

WELSH HEALTH CIRCULAR



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Title: Contracting Arrangements For Wales: The introduction of an All-Wales Model Template for Long Term Agreements between Local Health Boards, Health Commission Wales and NHS Trusts.

For Action by: Chief Executives of Local Health Boards, Health Commission Wales and NHS Trusts

Action required: *See sections 4-5*

For Information to: Commissioners and Performance and Information Managers - Local Health Boards, Health Commission Wales, and NHS Trusts

Sender: John Hill-Tout, Director, Directorate of Performance and Operations, Department of Health and Social Services, Welsh Assembly Government

National Assembly contact(s) : *See Section 7*

Enclosure: Annex A – Model Long Term Agreement

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1. SUMMARY

- 1.1 This circular reiterates the requirement to have a Long Term Agreement for contracting purposes between commissioners and providers of healthcare services in Wales. It introduces a national model for Long Term Agreements (LTAs) for use in the contracting process between Local Health Boards (LHBs), Health Commission Wales (HCW) and NHS Trusts.
- 1.2 The introduction of a national model LTA builds upon the principles and requirements set out in WHC (2003) 063: *NHS Planning and Commissioning Guidance*. These arrangements require strengthening as the commissioning and contracting of healthcare services becomes more sophisticated in Wales. The recent guidance, WHC (2007) 023, *NHS Commissioning Guidance*, does not remove this requirement.
- 1.3 The use of LTAs supports the development of a more comprehensive commissioning framework in Wales and improves the consistency and rigour attached to contractual agreements between organisations within the health community. The model LTA will provide improved clarity, both in terms of contractual arrangements and the management of service delivery within the health community.
- 1.4 The health community is required to work together to reach agreement on the delivery of the national requirements set out in the WHC (2006) 087: *NHS Wales: Annual Operating Framework*. The national model LTA will form the transactional statement that flows from the Annual Operating Framework discussions and subsequent agreements between health organisations.
- 1.5 For the financial year 2007/2008, all LTAs must be in place and signed off by 31 July 2007. This extended timeframe recognises the analysis and negotiation required to be undertaken by some health organisations and communities to achieve these requirements.

2. BACKGROUND AND CONTEXT

- 2.1 LHBs and HCW have well defined responsibilities for the commissioning of services that are adequate to deliver national and local standards and targets.
- 2.2 NHS Trusts have well defined responsibilities for providing the appropriate levels of service, in accordance with those commissioned by LHBs and HCW, that enables the achievement of nationally and locally agreed targets and standards.

- 2.3 Critical to the success of these responsibilities is a common understanding of the service requirements. A clear definition of LHB, HCW and Trust responsibilities in respect of the elements of contractual delivery within the healthcare system is necessary. Similarly, there is a need for a mature approach to partnership working across the whole healthcare spectrum.
- 2.4 The effective management of commissioning has been hindered in the past by a lack of clarity and agreement on these responsibilities, and by protracted disputes over 'agreed' activity levels, payments for activity variations, and where the responsibility lies for standards and targets that have not been achieved.
- 2.5 The variable quality in contracting practice is evidenced by the diverse set of arrangements that are currently in place in Wales between commissioners and providers with regard to the contracting of services. While there are some appropriate agreements in operation, in many cases communities have no written agreement in place and operate agreements which are open to differing interpretations by each party.
- 2.7 Consequently, there are significant disputes between LHBs, HCW and Trusts over the content and management of LTAs and this has, inevitably, been a factor that has mitigated against achieving financial sustainability across Wales.
- 2.8 The recent commissioning guidance, WHC (2007) 023: *NHS Commissioning Guidance*, is part of a new drive to make the system more effective, robust and transparent. The intention is to improve the levels of contracting discipline between commissioners and providers, facilitate the development of improved contracting skills and expertise in Wales, and to ensure that a clear and balanced relationship exists between commissioners and providers for the delivery of services. The effective use of LTAs in Wales remains a key element in achieving these changes.
- 2.9 The development of a more streamlined and effective approach to the management of service contracting across Wales will require a line to be drawn under many of the current disputes, and a fresh baseline agreed. This will provide a meaningful basis to support the management of activity and the associated funding flows.

3. INTRODUCING A NATIONAL MODEL LTA FOR WALES

- 3.1 The national model LTA has been developed by the Welsh Assembly Government as model of good practice, and is attached as Annex A. It provides organisations with a robust platform for the development of LTAs to comply with the new commissioning and contracting arrangements.

- 3.2 The model is not intended to be prescriptive but it should form the basis of all LTAs between LHBs, HCW and Trusts for 2007/2008. It is recognised that local circumstances may require the model to be tailored or extended to meet individual requirements. While such an approach is acceptable, any model used must meet all the elements set out in the national model LTA.
- 3.3 Any LTA models, which do not meet this standard, will not be accepted and organisations will be required to use the national model LTA as the default position.
- 3.4 All contracting negotiations must be mindful of the need to ensure wide and full engagement with all partners. Consideration must also be given to the need for alignment with the developing role of Local Service Boards. While the approach to engagement with the Local Service Boards will remain at the discretion of each individual organisation and health community, it must be rigorous and subject to scrutiny.
- 3.5 The Welsh Assembly Government will provide support to all health organisations in introducing the new LTA arrangements

4. ACTION REQUIRED

- 4.1 All LHBs, HCW and NHS Trusts are required to develop a comprehensive LTA for 2007/2008 that provides an effective tool for contract management and takes account of the requirements set out in the *NHS Wales: Annual Operating Framework* and other appropriate standards. It should also take account of the various other elements of the service planning framework including local Strategic Change and Efficiency Plans (SCEPs), Local Delivery Plans (LDPs) and other turnaround plans.
- 4.2 LHBs and HCW will actively manage this process as a partnership with their provider Trusts. LHBs and HCW will determine the activity baselines in partnership with Trusts, taking into account the current and established activity levels and clinical protocols, and will build into these the impact of any agreed SCEP and other relevant performance targets.
- 4.3 LHBs and HCW must actively engage in the performance management of Trusts against the LTA. The responsibility for managing the contractual arrangements rests solely with the LHB and HCW respectively, in line with the principles of effective commissioning. LHBs and HCW should ensure that the Trust provides them with the information they require to manage the LTA in a timely manner. LHBs and HCW should use the LTA to ensure that all parties explicitly understand these requirements and the actions that will be taken in the case of non-compliance.

- 4.4 Although the national model LTA includes the arrangements for managing disputes and arbitration, an inability to reach agreement locally will be viewed by the Welsh Assembly Government as a failure of local management arrangements. Commissioners and providers should therefore work in partnership to ensure such a situation is the exception in Wales.

5. TIMESCALES

- 5.1 All LTAs must be agreed and signed off by the **31 July 2007**. The extended deadline recognises the increased work that some organisations may have to undertake.

6. FUTURE ARRANGEMENTS

- 6.1 The Welsh Assembly Government will consult with the service during 2007/2008 on the issues that have arisen during the implementation of the national model LTA. All the learning and experience gained from using the national model LTA during this year will be reflected in an updated version which will be introduced for 2008/2009.

7. QUERIES AND CORRESPONDENCE

- 7.1 An electronic copy of this circular can be found on the HOWIS website:

<http://howis.wales.nhs.uk/sites3/home.cfm?OrgID=407>

- 7.2 Queries in relation to the contents of this circular should be directed to:

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Yours sincerely

A handwritten signature in black ink that reads "John Hill-Tout". The signature is written in a cursive style and is underlined with a single horizontal stroke.

John Hill-Tout

Director of Performance and Operations

Department of Health and Social Services



LONG TERM AGREEMENT

1 APRIL XXXX
to
31 MARCH XXXX

BETWEEN

**XXXXXX LOCAL HEALTH BOARD / HEALTH
COMMISSION WALES
(the LHB / HCW)**

AND

XXXXX NHS TRUST (the Trust)

Long Term Agreement

Page No.

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1.0 General Conditions

1.1 Parties to the Agreement:

This is an agreement between:

The Commissioner - [REDACTED] Local Health Board / Health Commission Wales (referred to hereinafter as the 'LHB' or HCW) and

The Provider - [REDACTED] NHS Trust (referred to hereinafter as the 'Trust')

1.2 The named contact points for this agreement shall be:

LHB / HCW		Trust	
Financial Enquiries	Activity Enquiries	Financial Enquiries	Activity Enquiries
Name	Name	Name	Name
Title	Title	Title	Title
E mail	E mail	E mail	E mail
Tel	Tel	Tel	Tel
Address	Address	Address	Address
Other Enquiries		Other Enquiries	
Name	Name	Name	
Title	Title	Title	
E mail	E mail	E mail	
Tel	Tel	Tel	
Address	Address	Address	

1.3 Duration

1.3.1 The agreement shall cover a three year period commencing on 1 April XXXX and shall be in force until 31 March XXXX.

