

The new GMS contract explained

Focus on.... Funding for the new GMS contract

This guidance note has been produced by the General Practitioners Committee to help GPs and Local Medical Committees understand the funding arrangements for the new GMS contract, and is one of a series of guidance notes on the new contract. The guidance will be updated as progress is made throughout the implementation discussions and negotiations. We would advise all GPs to read the contract document and supporting documentation, available on the BMA website at www.bma.org.uk. The GPC has produced a list of frequently asked questions and answers which can also be found at the website address.

Key features

- An extra £1.9 billion per annum will be invested in primary care by 2005/06
- Intended Average Net Income (IANI) and the balancing mechanism will go
- From 2003/2004, increases in resources will be based on the intended overall level of investment in primary care, rather than on intended GP income
- From 2005/2006, increases in resources will be mainly through uplifts to the global sum, increases in quality payments and enhanced services
- New resources to be delivered under the new contract will be protected through a Gross Investment Guarantee (GIG).

The GIG ensures that the new resources promised in 'Investing in General Practice' will be delivered.

The cash envelope is broken down into the following income streams:

- global sum
- quality
- enhanced services
- PCO-administered funds, including seniority
- premises
- IM&T
- dispensing.

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Each of these income streams is made up of and replaces a set of present contract payments. The old payments have been mapped to the new contract income streams. These are detailed in full in the supplementary documentation to the new GMS contract.

Each of the four countries of the UK has set their cash envelopes for each of the funding streams over a three-year period – 2003/04, 2004/05 and 2005/06. Following this time, there could be negotiation of a three-year envelope with the NHS Confederation and Departments of Health, or the Doctors' and Dentists' Review Body may be asked to make recommendations.

Role of the Technical Steering Committee (TSC)

The TSC currently monitors the financial data used in the calculation of IANI. Under the new contract, it will monitor outcome against the GIG. It will also be responsible amongst other things for monitoring outcome against spend on the contract, including enhanced services spending, for monitoring total earnings, incomes and expenses, and for monitoring workload and skill mix.

The transition to the new funding system will take some time. It is anticipated that the first complete picture of the overall level of expenditure being delivered under all the new contract mechanisms, including quality achievement payments, will not be available until at least autumn 2005.

The TSC will also have an important role to play in updating the financial information that was used to develop all elements of the contract pricing. As more up-to-date financial data on the overall expenditure on GMS and PMS in recent years becomes available, the projected envelopes may change.

The global sum

The global sum, which is calculated using the allocation formula, provides for the delivery of:

- essential and additional services
- staff costs
- locum reimbursements (for appraisal, career development and protected time).

It represents practice, not GP, income. It will be calculated quarterly and paid monthly.

To ensure that practice income does not drop in the transition from the Red Book to the global sum, the GPC and NHS Confederation have negotiated a **Minimum Practice Income Guarantee (MPIG)**.

The MPIG

In order to assess whether a practice is losing resources in the transition, it is necessary to determine a **Global Sum Equivalent (GSE)** against which the global sum delivered through the allocation formula can be measured. The GSE is the total of the global sum equivalent Red Book payments a practice receives under the present contract. If the formula yields for any given practice a global sum that is lower than the GSE, then that practice is eligible for the MPIG as follows:

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The global sum provides for the delivery of essential and additional services, staff costs and locum reimbursements.

MPIG = global sum via formula + correction factor

If GS via formula < GSE then the correction factor = GSE - GS

If GS via formula > GSE then no MPIG is needed

It has been agreed that the data to be used to determine the GSE, and hence the MPIG, will be taken from the last three quarters of 2002/03 and the first quarter of 2003/04.

The transition from GSE to MPIG gives rise to specific problems. For example, if a practice has a vacancy for a partner in the relevant GSE data period, the GSE will be artificially depressed, as an entire basic practice allowance and additions will be missing. This would potentially yield a lower correction factor than would a full complement of partners. The GPC and NHS Confederation are currently negotiating adjustment mechanisms to prevent this happening and to cover for other scenarios including practices that split or merge during or after the relevant data period. Further information will be published on this as soon as agreements are finalised.

Completely new GMS practices established in 2004/05 will not be eligible for the MPIG, as they did not exist before or during transition from the old to the new GMS contract

IM&T

PCOs, rather than practices, will in future fund the purchase, maintenance, upgrading and running and training costs of IM&T systems. In the past, these costs have been reimbursed, rather than funded.

Enhanced services

HSC 2002/012 set out the national minimum expected expenditure (or "floor") for enhanced services for 2003/04, 2004/05 and 2005/06 in England. The figures were £315m/£394/£460m, and this money was included in PCTs' unified budget allocations.

There are resources in the system to fund enhanced services from this financial year.

However, the HSC was not sufficiently prescriptive in directing these monies towards the kind of enhanced services set out in the new contract documentation, and many PCTs claim to have already spent this year's money on other programmes.

In a central letter from the Department of Health, PCTs were asked to account for this expenditure and to provide indications that the enhanced services floor at PCO level will be taken into account in planning for 2004/05 and 2005/06. The letter also provided an illustrative breakdown of the expected expenditure per PCT. At the same time, the Department has confirmed that no action will be taken against PCTs that have not met the minimum enhanced services expenditure for 2003/04. They will, however, be robustly performance-managed in subsequent years.

Year one

What new money is due to come on stream this year?

Current gross fees and allowances have been updated by 3.225 per cent, including the increase to seniority payments and an overall increase of 2.85 per cent to all other fees and allowances. The quality preparation payment of £9,000 for a practice with an average list size amounts to an additional increase to gross fees and allowances of 3.6 per cent. The first of these payments will be made in late October.

The quality information preparation payment, assuming a practice receives the average amount of £3,000 from the £1,000 to £5,000 range for an average practice, equates to an increase of 1.2 per cent on gross fees and allowances. In addition, the influenza payments for the at-risk under-65s for 2003/04 deliver an estimated 1.2 per cent, expressed as a gross increase to fees and allowances. Together, expressed as a gross increase to fees and allowances, these increases total 9.225 per cent.

Due to the Technical Steering Committee's forecast that expenses will not rise as much as income in 2003/04 the net increase will be greater than the gross figure. However, it is not possible to determine, with absolute accuracy, the average net pay increase under the new contract.

In addition to this, but something which is not part of the pay rise is the write-off of the debt resulting from the old GMS contract balancing mechanism, which constitutes the avoidance of a 2.4 per cent deduction from fees and allowances. Furthermore, once the money has been made available, there will be savings on IT costs.

With regard to pensions, arrangements have still to be finalised for calculating the dynamisation factor for 2003/04 and from 2004/05 onwards.

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