HFMA introductory guide to NHS finance

Chapter 7: 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 13.

7.1 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 will also 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 new delivery models developing in some parts of England, where NHS bodies are taking on the provision of primary care services.

7.2 Accountability

Primary care service providers are accountable to:

- the patients to whom they provide services
- NHS England and NHS Improvement and/ or the clinical commissioning group (CCG) that agrees signed contracts with them for the services provided and outcomes achieved
- (in the case of GP practices) the CCG of which they are members
- 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.

7.3 What primary care providers do

Primary care health 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, the vast majority of 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.

7.4 General practice

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 across the spectrum of 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 or 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 commissioned. Local enhanced services (LES) are optional and commissioned by individual clinical commissioning groups (CCGs) depending upon local requirements.

General practice can hold a variety of contracts[77] and receive a number of 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 is not with individual GPs, although there must be a named GP within the partnership at all times. 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 are able to 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 which 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[78] is also a DES, enabling PCNs to be included within the main GP contract. PCNs are covered in more detail later in this chapter.

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[77] NHS England, *GP contract*, 2020

[78] NHS England and BMA, *Network contract directed enhanced service specification*, April 2019

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

CCGs may commission local schemes from general practice to meet the requirements of their population.

Quality and outcomes framework (QOF)

The QOF framework rewards 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) which details the payment framework and methods. The current full statement of financial entitlements was published in 2013 and subsequently amended each year. It sets out the payments due for each element of the contract (global sum, quality and outcomes framework, directed enhanced services, 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 formula which 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.

Reimbursements

The statement of financial entitlements[79] also sets out a number of areas where general practice may receive cost reimbursements.

Premises

GP premises payments under both 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.

Dispensing doctors

Patients who live in some rural areas are able to receive dispensing services from their GP practice (under specific conditions). GP practices that provide dispensing services for patients receive a fee

[79] Department of Health and Social Care, *NHS primary medical services directions,* April 2013 (updated October 2019)

for each item dispensed and are able to sign up to deliver the dispensary services quality scheme which 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 are able to opt out of delivering them, with their baseline funding reduced accordingly. Many practices have chosen not to provide an out of hours service. CCGs are responsible for commissioning out of hours services where practices have opted out of doing so.

Obsolete funding streams

Two funding streams have been discontinued from April 2020. Seniority payments have been abolished and the minimum practice income guarantee (MPIG) has also been removed. Both elements of funding are now included in the global sum.

General practice forward view

The *General practice forward view*[80] (GPFV) was published in 2016 and sought to address the pressures general practice faced, particularly around workforce and increasing workload. The *NHS operational planning and contracting guidance for 2017-19*[81] set out increased investment across a number of areas through a sustainability and transformation package totalling over £500 million. In addition, funding was allocated to improve access to primary care and CCGs were invited to bid for support from an estates and technology transformation fund.

A key part of the GPFV was addressing workforce issues, through increases in funding for additional roles and GP trainees. The additional funding came with a requirement to redesign care to ensure that services were sustainable and able to take advantage of changing technology. A general practice resilience programme allowed NHS England and NHS Improvement regional teams to support practices in greatest need.

The GPFV set the groundwork for the development of general practice through PCNs, set out in the *NHS long term plan*[82]. A number of funding streams set out in the GPFV have been included in the funding for PCNs.

Digital first primary care

Digital first primary care[83] is a programme that plans to move towards a new approach for GP practices, where patients can easily access the advice, support and treatment they need using digital and online tools, thus freeing up professional time for more complex patients. The NHS long term plan commits that every patient will have the right to be offered digital-first primary care by 2023-24.

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[80] NHS England, *General practice forward view,* April 2016
[81] NHS England, *NHS operational planning and contracting guidance for 2017-19,* December 2017
[82] NHS England, *NHS long term plan*, January 2019
[83] NHS England, *Digital first primary care,* 2020

The GP contract set out a number of requirements to move towards this right, giving all patients the right to online consultations by April 2020 and video consultations by April 2021. Building on GPFV funding, £15 million per year has been provided for three years, from 2020/21 to 2022/23, to support online consultations and the delivery of a digital first approach.

7.5 Primary care in integrated care systems

The *Health and Care Act 2022*[84] establishes integrated care systems (ICSs) in law. Within an ICS, an integrated care board (ICB) will be created as the statutory body. The ICB will hold responsibility for commissioning health services, including primary care services for the local population, apart from those directly commissioned by NHSE&I. The ICB will have 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 allocate resources.

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

7.6 What is a primary care network?

The *NHS long term plan* introduced primary care networks (PCNs) to expand integrated community-based healthcare, building on previous voluntary working arrangements 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.

As PCNs develop, they are expected to work jointly with other organisations to deliver neighbourhood care and set out these working arrangements as part of their network agreement.

Additional roles

Each PCN must have a named clinical director who must be a practicing clinician within that PCN.

