

**HFMA introductory guide to NHS finance**

# **Chapter 6: NHS finance – the role of primary care**



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## Overview

This chapter looks at the main primary care services in the NHS with a focus on what they do and how they are financed. In terms of their position in the NHS structure, primary care services fall within the 'providers' box in the diagram on page 11.

## 6.1 What is primary care and who provides it?

Primary care is where people normally go when they first develop a health problem. Often this will be a GP but there are many other health professionals in this front-line team including nurses, health visitors, dentists, opticians and pharmacists.

In this chapter we are going to focus on providers of primary care services and look at prescribing (a significant cost to the NHS).

It is worth noting at the outset that, although they are an essential part of the NHS, most GPs, dentists, opticians and pharmacists are independent contractors or businesses. They are not usually NHS employees, although there are delivery models in some parts of England, where NHS bodies have taken on the provision of primary care services - for example, The Royal Wolverhampton NHS Trust directly provides primary care services across nine GP practices<sup>88</sup>.

## 6.2 Accountability

Primary care service providers are accountable to:

- the patients to whom they provide services
- NHS England and/ or the integrated care board (ICB) that agrees signed contracts with them for the services provided and outcomes achieved
- their own professional bodies
- the Care Quality Commission (CQC) for meeting fundamental standards of quality care i.e., the standards below which care must never fall.

## 6.3 What primary care providers do

Primary care providers play a central role in the community. All of us will have some contact with NHS primary care during our lives. General practitioners (GPs) or 'family doctors', pharmacists, dentists and opticians all provide health services to the public. They also act as a gateway to other services - for example, most referrals to secondary care in hospitals will come from a primary care practitioner, usually a GP.

Each primary care service is discussed in turn below.

## 6.4 General practice

General practice is funded to deliver care on a list-based system. This means that the funding received covers the primary care needs of their registered population across the spectrum of

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<sup>88</sup> The Royal Wolverhampton NHS Trust, *The Royal Wolverhampton Trust Primary Care Network, 2023*

healthcare needs; from healthy individuals to people with multiple complex conditions. General practice services are split into three categories: essential, additional, and enhanced:

- essential services must be delivered and are covered by baseline funding. Essential services cover the care of a patient during an episode of illness, the general management of chronic disease and care of the terminally ill
- additional services are also covered by baseline funding, but practices can choose to opt out of one or more of these. If a practice chooses not to deliver an additional service, their baseline funding is reduced accordingly. Additional services cover areas such as contraceptive services, minor surgery and out of hours services
- enhanced services attract a payment on top of the baseline funding. Directed enhanced services (DES) cover areas such as childhood immunisations and health checks for people with learning disabilities and must be specifically commissioned by NHS England or an ICB. Local enhanced services (LES) are optional and are commissioned by individual ICBs depending upon local requirements.

General practice can hold a variety of contracts<sup>89</sup> and receive several different income streams.

### General medical services (GMS)

The GMS contract is a national contract with a nationally specified payment rate per patient (referred to as global sum income; this is the baseline income for the GMS contract). The contract is held in perpetuity by the practice and rather than with individual GPs. Payments for contracted services are made to the practice.

### Personal medical services (PMS)

The PMS agreement is locally negotiated in place of a GMS arrangement and uses locally agreed prices. PMS contracts are held in perpetuity but are with the individuals in the practice and not the partnership. Commissioners can give six months' notice on the contract if necessary.

### Alternative provider medical services (APMS)

An APMS contract allows services to be delivered by alternative providers, with locally agreed contracts and prices. This differs from GMS and PMS contracts as it is time limited.

### Directed enhanced services (DES)

All contractor groups (GMS, PMS or APMS) are entitled to sign up to deliver directed enhanced services. These are nationally defined services that can include areas such as minor surgery; health checks for people with learning disabilities; and dealing with violent patients.

The primary care network (PCN) contract<sup>90</sup> is also a DES, enabling PCNs to be included within the main GP contract. PCNs are covered in more detail later in this chapter.

### Local enhanced services (LES)/ local quality improvement schemes/ local commissioning schemes

ICBs may commission local schemes from general practice to meet the requirements of their population - for example, alcohol and substance misuse services, cardiovascular checks, flu immunisation, minor injuries, smoking cessation programmes and student health.

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<sup>89</sup> NHS England, *GP contract*, n.d.

<sup>90</sup> NHS England, *Network contract directed enhanced service*, n.d.