1.3.2 Detailed targets, activity and cost schedules will apply to one year only and will be updated annually.

1.3.3. The agreement shall be reviewed and updated annually

1.4 Amendment / Termination Clauses

1.4.1 This agreement shall not be terminated before the agreed end-date without the express agreement of both parties.

1.4.2 In the event that one party considers the other to have incurred a breach of the agreement, which is serious enough to jeopardise the successful delivery of the terms of the agreement, this will be managed through the disputes procedures outlined in paragraph 0.

1.4.3. Either party may wish to make slight amendment to the LTA agreement in accordance with changes in service demand, patterns and delivery. Any intended changes must be discussed the subject of joint discussion and follow a period of 6 months notice on either side.

1.5. Confidentiality

1.5.1 As administering this agreement will inevitably involve access to sensitive data, the parties shall ensure that that they have in place confidentiality policies to which all employees and agents are bound.

1.6 Bed management

1.6.1 The Trust is required to have a Bed Management Policy in place to manage the risks of short-term emergency bed closures.

1.7. Conflicts of Interest

1.7.1 If either party becomes aware of any conflict of interest that has, or is likely to have, an adverse effect on the other party's decisions within this agreement, that party shall immediately declare the interest to the other. The parties shall agree, and take, such action as is deemed necessary to manage the conflict.

1.8. Code of Conduct and Discipline

1.8.1 The Trust and LHB/HCW shall have in place Codes of Conduct which have been adopted by their respective Boards, and Disciplinary Procedures for all employees that are in accordance with the WHC (2006) 090, issued January 2007.

1.8.2 Agents contracted to the either party shall have written into their contracts of engagement such terms as require their conduct to be comparable, and compatible, with that of Trust / LHB/HCW employees.

1.8.3 Both parties shall be responsible for disciplinary actions in connection with their respective employees and agents arising through the delivery of the terms of this agreement and shall not cause the other party to incur any

financial loss as a result of the actions of their employees or agents leading to the disciplinary action.

1.9 Complaints Procedure

1.9.1 Both parties shall have in place complaints procedures that comply with WAG guidance.

1.9.2 Both parties shall co-operate in responding to any complaints received in connection with the services covered by the LTA and shall do so within agreed timescales.

1.10 Force Majeure Non Performance

1.10.1 There may be exceptional circumstances during the year, which prevent the full discharge of the LTA through no fault of either party. Immediately that any such factors are identified, the parties must meet to discuss the impact, and determine options for resolving the matter. The parties will also agree any appropriate adjustments to the LTA. Such circumstances could include, but would not be limited to, for example, significant disruption as a result of severe weather, the impact of any arrangements planned as part of the planning for pandemic flu or major fire or staffing crises affecting capacity.

1.11 Compliance

1.11.1 Representatives of the LHB/HCW have the right to visit the Trust for the purposes of monitoring and audit at first hand, to review the facilities and services provided under this LTA.

1.11.2 Such meetings will be arranged in conjunction with the Trust.

1.12 Freedom of Information

1.12.1 Both parties must ensure compliance with the Freedom of Information Act and the Environment Information Regulations may require the disclosure of information detailing the relationship between LHB/HCW and Trust, including details in any tender documentation and related correspondence. Should there be any information in this agreement, or related correspondence or documentation, which either party deems inappropriate for disclosure to a third party that party must inform the other and give the reasons. Notwithstanding this, both parties reserve the right to disclose such information as the legislation requires.

2.0 Purpose of the Agreement

- 2.1 The LHB aims to improve the health of its residents. The strategic framework for achieving this is through the Health, Social Care and Wellbeing Strategy (HCSWB). This Long Term Agreement (LTA) defines the process for the operational delivery of the strategy contained within these documents covering the provision of high quality health services.
- 2.2 The document has been agreed by the LHB / HCW and Trust. It sets out the services and patient activity that the Trust will provide in line with the LHB's strategic agenda and the SaFF and Local Delivery Plan **XXXX/XXXX** taking into account clinical and other quality standards, waiting times targets, and national / local priorities.
- 2.3 It also identifies the resources available to the Trust for the provision of services commissioned by the LHB/HCW in accordance with its financial strategy, the policies governing variations for under and over performance, and any penalties for non-compliance.
- 2.4 The LTA addresses the requirements of the Welsh Assembly Government's policies, including the Annual Operating Framework and national SaFF targets, and includes, but is not limited to:
- Access to emergency and critical care services;
 - Waiting list and waiting time targets;
 - Delivery of high quality services that comply with WAG, and local, care standards.
- 2.5 The priorities informing this LTA will need to be continually reviewed and updated in the context of *Designed for Life* and other subsequent National Strategies.

3.0 Overriding Statutory and Policy Requirements

3.1 The Trust is required to operate services within the legal framework established for the NHS, statutory requirements and policy directives and guidance issued by the WAG. Specifically the Trust must make provision within the totality of the resources received from the LHB to provide: -

3.1.1 Compliance with Clinical Governance, Healthcare Standards and Quality Assurance:

The Trust will comply with the items listed in Schedule 1.

The Trust will work with the LHB/HCW to develop the Clinical Outcomes of Service indicators.

3.1.2 Compliance with Information Governance and the provision and flows of information

3.1.2.1 The information to be provided by the Trust is covered within WHC(2004)033, 040, 041, 081, WHC(2005)102, WHC(2006)082, 028, 026, WHC(2007)002, together with the requirements of Information Governance (Appendix 2). This is summarised below.

The Trust must ensure:

- Compliance with National Data Protection Standard and standing NHS procedures relating to patient confidentiality with specific reference to the Data Protection Act 1998;
- Timely and robust information of high quality on services provided, their costs and performance in a way that allows access and analysis by specialty and HRG case mix (Schedule 2).

The LHB must:

- Support the Trust in the development of core information requirements and ensuring the timely availability of information and profiles to support the performance agenda; and
- Aim to minimise its requirements for ad-hoc information requests that may present resourcing problems for the Trust.

3.1.3 Compliance with Financial Agreements and Activity profiles

3.1.3.1 The Trust must:

- Work in conjunction with the LHB/HCW to ensure that the national and local priorities applicable for the duration of this agreement are achieved. These are outlined in Appendix 3 and Schedule 6;

- Provide continuous, access to emergency and critical care facilities to the levels stipulated within this agreement. The treatment of emergency patients must be appropriately monitored. Every critical care area in the Trust should participate in Regional (Wales) or National (UK) outcome monitoring systems;
- Provide access to elective capacity that is commissioned to meet the national and local outpatient, and inpatient/day case, waiting lists and maximum waiting times standards on a commissioner basis (Schedule 6);
- Provide access to non-acute services, and to community services;
- Work with the LHB to ensure that regular service discussions regarding the LTA are held with the responsible commissioner for that service, having due regard to the services commissioned through HCW;
- Work to improve on waiting times for certain priority services, and promote better working practices across all specialties in accordance with WHC (2005) 90 and WHC (2006) 079. The management of waiting lists and the targets to be achieved, in accordance with SaFF requirements;
- The LHB will lead a process to ensure that appropriate measures are jointly put in place to reduce the numbers of Procedures of Limited Clinical Effectiveness and to ensure that effective demand management initiatives are in place (Schedule 3);
- Ensure that the financial monitoring of, and charging for, the implementation of NICE is on an LHB commissioner basis and, where agreed, is on a named patient basis appropriately charged to commissioners through residency or, in the case of Health Commission Wales, by commissioning responsibility. Assurances on the implementation of NICE should also be provided by the Trust where appropriate funding has been made available. These principles will also apply to the implementation of available All Wales Medicines Steering Group (AWMSG) recommendations subject to commissioner approval for funding; and
- Ensure compliance with mandated and reasonably requested information.

