Maternity pathways – CCG perspective

The PbR rules regarding maternity pathways have changed for 2013-14. The key aspect is as set out in the NHS PbR Guidance 2013-14, para 648:

- *Commissioners should make one payment per pregnancy for all antenatal care included in the scope (although payments for the delivery or postnatal modules of the pathway may be paid to different providers). The provider receiving this payment will be known as the lead provider.*

The commissioner is therefore obliged to make one payment covering the whole of the maternity pathway at the point at which the woman first presents for treatment. The guidance is then clear that should the care be split between different providers, it is the responsibility of the lead provider to pay for this, and the separate providers to work together to achieve the apportionment of the income.

From the CCG's perspective therefore, this is a contractual payment in line with the terms of the pathway. With the exception of patient transfers to out of CCG area, this is non-refundable regardless of what subsequently happens with the pregnancy. Nonetheless, it is considered that the benefit that is accruing to the CCG through its commissioning is the patient receiving 'treatment'. Where this benefit accrues to the commissioner over the year end it is expected that the commissioner will reflect the economic substance of the transaction as a prepayment in its accounts. This reflects the principles of IAS 18, which more directly apply to the income for the provider as covered below.

The value of this prepayment should normally reflect the deferred income recorded in the lead provider's accounts. It is expected that the provider will take the lead in providing an estimate of the 'work in progress' at the year end. (See below.) This will form part of the accruals statement for agreement of balances.

In respect of those mothers whose pregnancy spanned the 2012-13 year end, for whom costs will be incurred during 2013-14 which the CCG has not yet paid for. Paras 665-666 of the NHS PbR Guidance 2013-14 state:

- *Care delivered under the pathway payment system may span more than one financial year. In April 2013 some women will receive care who started their pathway in the 2012-13 financial year.*
- *Providers and commissioners may wish to continue to pay for the remaining antenatal care for these women using the published non-mandatory prices.*

Thus CCGs should continue to record the expense relating to existing pregnancies spanning the 2012-13 year end on the old basis although we would expect part of this to be picked up as part of the legacy balances work.

Maternity pathways – trust perspective

There is a need to consider the requirements of IAS 18. The most appropriate treatment is income from the rendering of services. Paras 20 and 21 of IAS 18 state:

- *When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of the reporting period…*
- *The recognition of revenue by reference to the stage of completion of a transaction is often referred to as the percentage of completion method. Under this method, revenue is recognised in the accounting periods in which the services are rendered. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period. IAS 11 also requires the recognition of revenue on this basis.*

This treatment is deemed the most appropriate for the lead provider to follow, because even though they have received all of the cash, they have yet to provide some of the services and therefore should not recognise all of the income up front. It also serves to reflect the intention of the PbR rule change, recognising that the risk under the new arrangements now lies with the trust.

At the outset, the number and extent of specific treatments that will be required for each patient will often be indeterminate. Paragraph 25 of IAS 18 gives relevant guidance:

- *For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.*

However, in some circumstances, the lead provider may be able to undertake a more detailed analysis of the stage of completion, and in such cases should follow the stage of completion method as set out in IAS 18. As noted in paragraph 21 of IAS 18, the requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for a transaction involving the rendering of services.

Under IAS 11 principles the new maternity pathway arrangements fall under the definition of a ‘fixed price contract’. The key considerations for recognising revenue are therefore set out in paras 22 and 36 of IAS 11:

- *When the outcome of a … contract can be estimated reliably, contract revenue and contract costs associated with the …contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.*
- *When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately.*

The trust may calculate the percentage of services delivered in respect of each ongoing pregnancy at the year end and recognise that proportion of the income, while deferring the rest. If it is expected that there will be a loss overall for the provision of the maternity pathway, the loss should be provided for in full at the year end.

Lead provider – secondary transactions

Where some of the services will be provided by alternative providers, the lead provider will need to pay the alternative provider. It is expected that the lead provider will be acting as a principal in this transaction; i.e. it has a separate arrangement with the secondary provider with its own risk and rewards and is not merely acting as an agent on behalf of the commissioner. As such the lead provider should gross account for its income and separately for expenditure where it has passed on monies to alternative providers. (The secondary provider will also be acting as a principal in the provision of the services to the patients).