



Summary of *Contracts and payment guidance October 2020 to March 2021*



Introduction

On 15 September 2020, NHS England and NHS Improvement (NHSE&I) published guidance on contracts and payments for the remainder of 2020/21¹. This guidance supports the implementation of phase 3 of the NHS response to the Covid-19 pandemic² and supersedes all previous information and guidance covering the first half of 2020/21.

The briefing summarises the key points of the guidance.

Overall arrangements

The funding arrangements will be at a system level and each system will need to nominate a lead CCG as some of the funding will be channelled through that lead CCG.

Generally, the method of paying for block contracts will remain the same until further notice – commissioners will be paying NHS provider block and fixed top-ups on the 15th of the preceding month. There may be a limited amount of provider to commissioner invoicing for NHSE&I non-healthcare items.

¹ NHS, *Contracts and payment guidance October 2020 – March 2021*, September 2020

² HFMA, *Summary of Implementing phase 3 of the NHS response to the Covid-19 pandemic*, August 2020

Commissioners and providers are not required to sign contracts for 2020/21 as the nationally mandated terms of the *NHS Standard Contract for 2020/21* will apply and the block payment arrangements supersede the schedules in the contract relating to activity and finance. Providers and commissioners should focus on returning to required non-Covid-19 levels of activity and local management of the Covid-19 response.

Fixed funding envelopes will be issued to each system – providers and commissioners must achieve financial balance within these envelopes. The system is expected to break-even but the organisations within the system may mutually agree to deliver organisational surplus and deficit positions.

NHSE&I states that the system funding envelopes are sufficient to fund activity at levels, both elective and non-elective, set out in the letter *Third phase of NHS response to Covid-19*. A financial incentive scheme will be put in place to support local systems realising ambitions for recovery and details will be set out in separate guidance.

System envelopes

In summary, the fixed funding envelopes for systems:

Include	Exclude
Nationally calculated CCG allocations and block contracts	Funding for Cancer Drugs Fund (CDF)
System top-up	Temporary Covid-19 services such as Nightingale Hospitals funded by government on an actuals basis
Growth funding to cover new services and capacity growth	Non-clinical services contracted by NHSE&I that are ordinarily transacted via invoices
Covid-19 allocation	Allocation adjustments including national service development funding (SDF)
Funding inflows to providers for directly commissioned services	Elective incentive income and funding for independent sector activity above the amount included in the envelopes

The system envelopes comprise:

- CCG allocations and block contracts:
 - these will be nationally calculated and shared with organisations as part of the planning process. Adjustments may be made to reflect service changes but these need to be agreed regionally and nationally tracked
 - block contracts have been calculated on a basis consistent with the first half of 2020/21, with some amendments to reflect material service changes, material errors in the previous calculation and the removal of Cancer Drugs Fund (CDF) and Hepatitis C medicines (see below)
 - the block contract amounts can be amended in some circumstances, a process for doing this is set out in Annex 1 of the guidance
 - CCG allocations will be non-recurrently adjusted to reflect expected expenditure positions. The allocations have also been calculated on a basis consistent with the first half of the year

with adjustments made in line with the amendments to the block contracts, updating some baselines to reflect 2020/21 data

- CCG running cost expenditure expectations have been updated and will be non-recurrently adjusted as a result of these revised expectations. CCGs seeking to re-prioritise their running cost spend within the system envelope should notify the national team
- a system top-up that will be distributed to a lead CCG in each system
 - national prospective and retrospective top-up funding will end on 30 September 2020
 - additional funding has been allocated to those systems where it is expected expenditure will be greater than income
 - system income (or funding) is the sum of adjusted allocations for the CCGs in the system plus NHS provider income from block contracts with CCGs outside of the system, specialised and other direct service commissioners plus non-NHS income. It is assumed that non-NHS income will return to 2019/20 levels except for car park income as NHS staff should continue to be provided with free parking during the pandemic
 - system expenditure is the sum of CCG and NHS provider cost bases from 2019/20 uplifted for 2020/21 inflationary pressures and other known increases such as the pay uplift for consultants announced in July 2020, updated CNST values and updated debt regime values
- growth funding that will be distributed to a lead CCG in each system
 - this funding reflects underlying expenditure growth relating to staffing and expansion, it has been calculated with references to the underlying allocational growth of the CCGs in the system
- Covid-19 allocation that will be distributed to a lead CCG in each system
 - this will be a fixed non-recurrent allocation to cover anticipated costs for the remainder of 2020/21
 - there will be no further general retrospective payments for costs incurred after 1 October 2020 other than some specified exclusions such as Nightingale Hospitals and those NHS providers commissioned to provide testing facilities
- directly commissioned services (formally specialised commissioning) are commissioned outside of the system but the envelopes take account of the funding inflows to providers for these services. Systems are expected to manage the full costs of providing these services within the system envelope.