3.1.3.2 Other Issues:-

- High cost drugs not falling into either NICE or AWMSG will be subject to prior approval by the LHB, and should be supported by a business justification;
- Under or over performance outside agreed tolerances will be monitored on a monthly basis. Both parties will manage variations through regular meetings and an in-year management plan for the activity. Any financial adjustments will be subject to the provision of validated activity data to substantiate the variances in activity. Further details are given in Sections

0 and 0 of this agreement; and

- Only activity which lies within agreed data definitions (either nationally mandated, or locally agreed and historically applied in measuring LTA volumes) will be considered as valid activity for assessing under, or over, performance. Data definitions are listed in available guidance (e.g. *Guide to Good Practice, NHS Data Dictionary*).

3.1.4 Compliance with National Policies and Guidance

3.1.4.1 The Trust must:-

- Ensure full compliance with guidance and directives issued by the Welsh Assembly Government under the powers of the National Health Service Act 1977, with respect to the management arrangements for Out of Area Treatments and Overseas Visitors;
- Ensure that it actively promotes a healthy working environment, including operating a no smoking policy (supported by a written policy statement) and providing comprehensive health promotion opportunities for its staff;
- Work with the LHB and other agencies to support best practice within NHS Continuing Care by ensuring that senior clinical staff provide appropriate input to the discharge arrangements, and collaborate fully with all relevant agencies;
- Liase with the LHB/HCW to ensure effective operational arrangements for emergency planning in accordance with the Civil Contingencies Bill and the LHB Major Incident Plan;`
- Liase with the LHB/HCW to ensure full compliance with the requirements set out in the Outbreak Plan, updated as appropriate;
- Demonstrate how it is working towards full Trust compliance with the requirements set out in the Service Specification: *Child Protection, Children Looked After and Related Services Standards (2004)*, and working towards implementation of Welsh Risk Pool Standard 39 and recommendations from CHI and HIW inspections;
- Demonstrate how it is working towards full Trust compliance with the recommendations contained within *Caring About Carers! A National Strategy for Carers (Local Strategy 2002)*;
- Demonstrate how it is working towards full Trust compliance with the requirements of the Mental Health Act (1983) with respect to the management of mental health services; and
- Work with the LHB to reflect the particular interests of the LHB through its HSCWB strategy and national SaFF targets, in terms of service descriptors, local managerial and clinical links with the Trust, and specific

areas of joint collaboration between clinicians in the primary and secondary care services.

3.1.4.2 The responsibilities of the LHB

The provision of effective services is most appropriately managed on a 'health community' basis and therefore it is expected that the LHB/HCW will work closely with the NHS Trust and other partners to ensure that:

- The commissioning framework within this LTA supports the effective delivery of national policy and guidance;
- Arrangements are in place to enable the Trust, LHB, and other agencies as appropriate, to work together to meet national policies and standards; and
- To manage demand and put in place effective arrangements to ensure that targets for reductions in demand are met

3.1.4.3 Compliance in respect of Business Cases:

- The Trust must ensure that appropriate business cases for changes to services and/or capacity reflect the locally agreed service strategies and must show how proposed changes integrate into the requirements of the LTA. All business cases must take into consideration the local, regional, and/or national picture for the delivery of these services. These business cases must be evidenced-based, financially sustainable, operationally robust, and comply with the requirements of *WHC (2005) 14 'Revised Capital Investment Business Procedure'*.
- The Trust must ensure that business cases identify the service impact on all commissioners and that they are sent to relevant commissioners (or nominated lead commissioner) for approval. They must include a clear indication of the evidence base for the service improvement, and the impact on all commissioners in terms of activity, waiting times and financial arrangements.
- Business cases must demonstrate how any proposed changes are to be financed within the existing and known financial frameworks, and must identify their impact on existing costs, including costs that are already provided for within the LTA. Where proposed investments cover more than one commissioner, the Trust must be able to demonstrate multi-commissioner support for the investment.
- Business cases will be subject to consideration by the LHB's Commissioning and Prioritisation Panel in accordance with the format prescribed in *Commissioning and Prioritisation Framework, (2005)*.

4.0 Services to be Provided

4.1 Volumes:

- 4.1.1 The Trust and LHB/HCW have agreed the volumes of activity that are required to achieve compliance with the national and local performance and waiting times targets.
- 4.1.2 The effective management of this agreement is dependent on both parties recognising the importance of setting volumes of activity that realistically reflect the targets and the demand for services, and take account of trends and changes that are known.
- 4.1.3 Unless agreed otherwise, it is expected that the baseline activity will be the forecast outturn activity from the previous year adjusted for any non-recurring and part-year activity. The LTA activity will build on this baseline to take into account realistic assessments of changes in demand, targets for demand management, admission avoidance, and other changes to clinical protocols.

4.2 Targets:

- 4.2.1 The waiting times and other performance targets are summarised in Schedule 6.

4.3 Activity Summary:

- 4.3.1 The annual commissioned activity is summarised at specialty level in Appendix 4. This activity is agreed as adequate to meet the forecast levels of demand for all commissioned services, and to meet the performance milestones for waiting times and agreed care quality standards. This activity assumes that the Trust and LHB will both deliver their respective clinical efficiency and demand management targets and any agreed local SCEP targets.
- 4.3.2 This Activity Profile will specify each type of activity being commissioned, including (as appropriate):
- non-elective HRGs – FCEs and Spells;
 - A&E attendance's;
 - Observations and Assessments;
 - elective inpatient HRGs – FCEs and Spells;
 - daycases;
 - consultant-led first outpatient attendance's;
 - non-consultant-led first outpatient attendance's;
 - consultant-led follow-up outpatient attendance's;
 - non-consultant-led follow-up outpatient attendance's;
 - outpatient procedures;
 - Non face to face Consultant-led consultations;

- Non face to face Non-Consultant-led consultations;
- Open access diagnostic tests and procedures;
- Community Services;
- Mental Health and Learning Disability Services; and
- Substance Misuse.

4.3.3 Outpatient activity can include assessment, any associated treatment, and any associated diagnostic investigations.

4.3.4 All admitted care will include associated diagnostic and therapeutic services.

4.3.5 Non face to face contacts will include only those contacts relating to clinical matters and that are held either directly with the patient, or a recognised carer.

4.4 Activity Details:

4.4.1 The annual activity profile shall be supported by a monthly plan of activity that shall be used for the purposes of monthly monitoring of the performance of this LTA (Appendix 5). The monthly profile shall be set to ensure no breaches of the waiting times targets.

4.4.2 Additional monthly supporting activity plans and 'actuals' are required (where available) for

- GP referrals to outpatients;
- Consultant to consultant referrals;
- Other referrals to outpatients;
- Outpatient conversion rates;

4.5 Forecasting:

4.5.1 The LHB and Trust will agree a methodology for forecasting activity levels and thresholds for all commissioned activity included within this LTA.

4.6 Care Pathways

4.6.1 The LHB and Trust will work together to develop agreed care pathways that identify the protocols for primary care, hospital assessment, attendance and admission, and community care.

4.6.2 These pathways will be used to build an evidence base to support the levels of activity planned within the LTA and to inform changes such as those built into SCEP and other clinical change processes.

4.7 Managing Throughput:

4.7.1 The Trust shall comply with all reasonable requests from the LHB/HCW to assist the LHB in understanding and managing referrals where the activity forecasts indicate potential, or actual, over-performance.

- 4.7.2 The Trust shall require all its agents and employees to adhere to any approved referral and treatment protocols that are in place between the LHB/HCW and Trust.
- 4.7.3 The Trust should refuse to accept any referral of a patient that, when acting reasonably, it considers clinically inappropriate for acceptance. In such cases the Trust will refer the matter back to the patient's GP.
- 4.7.4 The Trust agrees to manage throughput for all elective services in accordance with the monthly activity profiles and the provisions of this agreement.
- 4.7.5 The Trust agrees to treat elective patients 'in turn' unless clinical conditions require otherwise.

4.8 Coding:

- 4.8.1 All coding shall comply with the Welsh guidance on standards for clinical coding, as set out in WHC (2005) 102.
- 4.8.2 The Trust and LHB/HCW will agree in advance any changes to the way in which activity is coded and recorded, and will quantify any impact on the planned activity levels. Such changes will not be the subject of any financial variations.

