetings for all contracts have been planned in the diaries and commenced in January 2013.

3 A&E Contract negotiations overview

3.1 Current position

The A&E contract negotiations have been taking place weekly since early February, along with daily contact with the newly appointed contract manager within the Clinical Support Unit in West Yorkshire.

The current negotiations are continuing to take place with NHS Airedale, Bradford and Leeds to ensure continuity during the transition to Clinical Commissioning Groups (CCGs) in April 2013 but are also

attended by Jane Hawkard, the new Chief Officer for East Riding CCG who will be taking the key role and lead for the commissioning meetings on behalf of the 3 clusters from April 2013.

3.2 **Contract duration**

The new NHS standard contract is being used for the basis of the contract and the NTDA guidance on length of contract has also been taken in to account. The guidance states that there should be an 18 month contract in place post Foundation Trust authorisation. This has been recommended to the lead commissioner and has been agreed. This will mean a two year contract will be agreed with a one year review for the financial elements.

3.3 **Performance Targets**

It has been confirmed that for the next two years the Red 1 and 2 75% performance target will be at a regional target. CQUIN funding mechanism will be used to support delivery of performance improvements at CCG level.

As part of the negotiations, and for future planning purposes demand profiles and performance are being developed at CCG level and all reporting will be at both regional and CCG level to allow commissioners to understand the areas where the targets are more challenging to meet, such as the rural areas of North Yorkshire. There will be focused work within these areas to look at the poor performing CCG localities and to develop joint action plans with our CCG and urgent care colleagues.

This approach will underpin our future financial negotiations when we move in to the second year of the contract.

3.4 **Contract value and activity forecast proposals**

Our activity forecasts have been presented to the commissioners, who, along with the lead commissioner, have had CCG commissioning representatives from South Yorkshire Cluster, North Yorkshire, Hull and East Riding Cluster and West Yorkshire cluster. This is set out in Appendix 1, 2013/14 financial assumptions for all PCTs.

The activity assumptions have been based on 2012/13 outturn, with activity over and above this attracting a marginal rate of 75% of income.

Included within the forecast is the HART funding which does not have the tariff deflator or CQUINs applied and includes funding for the additional running costs of the proposed new site. Medical Emergency Response Incident Team (MERIT) is also included for ongoing vehicle and equipment costs and staff training. There are still some further

discussions around ECS rollout and training to be had in order to ensure this can be rolled out in line with the business case and project plan starting in the 2013/14 financial year. This has been shown separately as an in year contract variation, but attached to the main schedule and will require a contract variation in-year.

The financial plan has also been split down in to the three clusters, showing the start point for the negotiations as per table 3.1 below.

Table 3.1 2013/14 financial assumptions CCG level

| By CBU | £,000 | | | | | |
|--|------------------------------------|---|--|--------------|---------------------------------------|--------------------------------|
| | 12/13 Contract Value (excl CQUINS) | YAS Contract Overspend (forecast based on Q4 unvalidated outturn) | NHS Direct Passbacks (Forecast based on Q4 position) | CQUINS 12/13 | Total paid to YAS in 12/13 (forecast) | 12/13 Start Point (excl CQUIN) |
| South | 35,374 | 1,376 | -320 | 907 | 37,337 | 36,430 |
| Airedale/Bradford/Leeds and Calderdale/Kirklees/Wafekfield | 70,908 | 3,448 | -595 | 1,814 | 75,575 | 73,761 |
| North, Hull & East Yorkshire | 46,160 | 1,437 | -279 | 1,175 | 48,493 | 47,318 |
| Total | 152,443 | 6,261 | -1,194 | 3,896 | 161,405 | 157,509 |

In 2014/15 the same assumptions have been made, with a lower demand increase, which is broadly in line with our assumptions within the Integrated Business Plan.

3.5 CCG forecast

The forecast has also been split by the 20 CCGs and this information has also been presented to the commissioners for consideration. There will be an expectation that all reports from April 2013 report at CCG level, and cluster level feeding up to regional level reporting. This will allow our CCG colleagues to better understand the challenges and demands on the services in each area.

3.6 Turnaround collaborative

It has been agreed in principle that the turnaround collaborative will continue and is has also been agreed to continue with the collaborative coordinator post to continue to drive forwards this work stream.

There are a number of financial penalties that are attached to the turnaround performance which is now split in to handover and wrap up with 15 minutes allowance for the Acute Trust element and the YAS element.

For the first 6 months it has been agreed that the penalties will be monitored in shadow form but then they will be applied to Acute Trusts and to YAS. Based on just two months data, this could equate to over £150,000 for the breaches of 15 minutes and 60 minutes.

