

# New primary care contracts – what they mean for finance directors working in primary care

## Introduction

The new primary care contracting arrangements underpin the Government's plans to transform the face of primary care and are critical to the modernisation of the NHS as a whole.

Under the new arrangements, PCTs will enter into contracts with practices and other providers. In the past, they have been able to enter into direct contracts with GPs under Personal

Medical Services (PMS) arrangements. However, the majority of GPs have operated to a national contract – the General Medical Services (GMS) contract, which was a contract between the GP and the Secretary of State for Health, over which PCTs had no input.

Guidance was issued in December 2003 to help practices and PCTs agree the new, more flexible GMS contract

and, where applicable, the new PMS contract by 1 April 2004.

PCTs have been told how much money they can expect to get from the Government and should have given practices an idea of their funding, depending on the services they deliver.

*This fact sheet provides an overview of the new contracting arrangements and is based on the finance sections of the GMS and PMS guidance.*

## What the changes mean for finance directors

The new primary care contracting arrangements mark a shift towards increased financial independence at local level. This should bring greater autonomy for PCTs and provide the opportunity for finance directors to develop their role. The changes are supported by an unprecedented level of new investment in primary care services and will provide PCTs with

opportunities to:

- improve the quality and range of services for patients
- shape future services
- increase primary care capacity to meet local needs

The majority of funding will be channelled through the PCTs to allow true local decision-making. The interests of GMS contractors will be

protected through a Statement of Financial Entitlements (SFE) which is replacing the Red Book. Practices under the nGMS or PMS contractual option will benefit from the Gross Investment Guarantee (GIG) which will ensure that primary care receives the increased funding.

## Specific implications for finance directors

- The new funding arrangements for nGMS and PMS will see the bulk of the funding allocated to PCTs, who in turn will have greater flexibility over the use of these funds. There will be some restrictions, e.g. contractor entitlements, commitments to deliver the floor on enhanced services and out-of-hours funding will be ring fenced, but beyond this PCTs will be free to maximise the use of the available funding.
- Funding decisions between nGMS

and PMS and other primary care arrangements should be fair, equitable and transparent.

- The old GMS non-cash limited allocations will be replaced with cash-limited allocations from the Department to PCTs, which were set out in HSC 2004/05 issued on the 6th February 2004. The cash-limited allocations includes funding for PMS, so PCTs will need to manage all primary care services within these sums. There will be some central budget provision for

Demand Management, and Dispensing will continue to be funded from a non cash-limited source.

- The allocations provide funding for the Global Sum/ MPIG (to match the current level of spending on essential and additional services, including Practice Staff reimbursement), Out-of-Hours provision, Enhanced services, Quality & Outcomes Framework,

*continued overleaf*

PCT administered services, Premises (for existing and agreed developments), IT (for the purchase, leasing, upgrade and maintenance of systems in practices) and PMS.

- The PMS element will reflect the 2003/04 allocations for all waves up to and including Wave 5b but adjusted to take account of the full year effect where appropriate and uplifted to 2004/05 prices.
- While funding for existing and agreed premises spend as at the 30th September 2003 forms part of the February allocations to PCTs, new premises development funding will be held by a lead PCT at SHA level and allocated as soon as possible following a further

Allocation Working Paper (AWP) exercise. It will be for SHAs to establish these lead arrangements and the subsequent approval process.

- New financial reporting arrangements will be required from April 2004 on which guidance will be issued shortly. This will require PCTs to amend their coding systems and review financial management arrangements.

#### Other features of the new financial arrangements include:

- funding based on need using a weighted capitation formula with a disease prevalence element as opposed to historical funding based on GP numbers
- payments to be made to contractors

rather than GPs

- no discretion over the entitlements included in the SFE, mainly Global Sum/MPIG, Quality & Outcomes and some Enhanced Services, Premises and IT costs
- the MPIG funding is fixed and will only increase in line with GMS inflation
- some discretion over the provision of Enhanced services, with a spending floor for each PCT
- monitoring by the Technical Steering Committee (comprising representatives from the four Health Departments, the NHSC and GPC) of the GIG to ensure appropriate investment in primary care services.