5.0 Managing the Agreement and Variations to Activity

5.1 Monitoring the Agreement

- 5.1.1 The LHB/HCW is responsible for leading the monitoring of the LTA. The management process itself will be undertaken in partnership with the Trust.
- 5.1.2 The Trust and LHB/HCW agree to meet on a (monthly / bi-monthly / quarterly) basis to manage this agreement, and agree actions that are necessary in the light of performance to date, and forecasts.
- 5.1.3 The meetings shall be chaired by the LHB/HCW, unless alternative rotational arrangements are agreed with the Trust, and shall have minutes produced in writing.
- 5.1.4 Each month the LHB/HCW will produce a monitoring statement that compares the activity plans as set out in Appendix 4 and Appendix 5 with actual validated performance.
- 5.1.5 Each month the LHB/HCW will produce a monitoring statement that demonstrates performance against the waiting time targets set out in Schedule 6.
- 5.1.6 Each month the LHB/HCW will produce a forecast of activity and performance for the rest of the year to 31 March, which will form the basis for the in-year management of the LTA.

5.2 Management Plan:

- 5.2.1 Where the agreed performance and activity monitoring information indicates a potential over, or under-performance, the Trust and LHB shall agree a management plan.
- 5.2.2 The Management Plan will identify specific actions that need to be taken to minimise the impact of variations in activity and will indicate any residual activity variations that may be appropriate for financial recompense.
- 5.2.3 Section 0 of this agreement emphasises the importance of the management plan in supporting financial variations for activity variations. It is therefore crucial that both parties adopt a realistic and documented approach to the in-year management of demand and activity.
- 5.2.4 It is recognised that some variations to activity may be best managed through joint risk sharing protocols. Any such arrangements should be integral elements of any management plan.

5.3 LHB Responsibilities:

- 5.3.1 The LHB/HCW has a duty to work with GPs, Social Services, the Ambulance Service and other key partners to manage demand and referral levels and ensure adequate primary care - based services to deliver the targets for services provided before and after Trust-based care, and those provided as alternatives to Trust-based care.
- 5.3.2 The LHB/HCW must ensure that it meets its national Annual Operating Framework targets for managing care pathways, demand levels, and discharge arrangements, and meets those service targets incorporated into local SCEPs that are the responsibility of the LHB to deliver.
- 5.3.3 Where an LHB/HCW fails to meet these targets, and the Trust over-performs in the same clinical areas, the presumption in Section 0 of this agreement is that the LHB/HCW will pay the Trust for this variance (after any tolerances) and that the Trust shall not be penalised for such over-performance.

5.4 Trust Responsibilities:

- 5.4.1 The Trust must ensure that it meets its Annual Operating Framework performance targets for managing care pathways, admission avoidance initiatives, and managing discharges, and meets those service targets incorporated into local SCEPs that are the responsibility of the Trust to deliver.
- 5.4.2 Where a Trust fails to meet these targets, and over-performs as a result, there is no absolute requirement on the LHB to reimburse such over-performance.

6.0 Financial Agreement

This section provides information on the management of the financial aspects of the agreement and should be read in conjunction with the statutory and policy requirements outlined in section 0.

6.1 Contract Value:

- 6.1.1 The LHB/HCW and the Trust agree that, for the sum of £XXX.XXm, the Trust will provide the services and associated matters outlined in this LTA. The detailed components of the financial agreement are set out in Appendix 6.
- 6.1.2 All services will operate on a cost and volume basis; (that is that the sums due will vary dependent on the activity undertaken, as set out in the paragraphs below), unless both parties agree that an alternative cost per case or 'block' arrangement is appropriate. For services currently managed on a 'block' basis, the parties agree that services will continue to be provided on this basis for a fixed period of X months; however the parties will agree a timescale to move away from this type of agreement as data availability and quality permit.

6.2. Best Value:

- 6.2.1 The parties will work together to ensure best value throughout the agreement, taking into account comparative information in service costs and performance.
- 6.2.2 The unit costs applying to each unit of activity covered by this contract are set out in Appendix 6. These include both the full cost, and the marginal cost to be applied where activity variations have been agreed as warranting financial adjustment.

6.3 Payment Schedule:

- 6.3.1 Payments will be made in 12 equal monthly payments, equalling the contract value, and due on the 1st / 15th of each month.
- 6.3.2 The payments schedule will be updated monthly to reflect any agreed changes to the contract sum and any direct allocations from WAG.

6.4 Variations:

- 6.4.1 Section 0 emphasises the importance of the parties meeting to agree how activity variations will be managed. These meetings will also discuss and agree any financial variations that are appropriate. Payment for variations to the planned activity may not be made without the agreement of the parties.
- 6.4.2 Each quarter the Trust and LHB/HCW will reconcile the actual activity and waiting times performances using validated patient datasets provided by the

Trust via the Business Services Centre. Unless agreed otherwise, this should be within **X** days of the quarter end.

- 6.4.3 Unless specified otherwise in the schedules, the threshold for assessing whether any payment variations should take place will be a **+/-X%** tolerance on the component elements of the baseline LTA activity (excluding any 'block' agreements) using the reconciled activity each quarter.
- 6.4.4 The principles underpinning the management of activity variances are set out in the following paragraphs.
- 6.4.5 Elective Activity
- 6.4.5.1 Performance for inpatients, daycases, and outpatients will be monitored separately.
- 6.4.5.2 It is recognised that performance against the elective inpatient and daycase LTA volumes is most appropriately monitored at an HRG level. However, the parties can agree that performance can be managed on a 'bottom line' basis for inpatients, and for daycases, whereby under-performance in one specialty can be offset by over-performance in another; in such cases they will agree a timescale for moving to an HRG monitored agreement.
- 6.4.5.3 Potential outpatient and elective over-performance should be predictable by monitoring referral levels and the numbers being added to waiting lists. Any variations to the agreed plans that are necessary to ensure that waiting time and other performance targets are achieved should be agreed in advance within the management plan between the LHB/HCW and Trust. Using the reconciled activity each quarter, the LHB/HCW will pay for such agreed over-performance by the Trust, which is outside the thresholds referred to in paragraph 0. Payment will be based on the marginal costs shown in Appendix 6.
- 6.4.5.4 The LHB/HCW reserves the right not to pay for over-performance that has not been agreed in advance as part of an in-year management plan (see Section 0).
- 6.4.5.5 Where the agreed plans for waiting times and other relevant performance targets have been met, any under-performance by the Trust that remains after applying the activity tolerances in paragraph 0 will be deducted at the marginal costs shown in Appendix 6.
- 6.4.5.6 Where the agreed plans (as modified through an in-year management plan as referenced in Section 0) for waiting times and other relevant performance targets have **not** been met, any under-performance by the Trust that remains after applying the activity tolerances in paragraph 0 will be deducted at the **full** costs shown in Appendix 6. Note however, that the activity volumes used to calculate the full cost deduction cannot exceed the extent of under-performance on the waiting times or other performance targets; any excess will be deducted at the marginal costs.

6.4.6 Non-Elective Activity

6.4.6.1 It is recognised that performance against the non elective LTA volumes is most appropriately monitored at an HRG level. However, the parties can agree that performance can be managed on a 'bottom line' basis whereby under-performance in one area can be offset by over-performance in another; in such cases they will agree a timescale for moving to an HRG monitored agreement.

6.4.6.2 Non elective and A&E over-performance will need to be the subject of discussion between the parties and an in-year management plan agreed as referenced in Section 0. This plan will address the performance of the LHB in delivering those non elective demand management and other initiatives that it is responsible for and will ensure that the Trust is not penalised financially in cases where the LHB has not met its targets for managing non-elective demand.

6.4.6.3 Subject to the thresholds in paragraph 0 over-performance must be paid at the marginal costs shown in Appendix 6.

6.4.7 Non-Acute Services

6.4.7.1 These services can include Mental Health, Community Services, Therapies and Diagnostic services and will be detailed in Appendix 4 and Appendix 6

6.4.7.2 It is recognised that many of these services are currently based around block agreements and that the current levels of data quality may mitigate against effective management on a cost and volume basis. However, in accordance with paragraph 0 it is expected that there will be a planned migration to cost and volume agreements.

6.4.7.3 Variations on any cost and volume contracts for non-acute activity, community, and diagnostic services will be subject to the same as arrangements as those outlined above. Elective services governed by waiting lists will be managed as per Section 0. Non-elective services will be managed as per Section 0.

6.4.8 Demand Management

6.4.8.1 In most cases it is the LHB's/HCW's responsibility to manage demand to levels assumed within the LTA and the Trust should not be penalised for over-performance arising through the LHB not meeting these targets.

6.4.8.2 Therefore Trust over-performance that is due to LHB/HCW-led (including primary care) demand management targets not being met will be paid for as per paragraph 0

6.4.8.3 However, Trust over-performance that is due to the non-achievement of any Trust-based (as opposed to LHB and Primary Care-based) demand management plans may not be reimbursed.

