

## **PRACTICE BASED COMMISSIONING – GUIDANCE FOR LMCS**

### **BACKGROUND**

As first referred to in a speech by John Hutton in September 2003, the NHS Improvement Plan (June 2004) cited “the devolution of commissioning to GP practices” via “practice-level commissioning” as part of a support programme for PCTs. On 5 October 2004, the Department of Health published the consultation/paper ‘*Practice based commissioning: engaging practices in commissioning*’. There will be further technical guidance issued by the Department in the New Year.

The paper can be found at the following website address:

[www.dh.gov.uk/PublicationsAndStatistics/Publications/PublicationsPolicyAndGuidance/PublicationsPolicyAndGuidanceArticle/fs/en?CONTENT\\_ID=4090357&chk=p7UCbg](http://www.dh.gov.uk/PublicationsAndStatistics/Publications/PublicationsPolicyAndGuidance/PublicationsPolicyAndGuidanceArticle/fs/en?CONTENT_ID=4090357&chk=p7UCbg)

### **WHAT IS PRACTICE BASED COMMISSIONING?**

Practice based commissioning is a new, currently England only, initiative and the Government’s proposals set out that from April 2005, all practices/groups of practices will have the right to receive a firm indicative budget from the PCT at any stage in-year and thereafter.

The Department of Health’s paper is intentionally non-prescriptive and states the Government’s wish to see early experience of the scheme informing its later development. It would appear therefore that by putting forward ideas at a local level and negotiating around the practicalities, LMCs can be proactive in shaping the best practice models which will emerge in the future.

The Department’s paper outlines a broad set of proposals – the main points are given below:

1. All practices will receive annual information on their use of health services, “including scheduled care, unscheduled care, and diagnostics”. This will be one of the factors by which PCT competency in commissioning will be measured.
2. The indicative budget will in the first instance be based on historic practice utilisation of healthcare resources, with a move to a weighted capitation formula within 3 years.
3. PCTs will hold the budget and will be responsible for contracts with secondary care providers.
4. There will be initial flexibility for practices to choose for which services they wish to hold a budget, although there is an expectation that practices will move towards holding budgets “covering the entire scope of health care provision with the exception of a few highly specialised services”.
5. Commissioning process: the practice(s), with support from their PCT, will identify the health needs of the local population and in conjunction with local stakeholders, identify the appropriate services to be provided. Decisions to be made within context of agreed Local Delivery Plan (LDP).
6. Practices must offer patients a choice – there should be no coercion for patients to use a practice based service.
7. Fifty percent of any savings made can be held at practice level, which must then be used for developing or providing services for patients. The other 50% will be held by the PCT.
8. Overspends will be paid for by the PCT. Practices can overspend in one year, but this will be carried forward and practices must achieve financial balance within 3 years to remain in the scheme (except in exceptional circumstances).
9. Groups other than practices will be able to hold indicative commissioning budgets, e.g. community based nursing teams (the legal mechanism for which would come through PMS contractual frameworks).

10. The quality of new services commissioned or provided by practices must be assured. PCTs will have a role in ensuring that proper clinical governance procedures and appropriate standards in respect of the services provided or commissioned by their constituent practices are in place.
11. Initial management costs will be provided to practices/groups of practices in advance by PCTs. However, there will be no new resources for such costs and they will be funded from the PCT's share of the savings.

#### **WHAT LMCs COULD BE DOING NOW**

- i. Familiarising themselves with the Government's proposals on practice based commissioning.
- ii. Initiating/reciprocating discussions with PCTs.
- iii. Actively consulting and setting up initial open meetings with constituents to gauge local interest and likely take-up.
- iv. Identifying potential leaders in the GP community, including those previously involved in purchasing consortia and total commissioning projects.
- v. Identifying PEC members who can work with the LMC on practice based commissioning.
- vi. Identifying key personnel within PCTs who have the skills to deliver the opportunities provided by practice based commissioning on behalf of practices.
- vii. Demystifying the potential opportunities, i.e. control of the whole commissioning budget and the advantages that offers in terms of service provision, service shift, release of funds to resource primary care, and savings.
- ix. Clarifying the risks of failing to participate, i.e. lack of control of investment in practices, referral management by PCTs to control costs rather than primary care development, and shielding from APMS.
- x. Considering whether other vehicles such as co-ops might provide the infrastructure and model to deliver practice based commissioning.
- xi. Advising those practices/groups of practices interested in the initiative as follows:
  - to enter discussions with GP colleagues to consider the opportunities and implications of the practice based commissioning, as well as the possibilities for grouping practices, in anticipation of April 2005
  - to consider which services they would like to commission and how this might tie in with the intentions of other practices/groups of practices in the area
  - to prepare a cost estimate of GP, manager and administrative time, as well as other overheads, e.g. IT, and present this to the PCT as part of initial negotiation.