During the negotiations YAS has asked for assurance that the penalties are re-invested to ensure that the targets are supported and met.

YAS will continue to drive down the non-compliance but this still remains as a financial risk.

3.7 Completion of contract and signing

There is an agreement to work toward a final draft of the contract by 21st March 2013. The proposed financial and activity forecasts are currently with CCGs for confirmation, and feedback has been received and amendments made.

3.8 Risks to the A&E contract

The main areas of risk are:

- Penalties for Red 1 and Red 2 delivery, up to a maximum 2% of contract value (circa £6million)
- Turnaround penalties part year effect (circa £200,000)
- Significant increases in demand particularly due to NHS 111
- ECS Business case still to be approved by CCGs

The turnaround penalties will need careful monitoring over the next six months and further negotiations to ensure commissioners do not set a 100% compliance target.

With regard to significant increases in demand, and although we will be paid for any overtrade, this is at marginal rate and post event, and therefore adds further financial impact as the funding is not in the baseline in order for us to flex over and above our margins already in our plans.

Further to this, we are awaiting CCG agreement to the ECS business case, and this is key to our continuation of our work to reduce conveyance by better access to records and primary care information along with access to the Director of Services (DoS).

4 PTS contracts overview

4.1 Current position

YAS currently manages four main PTS contracts across Yorkshire and the Humber. These contracts used to be directly with the Acute Trusts and are now with the PCTs which will be the CCGs from April 2013.

4.2 Contract duration

All the PTS contracts have been negotiated for a further year. There remains the risk of Commissioners wanting to retender the contracts, whether in whole or elements of each one. There has been no

immediate intention of re-tendering discussed at this time. A notice period would have to be issued if this was the case.

4.3 Performance Targets

2012-13 has been a challenging year for PTS in terms of operational performance due to additional Key Performance Indicators put in to all four contracts this financial year. There have been significant improvements in some areas, but there remains further transformation work to deliver sustainable improvements across all targets.

The Transformation project is now widening out to other areas, with a specific focus on Hull and it is envisaged that further improvements across all the contracts will be realised in 2013-13.

4.4 Contract values and activity forecast proposals

4.4.1 NHS North Yorkshire & York PTS Contract

There is a block contract in place with NHS North Yorkshire and York. There are agreed activity levels and key performance indicators, but these are not tied to performance penalties.

The total activity year to date (Apr 12 – Jan 13) is -3.35% (4,356 journeys) below plan however this is made up from a decline in demand in Harrogate and Northallerton during the year, whilst patient journeys to York, Scarborough and out of area have increased.

The changes in activity and key performance Indicator results have no contractual consequences for 2012/13.

There will be some realignment of the CCG boundaries and all our reporting and profiles will be adjusted accordingly.

4.4.2 East Yorkshire Consortium (NHS Hull, NHS East Riding)

There is a block contract in place with the East Yorkshire consortium (NHS East Riding, NHS Hull) and some Key Performance Indicators carry penalties for non-achievement.

Total activity year to date (Apr 12 – Jan 13) is +2.01% (1,896 journeys) above plan. Activity within the consortium is split into separate categories – non urgent, priority, and same day. During the year, non urgent and same day journey have increased whilst priority journeys have declined. The variation in activity will not have a contractual consequence for 2012/13.

Early successes with the Key performance indicators have been difficult to sustain since September. Four of the KPI's carry financial penalties if they are not achieved.

For 2013/14 the indications are that total income will remain the same, less the NHS -1.3% deflator requirement.

NHS Hull and NHS East Riding will become CCG's with similar geographic boundaries and any adjustments will be made to reporting and profiles.

4.4.3 West Yorkshire Consortium

There is a block contract in place with the West Yorkshire Consortium (NHS Bradford & Airedale, NHS Calderdale, NHS Kirklees, NHS Leeds, NHS Wakefield), and some Key Performance Indicators carry penalties for non-achievement.

Total activity year to date (Apr 12 – Jan 13) is +0.62% (2,846 journeys) above plan. Activity within the consortium is split into separate categories – non urgent, renal, and same day. During the year, non-urgent journeys declined, whilst renal journeys increased. Other variations for same day patients and between the individual PCT members of the consortium are distorted due to change in reporting arrangements.

The variation in activity will not have a contractual consequence for 2012/13.

There have been difficulties achieving KPIs related to patient waiting times for transport home, and these have resulted in financial penalties being applied.

For 2013/14 the indications are that total income will remain the same, less the NHS -1.3% deflator requirement.