## Quality and outcomes framework (QOF)

The QOF framework<sup>91</sup> rewards individual practices based upon the quality of care delivered to patients. The framework sets out a range of standards across three domains: clinical, public health and quality improvement. Points are awarded for achievement against indicators in each standard and practices receive a payment per point, based upon their number of registered patients.

Participation in QOF is voluntary and some areas use local quality improvement schemes instead.

## Statement of financial entitlements

All general practice contractors are governed by the statement of financial entitlements (SFE)<sup>92</sup> that details the payment framework and methods. The current full statement of financial entitlements was published in 2013 and has been amended each year. It sets out the payments due for each element of the contract (global sum, quality and outcomes framework, directed enhanced services including those relating to primary care networks, and additional specific payments) and the conditions attached to them.

The global sum (baseline) payment per patient is revised quarterly and paid monthly. Total practice income is calculated by multiplying the global sum payment by the weighted list size.

The weighting is obtained using the Carr-Hill<sup>93</sup> formula that takes account of six indices:

- additional needs; mortality rates and long-term conditions
- number of nursing and residential homes
- list turnover
- rurality
- age and sex profile of the population
- market forces - for example, differing staff costs.

The total payment is then reduced by a nationally agreed percentage for any additional services that the practice has opted out of providing.

Details of the global sum allocation formula are included in the statement of financial entitlements<sup>94</sup>.

## Reimbursements

The *statement of financial entitlements* also sets out several areas where general practice may receive cost reimbursements.

### Premises

GP premises payments under GMS, PMS and APMS contracts, are covered by the GP premises directions. The NHS will reimburse practices for costs relating to rent, rates, clinical waste and, in some cases, assistance towards service charges. Practices that own their premises receive a notional rent payment.

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<sup>91</sup> NHS England, *Quality and outcomes framework guidance for 2024/25*, April 2024

<sup>92</sup> Department of Health and Social Care, *General medical services statement of financial entitlements directions*, updated October 2023

<sup>93</sup> Beech, J., Baird, B., *GP funding and contracts explained*, June 2020

<sup>94</sup> Department of Health and Social Care, *NHS primary medical services directions*, March 2024

## Dispensing doctors

Patients who live in some rural areas can receive dispensing services from their GP practice (under specific conditions). GP practices that provide dispensing services for patients receive a fee for each item dispensed and can sign up to deliver the dispensary services quality scheme that attracts additional funding. Fees are in line with a nationally agreed scale.

## Locum cover

Practices may receive a contribution towards locum costs to cover parental leave, suspension of a GP or sickness of a GP.

## Care Quality Commission fees

All GP practices (GMS/ PMS/ APMS) are entitled to full reimbursement of Care Quality Commission (CQC) fees.

## Out of hours services

Out of hours services are classified as an additional service, so GP practices can opt out of delivering them, with their baseline funding reduced accordingly. Given the pressures on a practice that providing this service can create - for example, at a small practice with few GPs, many practices have chosen not to provide an out of hours service.

ICBs are responsible for commissioning most out of hours services and ensuring there is access for their local population. This can be through the GP practice, or from an out of hours service provider. Some specialist out of hours services will be commissioned through NHS England.

## Delivery plan for recovering access to primary care

Launched in May 2023, the *Delivery plan for recovering access to primary care*<sup>95</sup> set out NHS England's plan to improve access to general practice and keep pace with growing demand. The central ambitions of the plan are:

- 'to tackle the 8am rush and reduce the number of people struggling to contact their practice
- for patients to know on the day they contact their practice how their request will be managed.'

NHS England aims to achieve this by:

- empowering patients – primarily through increased use of the NHS App
- implementing *Modern General Practice Access* – including transferring all practices to digital telephony, providing simpler online requests and faster navigation, assessment and response
- building capacity
- cutting bureaucracy.

## 6.5 Primary care in integrated care systems

The Health and Care Act 2022<sup>96</sup> established integrated care systems (ICSs).

An ICS, as a partnership of health and care organisations, operates at three levels: system (population 1 million – 3 million people); place (population 250,000 – 500,000); neighbourhood (population 30,000 – 50,000)<sup>97</sup>. Primary care has a role to play at each level but is integral to the

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<sup>95</sup> NHS England, *Delivery plan for recovering access to primary care*, May 2023

<sup>96</sup> UK Government, *Health and Care Act 2022*

<sup>97</sup> NHS England, *Designing integrated care systems (ICSs) in England*, 2019

success of care delivered at a neighbourhood level. Care at a neighbourhood level is based on understanding the needs of the local population and delivering care as close to people's homes as possible. PCNs are central to this, expanding what is offered in GP practices and building multi-disciplinary teams that span organisational boundaries.

