

Primary Care Committee – 13 May 2020

Local Enhanced Services Costing Methodology Review

Lead Executive:	Wendy Allott, Chief Finance Officer
Lead Officer:	Louise Jones, Deputy Head of Financial Management
Lead GP:	Dr Jason Page, SCE GP Lead for Finance
Purpose:	

To inform members of a proposed new costing methodology for local enhanced services (LESs). If adopted, it is proposed the methodology comes into force from 1 April 2020 and be applicable to new LESs only. Existing LES's would not be reworked under the new methodology.

Background:

The current costing methodology for LESs was last reviewed several years ago. Whilst it follows standard NHS costing methodology and principles and represents an established and sound basis for costing, the LMC do not find the methodology useful. Most recently, this has led to protracted discussions about suitable payment rates for new LESs. Particular issues have been in establishing an appropriate GP hourly rate, and the level at which overhead costs should be included. The CCG and LMC have consequently been looking for an alternative approach that might satisfy both parties.

LMC proposed the use of fully absorbed clinician rates to cost future LESs; meaning all costs incurred by a practice such as support staff, premises costs and other non-pay costs would be incorporated into a single hourly rate per clinician. More detail on this approach is provided below.

Delegation responsibility:

Does this paper relate to Rotherham CCG or delegated business?

Rotherham CCG	<input checked="" type="checkbox"/>
Delegated	<input type="checkbox"/>
Both Rotherham CCG and delegated	<input type="checkbox"/>

Commissioning, procurement and management of GMS,PMS and APMS contracts including taking contractual action	
Newly designed enhanced services (including DES)	<input checked="" type="checkbox"/>
Local incentive schemes	
Discretionary payments	
Commissioning urgent care for out of area registered patients	
Planning Primary medical care services (PMCS)	
Managing practices with CQC concerns	
Decisions on premise cost directions	
Planning the commissioning of PMCS	
Manage the delegated allocation for commissioning of PMCS	
Assurance to the governing body on the quality and safety of PMCS	

Please indicate which of the Delegated Duties Decisions this paper requires:-

• Delegated Duties – iii – Decisions in relation to the establishment of new GP practices (including branch surgeries) and closures of GP practices.	
• Delegated Duties – iv –Decisions about 'discretionary payments'.	
• Delegated Duties – v – Decisions about commissioning urgent care (including home visits as required) for out of area registered patients.	
• Delegated Duties – b – The approval of practice mergers.	

Analysis of key issues and of risks:

The current methodology

The cost of a LES is currently arrived at using a 'bottom up' approach; this entails assessing and then calculating the cost impact of specific pay and non-pay inputs, then adding a percentage allowances for indirect and overhead costs.

This type of approach operates as standard across the NHS; it being the methodology that underpins the calculation of Reference Costs, which in turn form the basis of National Tariffs. However when applied to GP Practice there are several stumbling blocks including (a) given GP Practices are private businesses the CCG does not have visibility on the actual level of cost practices incur be that for pay, non-pay, or overhead (b) whilst it is possible to make reasonable assumptions about likely levels of pay for those staff in general practice who have Agenda for Change equivalents within the NHS, this is not to say they are reflective of what is actually paid in practice and (c) establishing a suitable reference pay rate for GPs is tricky given this can range from salaried to Partner rate.

In summary, currently:

- An hourly rate of £77.27 is used to reimburse GP time. Whilst this has not been uplifted recently it remains in line with neighbouring commissioners' rates for local enhanced services.
- Other staff, such as practice nurses, pharmacists, advanced nurse practitioners (ANPs) and healthcare assistants (HCAs) are calculated at midpoint of the Agenda for Change pay scale, plus employers on costs and a 21% allowance for sickness and absence.
- Any direct non pay costs such as specific consumables are identified and added.
- A 20% overhead is then added.
- Finally as part of a previous agreement with LMC, a further 10% contribution is then applied to cover any/all other residual costs or expenses and as a recognition of a 'contribution to bottom line'.

The LMC feel the hourly GP rate is not reflective of the cost of a GP and the overhead rate and contribution rate are not reflective of primary care.

The proposed future methodology

The proposal is to adopt a set of pre-calculated, fully absorbed rates.

The basis for this methodology would be nationally collected cost information, so offering a potentially sound basis for the calculation.

The Personal Social Services Research Unit (PSSRU) hosted at Kent University have been commissioned since 1992 by the Department of Health and Social Care (and/or former bodies) to produce an annual publication ' Unit Cost of Health and Social Care', which provides suitable unit costs.

A link to the full document explaining the work follows :

<https://www.pssru.ac.uk/pub/uc/uc2019/community-based-health-care-staff.pdf>

The above document also allows for us to tailor elements of the published unit costs to make them more specific for primary care; so for example (supported by the LMC) to exclude some capital costs not relevant to primary care. To also (supported by LMC) uplift to 2020/21 levels using the tariff uplift applied to community services.