Before the commencement of the next financial year there is a requirement to consolidate the consortium contract by adding some services (Mid Yorks' Discharge Service, Sunday Renal Service, Leeds Portering Pilot) currently paid for separately, whilst at the same time apportioning the activity now with 5 PCT's into 9 CCG s.

4.4.4 South Yorkshire Consortium

The contract with the South Yorkshire Consortium (NHS Barnsley, NHS Doncaster, NHS Rotherham, NHS Sheffield) is essentially a block Contract with a cost and volume element, with penalties for non-achievement of KPIs.

Total activity year to date (Apr 12 – Jan 13) is -5.34% (13,826 journeys) below plan. Activity for NHS Barnsley and Sheffield is almost equal to plan, whilst NHS Doncaster activity is -7.61% and NHS Rotherham is at -15.98%. The consequence of this under activity is that the consortium is entitled to a refund of £117,106. This is likely to increase during February and March as both months are expected to have reductions in activity. This remains under discussion.

Performance for the South Yorkshire Consortium is set against a 'Quality Improvement Fund' (QIF), which is reduced each month for KPI's not achieved. There is also a specific penalty charge per journey if patients wait longer than 90 minutes for transport home after treatment.

The reduction due to the transfer of the discharge service in Sheffield and the NHS efficiency requirement has been accepted, but negotiations are on-going with regard to the remaining £218,580.

4.5 Summary of PTS contract funding 2013/14

Over all the 2013/14 contract is expected to resemble the format of the current contract but apportioned across four CCG's which have the same geographic areas as the current PCT's.

| PTS Contract | 2012/13 Variation (YTD) | | 2013/14 Adjustment | |
|----------------------------|-------------------------|---------------------|--------------------|---------------------|
| | Activity | Penalties | Efficiency | Other |
| North Yorkshire & York | - | - | -£58,715 | - |
| East Yorkshire Consortium | - | -£23,604 | -£42,133 | - |
| West Yorkshire consortium | - | -£16,715 | -£154,273 | - |
| South Yorkshire Consortium | - £117,106 | - £102,087* 1 | - -£78,391*2 | - £350,580* 3 |
| Totals | £117,106 | -£142,406 | -£333,512 | -£350,580 |

*1 The formula for assessing the value of the penalties had been misinterpreted, and the previous estimate was too low. However, the consortium has recognised that the formula as now applied is unduly punitive, and they are considering a relaxation of the terms.

*2 The efficiency saving is applied to 1.3% of the total contract funding. The amount of funding is likely to be increased by £100k if negotiations are successful and this will change the value of the efficiency saving by approx. £1,300

*3 The £350,580 is comprised of:

- £132,00 deduction for loss of same Day discharge contract
- £118,850 for reductions in activity during 2012/13 which will be carried forward into 2013/14
- £100,000 to cover prior years reductions in activity

There is an issue around the deduction of activity at full cost or marginal rate, which is yet to be resolved, and this is being led by the Associate Director of Finance for a resolution prior to the financial year end.

The Consortium are considering waiving their request for the £100,000 deduction subject to a SIP being provided, which will give assurance that the funding will be spent on service improvement.

4.6 PTS Risks

There are a number of key risks for PTS income listed below:

- Financial penalties applied for underperformance on KPIs/Other

South Yorkshire –

Refund to CCG for underperformance - £117,106 for 2012/13

Quality Improvement Fund non-achievement - £37,574

KPI non-achievement - £12,197

West Yorkshire –

Non-achievement of KPIs - £16,715

East Riding –

Non-achievement of KPIs - £ 23,604

- Non-recovery of chargeable journeys
- Loss of income due to tendering of services

Financial penalties if not monitored closely continue to be one of the main risks to PTS contracts.

Journeys undertaken which are outside of the normal contract terms (ECR's) have increased over the last financial year and this has meant the recovery of more income. If robust processes are not in place to bill for and recover the money attached to these journeys we will stand a financial risk.

The ongoing risk of loss of contracts is one that YAS needs to manage carefully and ensure that it takes a proactive approach to new business opportunities as well as retaining current services and improving on KPIS and patient experience across all of YAS. Through the Transformation project it will continue to work proactively to mitigate these risks.

6. RECOMMENDATION

5 Recommendations

It is recommended that the Trust Board note the position of the A&E and PTS negotiations and the financial risks to the contracts.

The Board delegate authority to the Chief Executive and Chairman to approve the final contracts for A&E and PTS contracts for 2013/14 to comply with national guidance to have contracts approved by 31st March 2013.