6.4.9 Other Issues

6.4.9.1 The LHB/HCW reserves the right not pay for any activity needed to rectify breaches of performance targets, or other omissions, by the Trust. In the event that the LHB or another provider carries out such activity, the LHB reserves the right to recover from the Trust the full additional costs incurred.

6.4.9.2 Trust over-performance which is as a result of underachievement of Trust-based SCEP initiatives and other Trust efficiency targets may not be paid for.

6.4.9.3 The Trust has the discretion to waiver part or all of any additional payments due for over-performance.

6.4.9.4 The LHB has the discretion to waiver part or all of any clawbacks due to under- performance.

6.4.9.5 Finalised settlement of over or under performance will take place by (X date) following receipt and validation of Month 12 activity by the LHB.

6.5 Cost per Case Agreements

6.5.1 Cost per case agreements do not have any activity tolerances built in and are based on full unit costs with no marginal cost adjustments.

6.5.2 Any activity levels shown in Appendix 4 will be indicative only as the LHB agrees to pay for all activity relevant and validated activity undertaken by the Trust at the full unit cost shown in Appendix 6.

6.6. Block Agreements:

6.6.1 For services shown in Appendix 6 as being funded on a 'block' basis, no adjustments will be made for under, or over, performance. The Trust must provide a detailed breakdown of what is included in the block charge for these services so that the LHB can be assured that the Trust is offering the 'best value' for these services. The Trust and LHB will work together to develop robust workload measures that will enable the early redesignation of these elements of the agreement as 'cost and volume'.

6.7 Business Cases:

6.7.1 The Trust and LHB/HCW recognise additional funding for new service developments and business cases may not be available. The parties will agree a joint risk sharing approach to the funding of such cases.

6.7.2 Commissioner support is a pre-requisite of any business case where there is a significant change in service and/or revenue consequences which the commissioner is being asked to fund. Acknowledgement by the commissioners of revenue neutral and revenue saving schemes should also be obtained.

6.7.3 Where an NHS Trust has multiple commissioners for a given scheme, at least 90% of the increased support should be covered by commissioner support. There will be exceptions when this is impractical. Such cases should be discussed with the Regional Office in advance. Further guidance is set out within WHC (2006) 001.

6.8 High Cost Drugs:

6.8.1 Funds for NICE and high cost drugs will be made in accordance with the Welsh 'National Finance Agreement' whereby the financial risk rests with the LHB/HCW.

6.9 Breaches and Penalties:

6.9.1 Breaches in the provision of information as outlined in Appendix 2, and in the elective, diagnostic, and therapies' waiting times targets outlined in Schedule 6, will incur financial penalties as shown in Appendix 7. The LHB/HCW will advise the Trust of any non-compliance within a month of the relevant dates for compliance and will advise the Trust of whether or not it intends to levy a penalty charge.

6.10 Disputes:

6.10.1 In the event of a dispute arising between the two parties which cannot be resolved locally between LHB/HCW and Trust, the parties should refer to the disputes and arbitration Section 0 of this agreement.

7.0 Managing Efficiency

- 7.1 The Trust will work with the LHB/HCW on performance indicators and cost comparisons, to determine the scope and timescales for securing operational savings and clinical changes, which will free up resources. Such opportunities will be informed taking into account the range of productivity targets set out in WHC(2006)079;
- 7.2. The Trust and LHB/HCW will work together to implement the agreed operational savings and clinical changes.
- 7.3 Any potential payment for over-performance on the activity plans will be influenced by the delivery of planned efficiency and clinical change programmes (for example, local SCEP targets). The LHB/HCW reserves the right to withhold any payment for over-performance on this LTA where that over-performance is as a result of those previously agreed efficiency and service change targets that are the Trust's responsibility to deliver, not being met.
- 7.4 Details of these targets that have been agreed outside this LTA, but whose compliance is assumed in setting this LTA are given in Appendix 8.

8.0 Disputes and Arbitration Arrangements

- 8.1 Disputes may arise over any aspect of this agreement, including what is deemed to be fair and reasonable, the management of performance variations, and the imposition of penalties.
- 8.2 Where any conflicts are identified between the requirements of this LTA, and any national directives and circulars, the requirements of the latter shall take precedence.
- 8.3 Both the LHB and the Trust recognise that it is in the best interests of patients, the organisations themselves, and the services they provide, for any disputes to be resolved locally.
- 8.4 The first level for resolution shall be:
- For the LHB/HCW the – name and job title;
 - For the Trust the – name and job title;
- 8.5 The second level for resolution shall be:
- For the LHB/HCW, the Chief Executive;
 - For the Trust, the Chief Executive;
- 8.6 In the event of any unresolved disputes the matter will be dealt with through binding external arbitration via the Regional Director, and, ultimately, the Director NHS Wales.

9.0 Chief Executive Signatures to the Agreement

- 9.1 We, the undersigned, are in agreement with the terms and conditions of this Long Term Agreement, together with the performance targets, activity schedules, and financial values as detailed in the attached schedules and appendices.
- 9.2 We confirm that our Trust Boards have approved the LTA, and mandated us to sign the document on their behalf.

	for and on behalf of the LHB/HCW	for and on behalf of the Trust
Chief Executive's Signature:		
Name:		
Title:		
Date:		

Appendix 1: Quality Assurance Information to be provided by the Trust to the LHB/HCW (Including Clinical Governance, Healthcare Standards and Clinical Quality Assurance)

- 1.1 This appendix provides guidance to the Trust on the core information requirements needed to assure the quality and clinical governance of health care commissioned through the LTA. These requirements form part of all LTA between the LHB/HCW and the Trust and must be adhered to as part of that process.
- 1.2 The aims are to streamline information requirements and data flows, to automate the transfer of such data where possible, and reduce the need for ad hoc information requests and paper based returns. Information for specific clinical areas is part of a developing process, but will make use of the CHKS clinical information system, and appropriate registry organisations (e.g. joint registry), to provide this information where possible. In totality, this information will assure the LHB/HCW that the Trust provides appropriate clinical quality across the breath of the services commissioned.
- 1.3 Key principles in the provision of this data are to ensure:
 - Transparency and collaboration between commissioners and the Trust;
 - Adherence to national standards on information sharing;
 - Adherence to national standards on clinical data;
 - Clinical data based on commissioner resident population where possible;
 - Information to support Clinical Governance and quality assurances from the Trust;
 - An emphasis on electronic minimum datasets derived from existing IT architecture and compliance with 'Informing Healthcare' standards and WAG information requirements.
- 1.4 The Trust will be asked to underpin the delivery of the services commissioned by the LHB with robust clinical governance frameworks as evidenced by Schedule 1. The LHB/HCW will need to be assured of the robustness and ongoing development of the clinical governance systems of the Trust. The Trust shall carry out services commissioned by the LHB/HCW in accordance with best practice in healthcare and shall comply in all respects with the standards and recommendations as follows:
 - Those contained in the *Healthcare Standards for Wales* WHC(2005)049;
 - Those contained in the *Healthcare Standards for Wales – Next Steps* WHC (2006) 041;
 - Those contained in the Healthcare Quality Improvement Plan WHC (2006) 73;
 - Those issued by relevant professional bodies;
 - Any other quality assurance standards required to assure the LHB of the clinical quality of the service provided (subject to the availability of validated data).
- 1.5 The Trust will assure the clinical quality of its services by;
 - Regular and timely provision of information about the quality and clinical governance framework that underpins to service provided;
 - Ensuring that the Trust's staff are appropriately accredited by relevant professional bodies, and are informed of the standards of performance that they are required to provide and that they are able to meet the standards;

- Ensuring that adherence to standards is routinely monitored, that remedial action is promptly taken and that this monitoring information is made available to the LHB/HCW;
- Reporting any exceptions to the achievement of these standards to the LHB/HCW Commissioning Manager and Clinical Governance Lead at LTA monitoring meetings;
- The provision of documents relating to serious adverse incidents at the time of occurrence;
- The inclusion of quality discussions into the LTA monitoring process with Clinical Governance Leads from the LHB/HCW and Trust.

1.6 Information requirements for the LTA with the LHB under Clinical Governance, Healthcare Standards and Quality Assurance are detailed in Appendix 2.

