

Gateway Ref: 15473

*Quarry House
Quarry Hill
Leeds
LS2 7UE*

To: PCT Directors of Finance

Copy: SHA Directors of Finance
SHA Primary Care Leads

7th February 2011

Dear Colleagues

**QMAS UNDERPAYMENTS – REVENUE RESOURCE AND CASH LIMIT
ADJUSTMENTS TO COMPENSATE PCTs IN 2010-11**

1. Following identification of an error within the Quality Management & Analysis System (QMAS), that calculates payments to GP contractors under the Quality & Outcomes Framework (QOF), and which has resulted in GP contractors being underpaid for their achievement under the QOF additional services indicators since 2004/05 I am writing to advise PCTs:
 - a. that the Department of Health will provide PCTs with sufficient additional revenue resources, to be included in the planned NHS Limits allocation reports scheduled to be issued on 11th February 2011, to fund the making good of these past underpayments;
 - b. how we have calculated the level of underpayments that have been made to each GP practice in each PCT area as a result of this error (set out in the attached spreadsheet);
 - c. that there is a legal responsibility on PCTs to make good these underpayments promptly, in line with paragraph 20.3 of the Statement of Financial Entitlement (SFE) and therefore payments should be made to practices as soon as possible in the current financial year; and
 - d. that PCT Directors of Finance should copy this letter to PCT colleagues who need to see it, for example where the PCT has a Primary Care Director / Lead / Contact.

Background

2. A discrepancy has been identified between the way QMAS currently calculates 'Target Population Factor' adjustments for the Quality and Outcomes Framework (QOF) additional services indicators and the Statement of Financial Entitlements (SFE) that governs payments to

practices. The SFE sets out exactly how payments for practices' achievement under the various QOF indicators should be calculated.

3. This error has been in place since the introduction of the new contract arrangements in April 2004 and has resulted in small underpayment to practices year-on-year. This totals approximately £3,400 for the average GP practice over the seven years QOF has been operating. This includes 2010-11 as it is too late to amend QMAS in time for QMAS to calculate 2010-11 achievement payments for the additional services indicators correctly.
4. Due to a technical error QMAS has been using a fixed, incorrect figure as part of the formula for calculating payments for the small number of "additional services" indicators within QOF. This means that practices have not been receiving payments in line with the SFE, resulting in a small underpayment to each practice in each of the last seven years. The Department has therefore decided to provide PCTs with additional funding this year so that they can make good the underpayments that have occurred.

Actions undertaken by the Department

5. As soon as the Department became aware of the discrepancy work started on calculating the total value of the underpayments, comparing payments actually made with payments due under the terms of the SFE for over 8,000 practices over each of the past seven years, and to discuss the issue with the General Practitioners Committee of the BMA so that they were aware of the problem and the work we were doing to rectify the underpayments.
6. The payments made to GP practices have been less than practices' legal entitlement under the SFE. In accordance with the provisions of paragraph 20.3 of the SFE, the underpayments must be made good promptly. Guidance received from HM Treasury was that simple interest should be paid and that the same interest rates that HM Revenue & Customs (HMRC) apply when they make repayments should be used. This guidance has been followed in calculating payments due to individual practices.
7. The Department have used data originally provided by practices through the QMAS system to establish what the correct level of payments should have been and subtracted the payments that were actually made in order to establish the underpayment for each GP practice. Actual outturn information has been used for each year except 2010-11 as the relevant achievement data for 2010-11 are not available until October 2011 therefore an estimate has been used for each practice for this year only. The results of this work are set out on the attached spreadsheet which contains three columns, PCT Code, GP Practice Code and the amount of underpayment including interest.
8. In estimating the 2010-11 underpayments, DH used a simple growth methodology since achievement data for the current year is unavailable. This data will be published around October after which DH will calculate the exact payments that should have been made to each practice for 2010-11. The data will then be reviewed by DH, NHS Employers and the GPC and if

appropriate it might be necessary for PCTs to make a reconciliation adjustment between the actual amount that should have been paid and the amount paid for 2010-11 achievement.

9. When calculating payments DH used the NHS Information Centre's published QOF achievement data. This is extracted from the QMAS system and is signed off by PCTs for payments as part of the validation exercise. This therefore includes payments for contracts which have ended in the middle of a year due to a split or a merger which have been signed off by the PCT for payments. The SFE includes provisions for pro-rata-ing QOF payments where a contract has only operated for part of a financial year. Where an in-year split or merger has been handled off system (or where the final achievement payments for a contractor were not included in the IC publication for any year) the PCT will need to check local records in order to calculate the payment due.
10. QMAS will be adjusted so that correct payments are made in 2011-12 and future years. This will result in an extra recurring cost of around £3 million per annum across England that PCTs will need to find from their announced allocations from 2011/12.
11. The additional allocations that are now being actioned will exactly cover the value of the underpayments for each practice in the PCT area for the years up to and including 2010-11. The allocations will appear in revenue resource and cash limit adjustment notified in the NHS Limits allocation report scheduled to be issued on 11th February 2011. This will permit PCTs to include the impact of their increased cash limits in their March cash requisitions due to be submitted on 18th February.

Action for PCTs

12. PCT should make payments to their practices for the amounts shown in the attached spreadsheet no later than the close of the financial year. The amounts in the spreadsheet cover both the amount needed to make good the underpayment and also the interest on it, calculated using the interest rates used by HMRC.
13. In the unlikely event that any PCT is not able to action the repayments before the end of the financial year, they should accrue the liability with the aim of making the payments as soon as possible after the year end, in line with paragraph 20.3 of the SFE, whilst accounting for the payments against the 2010-11 financial year.
14. It is very important that this is done as the resource from the Department to cover the making good of the underpayments is only available in 2010-11.

Contact point

15. Any queries or questions on this should be directed to Dorota Shaw in the first instance either by email to dorota.shaw@dh.gsi.gov.uk or telephone 0113 254 6716.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Armstrong', with a long horizontal flourish extending to the right.

RICHARD ARMSTRONG
Head of Primary Medical Care
Commissioning Development Directorate