In addition, LMCs could facilitate local implementation further by giving consideration to the following issues:

1. **Right to hold an indicative budget: objectivity and equity**
  - How can fairness be maintained throughout the process, avoiding the situation whereby some practices/groups of practices in the area are favoured over others by the PCT?
2. **Indicative budgets: historic budgets for April 2005**
  - Have LMCs considered the fact that higher spending by PCT commissioners in 2004/05 may enhance the historic indicative budget?
  - Are GPs aware of the possible inequities resulting from historic budget setting at practice level and subsequently inequitable achievement of savings?

3. **Management costs**
  - Have PCTs agreed that they will make available resources for management costs in the preparatory period to gear up to practice based commissioning?
4. **PCT capacity**
  - Has the PCT identified a practice based commissioning lead and has it made adequate provision within its staff for the management aspects involved?
5. **Commissioning decisions and practice discretion**
  - How can a transparent process be implemented to ensure that practices/groups of practices are commissioning in accordance with the LDP?
6. **Savings and patient choice**
  - How can practices/groups of practices achieve savings?
  - How can practices/groups of practices promote in-house/locality services to patients at the same time as offering them a choice of providers?
  - How can potential conflicts of interest as regards GP PEC members in the decision making process regarding the deployment of savings be avoided?
7. **Groups other than practices**
  - Will information be forthcoming from PCTs when groups other than practices, such as community-based nursing teams, approach the PCT to hold an indicative budget?
8. **Arbitration**
  - Have discussions begun on the possible mechanisms that could be set up in the event of disputes arising from practice based commissioning decisions?

### **NEGOTIATIONS VIA LMCs**

The consistent involvement of LMCs in PCTs' engagement with practice based commissioning will be the key to its success. We have received encouraging reports from some LMCs that PCTs have already shown considerable enthusiasm and are keen to work with LMCs and GPs on the initiative. It might be helpful for LMCs to bear in mind the following points when entering into discussions with less enthusiastic PCTs:

- i. the Government expects all PCTs to engage with practice based commissioning seeing it as a "key part of improving the NHS"
- ii. PCTs will be performance managed on their results and efforts
- iii. practice based commissioning is an unavoidable cost implication for PCTs
- iv. working with effective practice based commissioners is a potential solution for PCTs with an existing overspend.

### **CONCLUSION**

The GPC has taken the pragmatic approach to the Government's proposals on practice based commissioning in the absence of more technical guidance, which the Department of Health intends to issue in the New Year. The GPC has expressed its willingness to work with government to develop more detailed proposals.

Engaging clinicians in the commissioning process has the potential to improve the range and level of health services available to patients and would benefit the specific needs of local communities. We are aware however that the main challenge will be the fair and smooth implementation of practice based commissioning across PCTs in England.

Further, more detailed, guidance to LMCs from the GPC will be issued in due course.

**GPC secretariat**  
**6 December 2004**

## **FURTHER READING**

'Practice-led commissioning: harnessing the power of the primary care frontline'  
The Kings Fund, June 2004  
[www.kingsfund.org.uk/pdf/practiceledcommissioning.pdf](http://www.kingsfund.org.uk/pdf/practiceledcommissioning.pdf)

'A review of the effectiveness of primary care-led commissioning and its place in the NHS'  
The Healthcare Foundation, September 2004  
[www.health.org.uk/documents/PrimaryCareFINAL\\_REPORT.pdf](http://www.health.org.uk/documents/PrimaryCareFINAL_REPORT.pdf)

'Practice led commissioning: a no nonsense guide for PCTs and GP practice commissioners'  
NHS Alliance, October 2004  
[www.nhsalliance.org/documents.asp?subsection=welcome](http://www.nhsalliance.org/documents.asp?subsection=welcome)

Practice Based Commissioning: Comments on the guidance  
NHS Confederation, November 2004  
[www.nhsconfed.org/whatsnew/](http://www.nhsconfed.org/whatsnew/)

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