On this basis a set of proposed rates for GPs, nursing staff and Scientific and Professional staff are capable of being calculated and are summarised in Table 1 below.

Table 1

	20/21 Fully absorbed hourly rate
GP	£131.65
Practice Nurse	£41.40
Pharmacist	£65.75

[Additional detail on the calculations is provided in Appendix 1, if required].

How the future methodology would be applied in practice

Appendix 2 provides detailed examples of how the methodology would be applied in practice. This is mainly a matter for the finance team to understand and operate, but in simple terms rather than take a bottom up approach, a single fully absorbed rate would be applicable to the post deemed as 'lead clinician' carrying out the LES.

Examples

- Example 1 - the lead clinician is a GP.
Under the PSSRU methodology, costs for nursing and administration time are already included in the GP unit cost (provided the time taken to carry out the task is adjusted to account for this), so a single rate applies.
- Example 2 - the lead clinician is a nurse, but there is also GP and/or a Pharmacist input required. Under the PSSRU methodology GP/Pharm costs are deemed NOT to be built into the nursing rate , therefore separate fully absorbed rates for GP/Pharm are added
- Example 3 - if all staff have the same time input ie there is no lead clinician. Fully absorbed rates for all staff involved need to be picked out and included.

Equality Impact:

No new issues

Financial Implications:

In order to assess likely financial impact and to gain assurance on the perceived accuracy of the new methodology, three existing LESs were run through the proposed new methodology with the results are shown in Table 2 below.

In making this assessment, the existing GP hourly rate of £77.27 was uplifted (by the community tariff uplift) to £80.39. This was done for comparison purposes, based on the fact we have agreed

an uplift for current LES for 2020/21.

Table 2

	Cost using fully absorbed rates	Cost using traditional methodology	Difference
Example 1	£78.33	£74.35	£3.98
Example 2	£92.90	£94.41	-£1.51
Example 3	£59.70	£60.11	-£0.41

Based on these examples under the new methodology, GP-lead Local Enhanced services are expected to be paid at a higher rate in future, whilst those led by other clinicians would be paid at a lower rate.

Other

The new methodology is based on annually updated nationally published data. National tariff uplifts (after efficiency) for community services will be added to bring costs in line with the current financial year.

Human Resource Implications:

N/A

Procurement Advice:

N/A

Data Protection Impact Assessment:

N/A

Approval history:

OE February 2020

OE 1 May 2020

Recommendation

Primary Care Committee are asked to note the change to the costing methodology.

Paper is for support.

Appendix 1

	18/19 Value		
	GP	Practice Nurse Band 5 plus qualifications	Pharmacist
Salary & on costs	113,400	41,997	60,347
Direct care staff	27,712	-	-
Admin & Clerical Staff	34,252	8,161	14,604
Office and General Business, including premises	44,669	12,363	26,010
Total Costs	220,033	62,521	100,961
Annual Hours (1)	1,739	1,571	1,598
Fully absorbed cost per hour	126.54	39.79	63.20
Uplifted to 20/21 rates	131.65	41.40	65.75
(1) Annual hour calculation			
Weeks	42.00	41.90	42.60
Hours	41.40	37.50	37.50
Annual hours	1,739	1,571	1,598

Appendix 2

Examples	Details	FULLY ABSORBED @20/21 rates					EXISTING @ 20.21 rates					Overhead + contribution 30%	Total	CHANGE		
		Band 8a				ANP / Pharam		HCA / Nurse Admin								
		GP	Nurse / Pharmacist	Practice Nurse	(Band 3)	Total	GP	(8a/b)	(Band 6)	(band 3)	Band 2	Consumables				
		£131.65	£65.75	£41.40			£80.39	£45.78	£26.27	£16.25	£14.81					
1. Based on recently costed DVT	GP 30 mins (LEAD CLINICIAN)	65.83				65.83	40.20			4.06	3.70	12.00				
	Receptionist 15 mins (Band 3)				0.00											
	HCA 15 mins (Band 2)				0.00											
	D-Dimer	12.50				12.50							14.39			
	Total					78.33							74.35	3.98		
2. Based in recently costed SMI Health checks	GP 10 mins	21.94					13.40						21.79			
	CP 10 mins		10.96					7.63								
	HCA 45 mins				0.00				12.19							
	Practice Nurse 90 mins (LEAD CLINICIAN)			60.00					39.41							
	Total					92.90							94.41	-1.51		
3. Any LES	GP 15 minutes	32.91					20.10									
	CP 15 mins		16.44					11.45								
	Practice Nurse 15 mins			10.35					6.57							
	HCA 20 mins				0.00				5.42				13.87			
	Admin 10 mins				0.00				2.71							
	Total					59.70							60.11	-0.41		