To expand the primary care workforce, PCNs are also able to recruit to other roles in order to meet the needs of their local populations. It is up to each PCN to decide the distribution of roles required. These roles are:

- social prescribing link worker (funded from 2019/20)
- clinical pharmacist (funded from 2019/20)
- physician associates (funded from 2020/21)
- first contact physiotherapists (funded from 2020/21)
- pharmacy technicians (funded from 2020/21)
- health and wellbeing coaches / care co-ordinators (funded from 2020/21)
- occupational therapists / dietitians / podiatrists (funded from 2020/21)

[84] UK Parliament, *Health and Care Bill*, July 2021 – the Act was not available to reference at time of publication

- first contact community paramedics (funded from 2021/22)
- mental health practitioners (funded from 2021/22)

The *Update to the GP contract agreement 2020/21 – 2023/24*[85] sets out the agenda for change band and maximum reimbursement amount available for each role.

Funding PCNs

A number of different income streams will fund the development and operation of PCNs. Each PCN will have a nominated practice which receives the payments on behalf of the network.

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

The PCN model allows each network to recruit a number of additional roles. PCNs can claim 100% reimbursement of the salary costs for these roles, through the additional roles reimbursement scheme (ARRS). The funding comes from the CCG's primary medical care allocation and is subject to a maximum amount per role.

Extended hours and extended access

Extended hours have become a PCN responsibility and the funding associated with the extended hours directed enhanced service has transferred to the network contract DES.

The *General practice forward view* set out the intention to improve access to primary care, with 100% of the population now able to access appointments outside of core hours. This extended access attracts a payment per patient, which will transfer to PCNs from April 2021.

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

Investment and impact fund

The investment and impact fund (IIF) will be available to PCNs from 2020/21. The fund will operate in a similar way to QOF, rewarding achievement of PCN objectives through a points-based system.

7.7 CCG commissioning of primary care

Since 2014/15, CCGs have been able to take on greater responsibility for general practice commissioning in their areas[86]. This change was introduced to support the development of integrated out-of-hospital services, based around the needs of local people but only applies to general practice; dental, ophthalmic and pharmacy services remain the responsibility of NHS England and NHS Improvement. There are three commissioning models available for CCGs to use.

Co-commissioning

Through co-commissioning, CCGs are able to collaborate more closely with NHS England and NHS Improvement to ensure that decisions taken align with the objectives of the local health economy. CCGs can be involved in discussions around the full range of primary care including primary medical

[85] NHS England and BMA, *Update to the GP contract agreement 2020/21 – 2023/24,* February 2020
[86] NHS England, *About primary care co-commissioning*, 2020

care, dental, eye health and community pharmacies. However, NHS England and NHS Improvement retains its statutory decision-making responsibilities.

Joint commissioning

Joint commissioning enables one or more CCGs to assume responsibility for jointly commissioning primary medical services with NHS England and NHS Improvement, through a joint committee or 'committees in common'. The joint committees can make decisions on GMS, PMS and APMS contracts and enhanced services, as well as other matters relating to GP practices. Joint commissioning arrangements exclude individual GP management.

Joint committees can discuss other areas of primary care, such as dental, community optometry and community pharmacies but have no decision-making powers. However, CCGs are able to commission local enhanced services from community pharmacy and optometry providers.

Delegated commissioning

Delegated commissioning allows CCGs to assume full responsibility for commissioning general practice services. Legally, NHS England and NHS Improvement retains the residual liability for the performance of primary medical care commissioning and will require assurance that its statutory functions are being discharged effectively.

A CCG will have a delegation agreement with NHS England and NHS Improvement which sets out the matters for which the CCG has decision-making responsibility.

7.8 Nationally commissioned primary care services

NHS England are responsible for commissioning dental, ophthalmic and community pharmacy services; CCGs do not commission the mandatory parts of these services. However, CCGs can be involved in discussions about the provision that is needed for their population, through the co-commissioning model described in the previous section. In addition, CCGs are able to commission some local enhanced services to meet the needs of their population.

7.9 Dental services

NHS England are responsible for commissioning all NHS dental services[87], including secondary dental care provided by hospitals. Dental contracts are negotiated locally, using national guidelines. Payments are governed by a statement of financial entitlements which 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.

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 which 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.

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[87] NHS England, *Dental commissioning*, 2020

Personal dental services (PDS)

PDS agreements are time limited with a defined and fixed expiry date. The typical range of services which 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 UDA activity and specific key performance indicators in respect of access and performance.

Patient charges

There are three standard charges for NHS dental treatment in England and Wales, which most people pay. 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.

7.10 Pharmacy services

There are three levels of pharmacy service. NHS England are responsible for commissioning the essential and advanced services[88]. Enhanced services can be commissioned by a range of different commissioners including CCGs 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 as long as 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.

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 CCGs' prescribing budgets 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.

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[88] NHS, *Community Pharmacy Contractual Framework 2019-2024,* July 2019

7.11 Ophthalmic services

NHS England is responsible for commissioning all mandatory and additional ophthalmic services[89]. Enhanced services can be commissioned by either NHS England or by a CCG.

- 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.

7.12 Prescribing

The rising cost of primary care prescribing (over £8 billion each year) 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 as a result 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 CCG (for GP prescriptions) and to NHS England and NHS Improvement (for dentists). The associated dispensing fees are met by NHS England and NHS Improvement.

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 which details the payment framework and methods.
- The NHS long term plan introduced primary care networks (PCNs) to expand integrated community-based healthcare.
- NHS England are responsible for commissioning dental, ophthalmic and community pharmacy services.

[89] NHS England, *Optometry commissioning*, 2020

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 e-learning courses that are available. The directory of resources can be found here.