## How to maximise the benefits of the new contracts

### PCTs

- calculating indicative contractor budgets and obtaining agreement by the end of the first week in March
- agreeing quality aspiration levels with all contractors by the end of February 2004
- encouraging GMS GPs to submit outstanding claims in respect of 2003/04 by the end of March 2004 or soon thereafter
- making payment of the first monthly indicative amount to GMS contractors by the end of April 2004 after agreeing a withholding for superannuation costs
- making suitable provision in the 2003/04 accounts for old GMS sums
- calculating and agreeing with contractors actual Global Sum and MPIG by the end of May 2004
- reviewing financial coding to meet revised reporting requirements
- reviewing cash and resource management arrangements to address the change from non-cash limited to cash limited funding for a significant part of GMS services.

### SHAs

- setting up lead PCT arrangements for the management of new premises development funding
- agreeing quality achievement risk sharing arrangements with NHS Bank
- performance-managing PCTs as they implement the new arrangements

### Key Dates

February 2004:

- By the end of the second week of February 2004, PCTs will have shared indicative budgets with GMS contractors
- During February 2004, the Consultation on the SFE for 2004/05 will close and be finalised shortly afterwards
- By the end of the first week in March 2004 PCTs and contractors will have agreed the indicative budgets and made provisional agreement about the services to be provided

End of March 2004:

- Department will have allocated additional monies reflecting the

increase in employer superannuation contributions

April 2004:

- On 1 April, restrictions on the use of out-of-hours development funding will be lifted and the enlarged fund ring fenced
- Revised Exeter payments system will go live
- Department will have made allocations to PCTs for quality aspiration payments
- Department will have allocated the remaining quality achievement funds to the NHS Bank
- By the end of April 2004, PCTs will have made monthly payments of new GMS funding to contractors
- By the end of April 2004, PCTs will have made adequate provision for old GMS sums in their 2003/04 accounts

End of May 2004:

- PCTs will have calculated and agreed actual Global sum and MPIG with contractors

*continued overleaf*

July 2004

- By 1 July 2004 and quarterly thereafter, PCTs will have used the Exeter system to recalculate global sum for new list size data and other changes to variables

Summer 2004

- By the Summer of 2004, SHAs will

have established risk sharing arrangements with the NHS Bank for QOF achievement payments

April 2005

- Before April 2005, the Department will have published the revised SFE for subsequent years
- By the end of April 2005, PCTs

will have assessed creditors in relation to quality achievement payments for 2004/05

- By the end of April 2005, PCTs will have paid the 2004/05 quality achievement payments to contractors

## Where to go for further information

For information on the latest support available, visit the fortnightly web update on nGMS and PMS implementation. It is produced by the NHS Confederation, NHS Modernisation Agency (NatPact) and the National Primary Care Development Team and can be accessed on

[http://www.dh.gov.uk/PolicyAndGuidance/HumanResourcesAndTraining/ModernisingPay/GPCContracts/GPCContractsArticle/fs/en?CONTENT\\_ID=4068610&chk=jaN0c5](http://www.dh.gov.uk/PolicyAndGuidance/HumanResourcesAndTraining/ModernisingPay/GPCContracts/GPCContractsArticle/fs/en?CONTENT_ID=4068610&chk=jaN0c5)

Other support for finance directors includes:

- nGMS Contract website at: <http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/PrimaryCare/PersonalMedicalServicesPilots/fs/en>

- Delivering Investment in General Practice, principally Chapter 5
- Sustaining Innovation through new PMS Arrangements – principally Chapter 6
- Statement of Financial Entitlement
- Forthcoming guidance on APMS contracting and PCTMS provision, which will be available on the DH website by the end of February.

NHS Modernisation Agency (NatPaCT) and National Primary Care Development Team (NPDT)

- The MA, including NatPaCT, and NPDT have published a prospectus of support for the NHS that highlights national and local support initiatives available to practices. The prospectus is at [www.natpact.nhs.uk/primarycarecontracting](http://www.natpact.nhs.uk/primarycarecontracting)

- Finance Events

These are targeted at finance managers in PCTs and shared service organisations who will be managing financial allocations to practices for GMS and PMS. For further details on the programme and how to book, go to [www.natpact.nhs.uk/news/index.php?article\\_request=786](http://www.natpact.nhs.uk/news/index.php?article_request=786)

- Details of other learning events, for example on the Quality and Outcomes Framework, are available at [www.natpact.nhs.uk/primarycarecontracting](http://www.natpact.nhs.uk/primarycarecontracting) and places can be booked through SHA nGMS leads.
- [www.npdt.org](http://www.npdt.org)