1.7 **Clinical Outcomes of Service**

1.7.1 Apart from the Clinical Quality Assurance indicators (as outlined in Schedule 1) ongoing work needs to be considered looking specifically at the Clinical Outcomes of Services provided by the Trust organisations detailed in the LTA down to specialty and sub-specialty;

1.7.2 Specific indicators will progressively be developed to include both **mortality** and **morbidity** outcomes of the services provided. Some of these quality indicators are currently being developed by Welsh Trusts integrating into Comparative Healthcare Knowledge Systems (CHKS) to provide benchmarking services of Trusts on a broad range of performance indicators.

1.7.3 Development of indicators will be progressed in parallel to the implementation of the Quality Improvement Plan [WHC (2006) 73], which will require the identification and development of system level measures to support performance assessment. These measures will be introduced by March 2008.

Schedule 1: Quality Assurance: Clinical Governance Reporting Requirements

Routine information to be provided to the LHB	Frequency of Receipt from Trust	Information Source	Date Information Received	Does the information received lead to concerns in terms of compliance? Y/N	Further action by LHB?
Completed self-assessment against the Healthcare Standards (as submitted to Health Inspectorate Wales).	Annually				
Completed Healthcare Standards Improvement Plans (as submitted to regional offices).	Annually				
Actions plans and responses to national reports and external reviews which are not incorporated into Healthcare Standards Improvement Plans.	As produced				
Audit of compliance with "Fundamentals of Care" standards	Annually				
GP referral rates -Emergency by practice and practitioner and by time of admission -Routine by practice and practitioner -Out patient referrals by practice and practitioner -Readmission rates by practice and practitioner	Quarterly				
Serious adverse incident reports and resulting action plans	Reporting as they occur				
Progress against N.I.C.E. technology guidance implementation	Following appropriate meetings and at annual sign off				
Reports to registries such as Joint registry and action plans	As produced				
Number of staff employed from pharmaceutical companies and length of contract	Annually and with any changes				
Benchmarking of staff levels against recommended professional body levels and agreed with LHB	Annually				

Appendix 2: Information Governance and Information Flows

1. Information requirements

- 1.1 Accurate and timely information is vitally important to both the commissioning and performance monitoring of services. The Trust must provide all data submissions as outlined in WHC (2005) 102 (and its successor when published) and in accordance with the timescales listed therein;
- 1.2 Where there is a 'Lead LHB' working on behalf of a number of LHBs, the Trust must provide these datasets to the lead LHB;
- 1.3 Patients must be counted against their LHB of residence, not according to the GP with whom they are registered (in accordance with WHC (2003) 19 *Commissioner Information Flows*);
- 1.4 The Trust must comply with the Data Definitions mandated by WHC or National Guidance (e.g. *Guide to Good Practice, NHS National Dataset*);
- 1.5. The Trust must comply with WHC (2006) 038 *NHS Trust Financial Monitoring Guidance 2006/07* and make available financial returns and costs by specialty at the request of the LHB. Costs should be compliant with WHC (2001) 081 *Costing case mix and specialty and programme costs return TFR2* and WHC (2006) 044;
- 1.6 Additional information may be requested by the LHB/HCW to be able to conduct analysis of patient flows and interventional procedures in greater detail (e.g. EAL active lists, Second Offer refusals, Primary Targeting List Scores). Provision of this data will be subject to the agreed availability of valid data within the Trust;
- 1.7 Manual counts of activity not included on Trust PAS systems must be agreed to be included as activity by the LHB;
- 1.8 Any breaches in the provision of WAG mandated information or reasonable requests by the LHB will be subject to financial penalties. The LHB will consider the reasonableness for any delays in information in discussion with the Trust. If on consideration of all the relevant information the delay is still regarded as unsatisfactory, the LHB will reserve the right to implement the financial penalties as detailed in Appendix 7.

2. Monthly Waiting Times Data Collections

- 2.1 WHC (2006) 082 updates earlier guidance contained in WHC (2004) 014 and WHC (2005) 017 which informed NHS Trusts, LHBs and the Business Service Centre (BSC) of the arrangements to be followed for the supply of the regular monthly waiting time returns to the assembly;
- 2.2 The Trust must supply details of suspensions within **X** days of each period end, and details of its suspensions policy on request;
- 2.3 The Trust must supply information on PP01W, PP01A, and Clinical Referral Date on request. The LHB reserve the right to seek additional information should there be a lack of clarity around the reasons for patients having excessive elective waiting times

for treatment.

- 2.4. The Trust must be compliant with WHC (2006) 082 '*actions required*'.
- 2.5 Non- compliance will result in financial penalties as detailed in Appendix 7;

3. Inpatient and Day Case Minimum Dataset

- 3.1 The Trust must be compliant with WHC (1998) 060 and the subsequent guidance WHC (2005) 102. Uncoded data (U codes) will not be accepted as valid activity for contract monitoring purposes.
- 3.2 Trusts must comply with the quality standards for clinical coding and must ensure that the national standards for the percentage of coded patients are met (as per WHC (2005) 102, 95%).
- 3.3 Activity which is commissioned by HCW will not be funded or monitored through this LTA.
- 3.4 Non- compliance will result in financial penalties as detailed in Appendix 7.

4. Outpatient Minimum Dataset

- 4.1 The Trust must be compliant with WHC (1998) 060 mandating the outpatient activity minimum dataset (MDS) standard and the monthly flow of information by NHS Wales. WHC (2003) 048 described arrangements for the data flow of outpatient activity MDS across the NHS Wales.
- 4.2 The monthly flow of Outpatient and Elective Admissions List minimum data set will also be mandatory.
- 4.3 Non- compliance will result in financial penalties as detailed in Appendix 7.

5. GP Referral Requests for a first Outpatient Appointment

- 5.1 The Trust must comply with WHC (2006) 035 which mandates this data in the monthly submission for all GP referrals received by the Trust for a first outpatient consultant appointment.
- 5.2 Non- compliance will result in financial penalties as detailed in Appendix 7.

6. Productivity and Efficiency requirements

- 6.1 The Trust must comply with WHC (2006) 079 which mandates the performance monitoring of key target areas.
- 6.2 Regular review of the Trust supplied information and other centrally collected/published performance information, including QS1 QUEST data. The Trust

should work with the LHB on the relevant aspects of the information requirements listed in Schedule 2.

6.3 Quarterly QS1 information on bed numbers across the Trust.

6.4 Non- compliance will result in financial penalties as detailed in Appendix 7.

Schedule 2: LHB Information Flows and Data Requests

Data/Information	Format	Frequency	Submission date	Comments
Inpatient, day case and outpatient activity	PPO1A style plus sub-specialty procedures, HRGs or conditions	Monthly	Within 20 working days of month end	
Admitted Patient Care minimum dataset	Standard for inpatients, day case and outpatients (as per National Standards) WHC (2005) 102	Monthly	By the 17 th of the month	
Outpatient Activity Dataset	Standard	Monthly	By the 20 th of the month	
Costing	TFR2, Programme Budgets and HRG Costing	Annually	As per WAG timetables	Trust-wide, not split by Commissioner
EAL active	WHC (1998) 060	On request	By local agreement	
GP referrals	WHC (2005) 102	Monthly	Within 20 working days of month end	
Activity outside the LTA (eg LDP activity).	Standard	Monthly	Within X working days of month end	Split by specialty. Must be clearly demarcated from LTA activity
Second Offer Activity	Standard	Monthly	Within 10 working days of month end	Split by. Must be clearly demarcated from LTA activity
Second Offer Refusals	Locally agreed	Monthly	By local agreement	Split by specialty. Must be clearly demarcated from LTA activity
Waiting List datasets	WHC (2005) 102	Monthly	By local agreement	
Mental Health Dataset	Locally agreed	Monthly	By local agreement	
Community and Therapies Dataset	Locally agreed	Monthly	By local agreement	Split by therapy and activity by Commissioner
NICE Implementation	Standard	Monthly	Within X working days of month end	Split on a named patient basis where agreed by Commissioner
Primary Targeting List Score	Standard (National Leadership and Innovations in Healthcare)	Monthly	Within X working days of month end	Split by specialty
A&E Dataset	WHC (2005) 102		By local agreement	
Referral to Treatment (RTT) data	To be included in dataflows once mandated requirements are published			
Critical care data	To be included in dataflows once mandated requirements are published			

Appendix 3: Performance and Financial Management

1. Performance Monitoring and Management

1.1 The performance of both Trusts, LHB and HCW is managed by the Welsh Assembly Government.

1.2 Within this performance framework, the Trust will be required to meet its statutory financial duty and the performance targets referred to in Section 2 below. Performance information will be shared with the commissioning LHB. The overall financial and service performance of the Trust will be the subject of monthly review and the specific areas in respect of the Trust are outlined in the following schedules and appendices:-

- Schedule 3 (National Priorities and Requirements);
- Schedule 4 (Emergency Care);
- Schedule 5 (NICE Guidance);
- Schedule 6 (Management of Waiting Times Target and Waiting Lists);
- Appendix 4 (Activity profiles and contract volumes);
- Appendix 6 (Financial Agreement).