Within an ICS, the integrated care board (ICB) is the NHS statutory body. The ICB holds responsibility for commissioning health services, including primary care services for the local population, apart from those directly commissioned by NHS England. These are delegated services, and as such NHS England retains overall responsibility, including for:

- national contract negotiations
- oversight of allocations
- national programmes, initiatives and policy guidance.

Consequently, NHS England requires assurance that its statutory functions are being discharged effectively and uses the primary care assurance framework<sup>98</sup> to achieve this.

An ICB has a delegation agreement with NHS England that sets out the matters for which the ICB has decision-making responsibility.

The ICB has a board that includes a member nominated by those who provide primary medical services in the ICB's area, ensuring that the voice of primary care is included in decisions made to develop system level strategy and in resource allocation.

## 6.6 What is a primary care network?

The *NHS long term plan*<sup>99</sup> introduced primary care networks (PCNs) to expand integrated community-based healthcare, building on previous voluntary working arrangements that were operating in some parts of England. All GP practices are expected to be part of a PCN, although participation is voluntary. A PCN is a group of general practices working together with a range of local providers – including across primary care, community services, social care and the voluntary sector, offering more personalised, coordinated care to their local populations.

PCNs are expected to work jointly with other organisations to deliver neighbourhood care, setting out these working arrangements in their network agreement.

### Funding PCNs

Several different income streams fund the development and operation of PCNs. Each PCN has a nominated practice that receives the payments on behalf of the network.

PCNs receive an amount of core funding from ICB allocations per registered patient per year. Further funding is received from the ICB to fund the clinical director role (from the primary medical care allocations). In addition, each practice that participates in a PCN receives a participation payment from NHS England. This is paid directly to the practice.

The PCN model allows each network to recruit several additional roles. PCNs can claim reimbursement of salary costs for these roles through the additional roles reimbursement scheme (ARRS). The funding comes from the ICB's primary medical care allocation and the arrangement is currently through to 2023/24. It is up to each PCN to decide the distribution of roles required. The roles are:

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<sup>98</sup> NHS England, *Primary care commissioning assurance framework*, April 2023

<sup>99</sup> NHS England, *NHS Long Term Plan*, 2019

- social prescribing link worker
- clinical pharmacists
- physician associates
- first contact physiotherapists
- pharmacy technicians
- health and wellbeing coaches
- care co-ordinators
- occupational therapists/ dietitians/ podiatrists
- paramedics
- nursing associate
- mental health practitioners
- GP assistants
- digital and transformation lead
- advanced practitioners.

The *Update to the GP contract agreement 2020/21 – 2023/24*<sup>100</sup> and a subsequent letter to GP practices<sup>101</sup> set out the agenda for change band and maximum reimbursement amount available for each role.

### Extended hours and extended access

Extended hours are a PCN responsibility, and the funding associated with the extended hours directed enhanced service incorporated into the network contract DES.

A nationally consistent offer combining extended hours and extended access requirements will be developed but, in the meantime, PCNs and ICBs are expected to work together to define local arrangements.

### Investment and impact fund

The investment and impact fund (IIF) has been available to PCNs since 2020/21 through the network contract directed enhanced services (DES). The fund operates in a similar way to QOF, rewarding achievement of PCN objectives through a points-based system. It is divided into two domains: prevention and tackling health inequalities and providing high quality care. Five indicators within the domains focus on the delivery of national priorities.

## 6.7 Dental services

From April 2023, ICBs have had delegated responsibility from NHS England for commissioning NHS dental services, including secondary dental care provided by hospitals. Dental contracts are negotiated locally, using national guidelines. Payments are governed by a statement of financial entitlements that covers reimbursement for services provided and employment related charges. The dental contracts pay dentists for a set number of units of dental activity (UDAs) or units of orthodontic activity (UOA), plus any additional services agreed with the commissioner.

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<sup>100</sup> NHS England and BMA, *Update to the GP contract agreement 2020/21 – 2023/24*, February 2020

<sup>101</sup> NHS England, *Supporting general practice, primary care networks and their teams through winter and beyond*, September 2022

Dentists can provide private dental services from their premises, but it must be clear to the patients whether their care is being provided under the NHS or privately.

There are three contract types for NHS dentistry used within primary care dentistry:

### General dental services (GDS)

The GDS contractor provides mandatory services – the typical range of services that must be provided by all dentists, they may also provide advanced mandatory services such as orthodontics, domiciliary services and conscious sedation. GDS contracts are usually held in perpetuity.