The following services will be funded outside of the system envelopes:

- Funding for Cancer Drugs Fund (CDF) and Hepatitis C medicines will be funded on usage, so these costs have been removed from the opening block values. The block value will be amended periodically to reimburse for these items based on cost
- temporary Covid-19 services funded by government such as Nightingale Hospitals, the hospital discharge programme and testing will be funded on an actual cost basis to the relevant organisation
- non-clinical services contracted by NHSE&I that are ordinarily transacted via invoicing, such as specialist pharmacy services. Full billing will resume from October
- allocation adjustments including national service development funding (SDF) – these have been amended to reflect funding already within the system envelopes and changes to priorities for 2020/21. System level SDF allocations for mental health, primary care and greener NHS have been communicated to regions. Further funding and associated guidance will be issued shortly
- elective incentive scheme and funding for independent sector activity – adjustments to the system envelopes will be made based on actual performance. This will include the additional cost of independent sector activity above the levels included in the system envelopes.

Other activity

Non-contract activity (NCA) continues to be included in the block and invoicing for NCA remains suspended for the rest of 2020/21.

Personal protective equipment (PPE) will continue to be procured nationally, funded, and overseen by the DHSC.

Testing is overseen by the DHSC's NHS Test and Trace service – the NHS will be funded on a capped actuals basis. NHSE&I are working with pathology networks to confirm delivery plans with commissioned NHS laboratories. NHS providers that have not been commissioned to deliver the services should not establish testing without formal approval.

The hospital discharge schemes that have been in place since March will continue to operate:

- scheme 1 for patients discharged between 19 March and 31 August – CCGs continue to draw down funding in the usual way, patients will be funded until they have the appropriate post discharge assessment
- scheme 2 for patients discharged from 1 September who will be funded by the scheme for up to six weeks after discharge – CCGs will draw down this funding separately to scheme 1 monies. There will be a maximum annual budget for this scheme at CCG level.

There is no additional allocation for business as usual continuing healthcare costs (CHC) but there is funding for CHC assessment staff included in scheme 1.

CCGs and local authorities are expected to continue to work together to develop and deliver the better care fund operational plans for the rest of the year. Where local authorities are commissioning services from NHS providers, they have been funded at a level that included agenda for change pay uplifts so contracts should be agreed on this basis.

Systems will receive funding to meet the mental health investment standard (MHIS) gap as set out in the mental health financial planning files. Providers and commissioners are expected to work together to agree the distribution of MHIS funding and to incorporate it into their plans accordingly. Systems will also receive the remainder of their mental health service development funding (SDF) that has not already been provided through block contracts and allocations and/or the top-ups in months one to six.

Health Education England have confirmed that the funding arrangements to providers for training activity will revert to activity-based payments for the rest of the year.

No additional Covid-19 specific funding for primary medical (general practice) has been allocated beyond September 2020.

Specialised commissioning

Specialised commissioners will receive a fixed allocation for the remainder of the year. This will include funding for non-Covid-19 related services where relevant.

For most high cost drugs and devices, other than CDF and hepatitis C, in-year provider spend will be tracked so that amendments can be made to the block to ensure full cost reimbursement. A small number will continue to be funded through the block payment. Accurate reporting will be imperative.

Provider collaboratives for specialised mental health, learning difficult and autism services are planned to go live in 2020/21. The identified lead provider will be clinically and financially responsible for the delivery of services for the specified population. Once the go live is agreed the lead provider will receive a budget to commission these services. These budgets are not included in the envelopes at the moment. Providers that held contracts to deliver services within the scope of the provider

collaborative will have their contract value with specialised commissioning reduced as this will be transferred in the lead provider budget.

The new payment arrangements for complex knee revision surgery and genomic testing (as set out in the 2020/21 national tariff consultation document) will go ahead in 2020/21. Funding has been transferred to specialised commissioning, reducing the top-up values for the second half of the year.

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The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

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