2. These Schedules and Appendices are set out to encompass: -

- Annual Operating Framework 2007/08 requirements set out in WHC (2006) 087;
- The productivity and efficiency targets set out in WHC (2006) 079: Improving Efficiency and Productivity within NHS Wales;
- The specific performance issues in line with WAG and local priorities;
- Agreed action including financial adjustment due to non performance;
- WAG targets as defined in the NHS Plan *Designed for Life* and within the context of the SaFF negotiations;
- Appropriate use additional WAG funding received in year to meet HSCWB and commissioning priorities;
- Appropriate use of Second Offer as per WHC (2004) 015 and WHC (2004) 027;
- The monitoring process to be in place.

Schedule 3: National Priorities & Local Requirements

1. Scope

- 1.1 This Schedule sets out, for the purposes of preparing Service and Financial Frameworks (SaFF), the Assembly's priorities and requirements for NHS Wales for 2007/08 set out in the Annual Operating Framework 2007/2008 – WHC(2006)087.

2. The key service priorities

- 2.1 In addition to the targets there will be a fundamental expectation to provide a service which demonstrates appropriate:

- Adequate Governance and Clinical Governance arrangements (Schedule 1);
- Care for emergency patients (Schedule 4)
- Financial stability (Appendix 6);
- Elective treatment (Schedule 6).

- 2.2 It is fundamental that these are achieved within available resources, without exceeding the financial limits set by the total funding provided by the Assembly and other sources. It is expected that all organisations will benchmark their cost effectiveness against other organisations as part of this process as per WHC (2004) 033.

3. Modernisation and Efficiency requirements

- 3.1 The Trust will need to demonstrate through the SaFF process for 2007/08 the steps needed to achieve efficiency improvements in 8 main areas of work as set out in WHC (2006) 087. These are:

- A reduction in the average length of stay;
- Improved day case performance;
- Improved new to follow up ratios;
- Improved DNA rates;
- Improved operating theatre utilisation rates;
- Achievement of Medicines Management indicator targets as set by the All Wales Medicines Strategy Group;
- Improved PTL scores and removal of soon category;
- Improved work force efficiencies.

4. Performance requirements

- 4.1 The LHB/HCW requires the Trust to ensure Management of Waiting Times Targets and Waiting Lists is detailed in Schedule 6;
- 4.2 The LHB/HCW requires the Trust to ensure the achievement of the agreed LTA activity profiles and contract volumes 2007/08 (Appendix 5).

5. Diagnostic and therapy waiting times

- 5.1 WHC (2004) 061 establishes the future development of diagnostic services in Wales;
- 5.2 The Trust must comply with the actions set out in WHC (2007) 002 relating to the arrangements and publication of Diagnostic and Therapy waiting times.

6. Pathology Services

- 6.1 The LHB/HCW will require the Trust to develop IT architecture to support the 6.1electronic provision of pathology results as per Informing Healthcare's Work Programme on Pathology reporting.
- 6.2 The LHB/HCW will require the Trust to have in place appropriate measures for in-hospital control of demand management and test requisitions by its medical staff. This should be in-line with available guidance from The WAG and developing *Guide to Good Practice*.
- 6.3 The LHB/HCW will require the Trust to look at economies of scale and to rationalise services where appropriate with other Trust's pathology services.
- 6.4 The Trust will require the LHB to have in place appropriate measures to manage the demand for pathology services from Primary Care.

7. Clinical standards

See Schedule 1

8. NICE Guidance

See Schedule 1

9. Human Resources

- 9.1 Trusts are required to meet the 2007/08 HR objectives under the HR Strategy *Delivering for Patients*, developed in conjunction with the NHS in Wales;
- 9.2 Trusts are required to meet targets set for reducing junior doctors' hours and EWTD compliance;
- 9.3 Trusts are required to develop and implement recruitment and retention initiatives, particularly with regard to nursing staff;
- 9.4 Trusts are required to meet the requirements of the Audit Commission report, including achieving a significant reduction in agency staff costs;
- 9.5 Trusts are required to provide additional clinical training places to meet the shortfall in requirements for additional occupational therapists, physiotherapists and

radiographers in training.

10. Delayed Transfers of Care

- 10.1 The LHB and Trust must work together to determine, and deliver local improvement targets for DToC.

11. Outpatients

- 11.1 Follow up activity to be separated out from new outpatient activity as part of the Outpatient minimum dataset.
- 11.2 Outpatient procedures will be reported separately.

12. Contract Monitoring

- 12.1 Parallel costing and commissioning to be based on HRGs for all admitted care. Arrangements to be developed through local agreement.

Schedule 4: Emergency Care

1. Services to be provided

This schedule covers the provision of health services for patients requiring emergency medical care, from first contact with health services to discharge from Trust care.

A&E attendances, split by categories of patients into those patients who did not wait, follow ups, minor, majors and complex cases.

1.1 Objectives and Outcomes

- 1.1.1 This LTA has been agreed in order to achieve the objectives and outcomes listed below. The overriding aim is that services are available to all who need them and at the time and point of need;
- 1.1.2 Contribution to reductions in mortality and morbidity;
- 1.1.3 Rapid access to diagnosis and treatment;
- 1.1.4 Provision and availability of rapid assessment (for example, Fast Track and Paediatric Assessment Units);
- 1.1.5 Adoption of British Association of Emergency Care recommendations on staffing levels and appropriateness of A&E Attendances and admissions (subject to agreements over funding arrangements);
- 1.1.6 Provision of care in appropriate settings, with appropriately skilled staff;
- 1.1.7 Working with others to promote continuity of care between primary, secondary and social care;
- 1.1.8 Timely and accurate information for monitoring and planning purposes;
- 1.1.9 Prevention of unplanned restrictions on admissions;
- 1.1.10 Ensure best use of available resources;
- 1.1.11 Through effective workload planning, ensure that, as far as possible, demand for emergency care does not threaten elective services.

2. National Targets

- 2.1 95% of all patients to spend less than 4 hours in a major A&E department from arrival until admission, transfer or discharge. No one should wait longer than 8 hours for admission, discharge or transfer. **[Target 31st March 2008]**;
- 2.2 To improve the management of chronic conditions for patients, the health community will achieve: an average length of stay of 5.7 days for emergency medical admissions and a multiple admission rate of 14.6%. **[Target 31st March 2008]**;

- 2.3 Should any of these nationally mandated targets be breached, the Trust may be liable to the penalty clauses detailed in Appendix 7.

3. Long Term Agreement (LTA) for Emergency Care

- 3.1 The LTA will be tailored to meet the requirements and targets specific to each Trust and local Health Economy. There will be three areas for attention in LTA negotiation and agreement:

- 3.1.1 Volumes: these will be set and funded at realistic anticipated levels of activity with agreed variations in actual activity attracting appropriate marginal rate adjustments (subject to the details in Section 0);
- 3.1.2 Performance: the LHB and Trust will both be expected to adopt best practice guidance and to achieve effective management of emergency care and the effective use of resources;
- 3.1.3 Capacity: the LHB will adopt a four-stage approach consistent with the WAG SITREPS reporting to Trusts experiencing difficulties in meeting demand for emergency medical admissions. The LHB believes that, through this approach, and through the Trust demonstrating good planning and management of demand, the LHB's requirements for elective workload and achievement of WAG guarantees and standards should continue to be met.

The stages set out below will assist in the delivery of this:

Stage 1: The LHB and the Trust will work together to ensure that good organisational practice is assured through continual review of operational efficiency.

Stage 2: Where the ability to admit is being threatened, the Trust should demonstrate either an ability to use beds flexibly (for example, by the redesignation of beds to provide medical beds in a designated ward), or innovative models to manage peaks in demand. The health community will need to take account of the emerging picture on Regional Provision of Emergency Care and Escalation procedures.