### Personal dental services (PDS)

PDS agreements are time limited with a defined and fixed expiry date usually for five years. The typical range of services that must be provided within these contracts are advanced mandatory services inclusive of domiciliary services, orthodontic services and sedation services.

### Personal dental services plus (PDS+)

Activity under these contracts is counted in units of dental activity alongside specific key performance indicators in respect of access and performance – for example, reattendance rates.

### Patient charges

First introduced in 1951, most people pay one of four standard charges for NHS dental treatment in England and Wales. There are exemptions from fees for patients who meet certain criteria - for example, for children aged under 18 or people in receipt of certain benefits.

## 6.8 Pharmacy services

There are three levels of pharmacy service: essential, advanced and enhanced. ICBs have delegated responsibility from NHS England for commissioning the essential and advanced services.

Enhanced services can be commissioned by a range of different commissioners including ICBs and local authorities.

### Essential services and clinical governance

All pharmacies must provide essential services. These include dispensing, disposing of unwanted medicines, supporting self-care and promoting healthy lifestyles.

### Advanced services

There are six advanced services within the NHS community pharmacy contractual framework (CPCF). Community pharmacies can choose to provide any of these services if they meet the requirements set out in the Secretary of State's directions. Accredited pharmacists and pharmacies can provide additional services such as appliance use reviews and flu vaccination.

On 31 January 2024 the NHS Pharmacy First<sup>102</sup> advanced service was launched. This service allows community pharmacist to deliver some episodes of care without a patient having been first seen by a GP.

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<sup>102</sup> NHS England, *Pharmacy First*, n.d.

## Enhanced (or locally commissioned) services

Enhanced services are locally commissioned and may include services such as stop smoking schemes or emergency contraception.

NHS Prescription Services (part of the NHS Business Services Authority) receives details of all prescriptions dispensed in England. They calculate the amount payable, allowing for the drug and container cost, as well as a service fee. The cost of drugs dispensed is charged to the ICB prescribing budget based upon the GP practice that issued the prescription. Prescriptions from dentists are charged to NHS England.

If a pharmacy signs up to use an electronic prescription service (EPS) to receive prescriptions directly from the prescriber, an additional monthly payment is made, recognising the improvements in efficiency and safety that this brings.

## 6.9 Ophthalmic services

ICBs have delegated responsibility from NHS England for commissioning all mandatory and additional ophthalmic services. Enhanced services can be commissioned by either NHS England or by an ICB:

- mandatory (or essential) ophthalmic services must be provided - for example, the provision of NHS sight tests
- additional services must be commissioned but not all contractors are obliged to provide them - for example, provision of sight tests in a nursing home
- enhanced services can be commissioned to meet local needs.

Payments for NHS sight tests for patients who meet set criteria - for example, children under 16 and adults over 60, are made in accordance with the Department of Health and Social Care's general ophthalmic services (GOS) regulations. All other patients pay privately.

## 6.10 Prescribing

The rising cost of primary care prescribing is a significant cost pressure with drug inflation regularly outstripping inflation on other budgets. Prescribing costs have generally risen faster than general inflation as new, more effective (and often more expensive) drugs become available. However, this has become even more pronounced in recent years partly because of guidance from the National Institute for Health and Care Excellence (NICE). One of NICE's roles is to assess the clinical and cost-effectiveness of new drugs and technologies and this has an impact on both prescription volume and cost. The effects are mitigated to an extent by securing efficiencies from improvements in prescribing practice.

From a financing viewpoint, prescribing is not covered in GPs' or dentists' contracts. Instead, as mentioned earlier, the costs of drugs prescribed are calculated by NHS Prescription Services and charged to the relevant ICB (for GP prescriptions) and to NHS England (for dentists). The associated dispensing fees are met by NHS England.



## Key learning points

- Primary care is where people normally go when they first develop a health problem and includes GPs, dentists, opticians and pharmacists.
- Most family doctors, dentists, opticians and pharmacists are independent contractors or businesses, not NHS employees.
- General practice is funded to deliver care on a list-based system. This means that the funding received is to cover the primary care needs of their registered population.
- All general practice contractors are governed by the statement of financial entitlements that details the payment framework and methods.
- The NHS long term plan introduced primary care networks (PCNs) to expand integrated community-based healthcare.
- ICBs have delegated responsibility from NHS England for commissioning all primary care services.

## Additional HFMA resources

The HFMA maintains a directory of resources which provides links to other HFMA outputs such as briefings and webinars across a range of subjects, including a section dedicated to primary care and primary care networks. It also highlights online learning courses that are available. [The directory of resources can be found here.](#)