Stage 3: Where such measures prove insufficient to accommodate demand, the LHB will consider funding additional capacity by bringing into use unstaffed beds in the hospital.

Stage 4: Should all the measures above prove insufficient, the LHB will accept closure for admissions of GP generated emergencies. The Trust will be expected to reach agreement with other local Trusts for the management of such a contingency, so as to ensure appropriate co-ordination and support. Any such arrangements must be in accordance with the escalation procedures agreed through the Regional Emergency Pressures Task Force.

4. Monitoring

- 4.1 The LHB will expect the Trust to have in place a management audit system for the continuous review of good practice and operational efficiency. The policies, procedures and outputs of this will be available to the LHB on request. Where adequate systems are not in place, LHB will initiate discussions with the Trust, and will agree reasonable timescales for improvement. The Trust will provide information to the LHB in accordance with the common data set requirements agreed on an all-Wales level.

Schedule 5: Nice Guidance

1. Summary

- 1.1 The National Institute for Clinical Excellence (NICE) was launched in April 1999 with a remit to promote clinical excellence and effective use of available resource in the health service.
- 1.2 WHC (2003) 109 issued new directions to LHB's and Trusts to fund implementation of NICE Technology Appraisal Guidance.
- 1.3 WHC (2005) 02 further clarifies the relationship between Wales and NICE from 1st April 2005.
- 1.4 There will be no discernible change in the short term and LHBs and Trusts are expected to continue to implement NICE guidance already in the system.
- 1.5 As such, the LHB will expect the Trust to continue to monitor and implement NICE Technology Appraisal Guidance until further clarification from the WAG is received.

2. Monitoring Arrangements

- 2.1 The LHB will expect the Trust to rigorously monitor the implementation of NICE with regular monitoring agreements to be in place with the LHB.
- 2.2 The LHB will require the Trust to split NICE prescribing and associated infrastructure by commissioner, on a named patient basis wherever possible, and to demonstrate that robust monitoring is in place to ensure that available funding is used solely to support the costs of prescribing as indicated by the relevant funded NICE Guidance (i.e. not to fund high cost drugs or off-label usage).
- 2.3 The LHB will comply with the funding arrangements in the National Finance Agreement. Funding for NICE will be split into 2 segments:
 - 2.3.1 NICE approved:
 - Available funding will be provided to the Trust on an 'actuals basis', on receipt of patients details including the condition treated and costs. This should be invoiced by the Trust and will be included in the next monthly scheduled payment;
 - Where the patient details as above are not readily available, the LHB and Trust may agree an alternative dataset.
 - 2.3.2 Non-NICE Approved:
 - Drugs which have been agreed to be directly funded, but which are Non-NICE approved will be capped at £X. Any implications arising from this will be agreed by both parties.

Schedule 6: Management of Waiting Lists/Times and Targets

1. Summary

- 1.1 Achievement of all SaFF Targets 2007/2008 including waiting times targets is given a very high priority for the LHB/HCW and must comply with Welsh Assembly Government guidance set out in the Annual Operating Framework 2007/2008 - WHC (2006) 087. This requires a partnership approach with Trusts and needs to be the focus of attention by senior managers and clinicians throughout the year;
- 1.2 The priorities and requirements for 2007/2008 for the NHS in Wales are listed in Annex A of WHC (2006) 087;
- 1.3 The indicators in the Balanced Scorecard together, set out in WHC (2007) 020 along with the Annual targets form the overall performance assessment measures;
- 1.4 The LHB/HCW and the Trust are expected to sustain the improved maximum waiting time for inpatients/day cases (5 months);
- 1.5 The Second Offer Scheme will continue to operate in line with WHC (2004) 015 and WHC (2004) 027 to ensure this is sustained. The Second offer Commissioning Team continue to be available to support the process should it be necessary to refer patients for a second offer;
- 1.6 The requirements relating to Diagnostic and Therapy waiting times are set out in WHC (2007) 002.

2. Priorities and Requirements 2007/2008

- 2.1 The following targets have been identified within the Waiting List Strategy;
 - All patients to be seen within 22 weeks for a first outpatient appointment. **[Target 31st March 2008];**
 - All patients to be seen within 22 weeks for inpatient/day case treatment **[Target 31st March 2008];**
 - All patients referred by a GP or other medical practitioner to secondary or tertiary cardiology care will receive definitive treatment within 52weeks of receipt of the original referral by the receiving trust. **[Target 31st March 2008];**
 - Patients referred by their GP with Urgent suspected cancer and subsequently diagnosed as such by a Cancer Specialist will start definitive treatment within 62 days of receipt of referral. Patients not referred with urgent suspected cancer but subsequently diagnosed with cancer will start definitive treatment within 31 days of diagnosis, regardless of the referral route. **[Target 31st March 2008];**
 - To reduce the maximum waiting time for access to for specific diagnostic services to 14 weeks as specified in the SaFF. **[Target 31st March 2008];**

- To reduce the maximum waiting time for access to for specific therapy services to 24 weeks as specified in the SaFF. **[Target 31st March 2008.**

3. Performance

- 3.1 Should any of these mandated targets be breached by the Trust, the penalty clause outlined in Appendix 7 may be applied.

Appendix 4: Summarised Baseline Annual Activity Schedules

Insert annual summary table of activity, identifying thresholds for cost/volume-based elements.

1. This schedule should identify, as a minimum, the previous year forecast outturn activity, the roll-over baseline for the new year, and any adjustments required to the baseline to reflect in-year changes and targets,
 - 1.1 Where there are part-year, or non-recurring adjustments, these should be identified explicitly within the schedules.

Appendix 5: Monthly Analysis of Activity

Insert monthly profiles or refer to separate spreadsheet.

1. These should not be in simple twelfths, but should be profiled to reflect demand and the flows necessary to meet targets.

Appendix 6: Financial Schedule

Insert table of costs and marginal costs for each element of the agreement.

1. Whilst costs are for local agreement, it is assumed that they will be derived from most recent HRG and TFR costs, adjusted to take account of in-year deficits, notified inflation adjustment, and any relevant local factors.
- 1.1 There should be a move to have separate costs for elective and non-elective activity, and for new and follow-up outpatients.

Appendix 7: Schedule of Financial Penalties

Complete schedule of any penalties for non-compliance.

Data Supply Requirement	LTA Page Reference	Measure (see below)	Penalty for each Breach £
Monthly waiting times data collection	25	A	
Inpatient and daycase minimum dataset	26	A	
Outpatients minimum dataset	26	A	
GP referral request	26	A	
Productivity and efficiency requirements	26	A	
National Emergency Care Targets	33	B	
Breach of mandated waiting times targets	37	B	

Unit of Measure:

- A. Datasets to comply, as a minimum, with CHIP Data Quality Indicators. The LHB and Trust may wish to agree additional minimum acceptable levels of quality for the data.
- B. Each individual patient that has breached the relevant waiting times target during the period being assessed.

Appendix 8: Efficiency and Clinical Modernisation Targets (as assumed in assessing activity and financial schedules)

1. This appendix outlines the performance targets that the LHB and Trust have agreed to adopt as part of other plans and priorities within the health economy. Typically they will be part of clinical redesign strategies and SCEP packages which the health economy is required to deliver, but they could also include other local priorities.

1.1 The activity levels built into this LTA assume that these performance targets have been delivered. Over-performance on the LTA arising due to non-achievement of these targets will not be paid for. (see Section 0).

2. Responsibilities of the Trust

2.1 The Trust will be required to deliver the following targets as part of the activity and performance framework within this LTA.

2.2 In the event that these targets are not achieved, the LHB reserves the right not to pay for any over-performance in these clinical areas.

2.3 *Examples to be quantified could include admission avoidance, daycase targets, discharge management, clinical restructuring, changes to clinical pathways, observation and assessment units, consultant to consultant referrals etc.*

3. Responsibilities of the LHB

3.1 The LHB be required to deliver the following targets as part of the activity and performance framework within this LTA.

3.2 In the event that these targets are not achieved, the Trust reserves the right to seek payment for over-performance derived through these clinical areas.

3.3 *Examples to be quantified could include referral management, management of long term conditions in Primary Care, post-discharge follow-ups, delayed transfers of care, alternatives to emergency admission, ambulance service protocols, primary care based diagnostics, etc.*

Insert schedule of targets to be delivered.

Appendix 9: Listing of locally agreed changes to the All-Wales LTA

This Appendix lists can be used to provide a quick reference to any locally agreed variations to the standard document and should be agreed with the Regional Office.