The Whittington Hospital NHS
NHS Trust

ITEM: 11

Meeting:	Trust Board
Date:	16 April 2008

Title:	**SLA Quality and Performance Metrics**

Executive Summary:	This paper provides the Trust Board with a high level summary of the three year Service Level Agreements (SLA) recently agreed with our Commissioners and commencing on 1 April 2008. Within the agreement there are two nationally mandated financial penalties that will be incurred for failure to meet Clostridium Difficile and 18 weeks targets, and one locally agreed financial penalty associated with first to follow up ratios that are not delivered within agreed benchmarks. The combined financial impact of these penalties if incurred to their maximum is £4.2 million. In addition to this a further £1.6 million is at risk if PCT demand management plans are fully delivered. The trust is mitigating against these risks through the development of robust operational plans for delivering the targets, In additional there is a financial mitigation of £2.6m already built into the financial model of the Integrated Business Plan. These risks have also been included on the trust risk register and will be closely monitored by the Audit and Assurance Committee.

Action:	For Information

Report from:	Kate Slemeck - Director of Operations

Sponsor:	David Sloman – Chief Executive Officer

Financial Validation Lead: Director of Finance	Name of finance officer Tim Jaggard

Compliance with statute, directions, policy, guidance Lead: All directors	**Reference:**

Compliance with Healthcare Commission Core/Developmental Standards Lead: Director of Nursing & Clinical Development	**Reference:** Yes

Compliance with Auditors' Local Evaluation standards (ALE) Lead: Director of Finance	**Reference:**

Evidence for self-certification under the Monitor compliance regime Lead: All directors	**Compliance framework reference:**

1. Background

This paper provides the Trust Board with high-level summary of the recently signed three year Service Level Agreements (SLA) reached with our Commissioners. The paper highlights the quality and performance targets that are built into the agreements, and the financial risks that these present to the Trust. A proportion of these financial risks have been factored into our financial plan, and all are formally registered onto the Trust Risk Register.

2. Summary of SLA Agreement

The contractual framework for the SLA negotiations is determined by the Department of Health, which means that the Trust is held to standard contractual terms and conditions for acute services. For the first time the SLA agreed covers a 3-year period to support effective service and financial planning.

The Trust has agreed SLAs with 15 PCTs, with a combined value of £99m. This figure is £10m higher than the equivalent 2007/08 values, reflecting the fact that additional work has been carried out in 2007/08 over and above planned levels, mainly due to additional activity undertaken to meet 18 weeks and demand management being less effective then planned.

Headline changes agreed are as follows:

- ✓ Anti-coagulant clinic attendances are to be funded by PCTs for the first time increasing the SLA value by £279k
- ✓ Postnatal community midwifery and audiology (historically funded by inadequate block payments) will be moving to a cost per case payment mechanism based upon actual activity from July onwards. The increased funding relating to these services is £282k and £1.4m respectively.
- ✓ An estimated £650k is included to cover additional activity required in 2008/09 to meet the 18-week target.
- ✓ The net effect of projected population growth (activity increase) and PCT demand management initiatives (activity decrease) is a reduction in the total SLA value of £1.8m.

3. Incentives

Whilst the contractual terms and conditions encourage and create provision for financial penalties to be incurred to 'incentivise' performance improvement, these have not been prescribed, but left for local negotiation and agreement, with two exceptions. These exceptions relate to reducing Clostridium Difficile infections and

delivering 18-weeks, where financial penalties for failing to meet these targets have been applied nationally.

There is one further financial incentive that has been incorporated into the SLA, and this relates to outpatient first to follow up ratios that exceed agreed benchmarks. Any activity that exceeds this agreement will not be paid for by the PCTs.

4. Financial Risks

There are four areas of financial risk to the trust arising from the SLA agreement. These relate to the three financial penalties outlined in Section 3 above and the PCT demand management programme. These are outlined in more detail below.

4.1 Reducing Health Acquired Infections - Clostridium Difficile

The Trust is required to reduce the rate of C Difficile infections by 20% (of 2006/7 outturn) over the next 3 years. A financial adjustment of 0.2% of contract income will be made for each 1% that the target is under-achieved, up to a cap of 2%. Table 1 outlines the financial penalty associated with each % by which the target is underachieved. The maximum financial risk associated with this target is £1.9m. Operationally this risk will be mitigated against by the implementation of a comprehensive infection control management plan. Financially £700k of this risk has been built into the financial model of the Integrated Business Plan (IBP).

Table 1 –Financial Penalties Associated with the C Difficile Target

C Difficile % by which target missed	% of contract value penalty	£ penalty	Description
0%	0.00%	0	
1%	0.20%	194,632	
2%	0.40%	389,264	
5%	1%	973,159	
10%	**2% (max)**	**1,946,319**	**Worst Case**

4.2 18 Week Referral to Treatment

This target will be formally measured from December 2008, when the Trust will be expected to deliver 95% of non-admitted and 90% of admitted pathways within 18 weeks.

A financial adjustment of 0.5% of contract income for every 1% by which the 18-week target is breached will be applied. This penalty will be capped at 5% of elective income or 2% of contract income, whichever is less.

Table 2 outlines the financial penalty associated with each % by which the target is underachieved. The maximum financial risk associated with this target is £1.8m. This risk will be mitigated against operationally by robust project management and sustainability action plan that demonstrates how we will meet and sustain this target over the year.

Table 2 –Financial Penalties Associated with the 18 Week Target

18 Weeks % by which target missed	% of elective/OP activity penalty	£ penalty	Description
0%	0.00%	0	
1%	0.50%	179,345	
2%	1%	358,691	
5%	2.50%	896,727	
10%	**5% (max)**	**1,793,454**	**Worst Case**

4.3 First to Follow Up Ratios

The Trust is required to bring into line ratios of first to follow up outpatient referrals with the top 25th percentile (medium acute trusts) over the course of the year.

A benchmarked ratio to be achieved at Trust level for each speciality during 2008/9 from Quarter 2 (July) has been agreed. Any follow up activity undertaken that is over and above the agreed threshold will not be funded. A cumulative end of year calculation will be made, therefore overachievement in later quarters will over-ride underachievement in earlier quarters.

The maximum financial risk for this target is £501,548, which assumes no improvement in the ratio. This risk is being mitigated operationally by work being undertaken with all specialities to reduce the first to follow up ratios, and replace released follow up capacity with first outpatient capacity.

Table 3 highlights the activity reduction required by those specialities currently above the 25th Percentile.

Table 3 –Financial Incentives Associated with Reducing First to Follow Up Ratios

Specialty	Whitt Ratio	25th percentile ratio (London Medium Acute)	2008/09 Activity Reduction	Tariff (inc. MFF)	Financial Value (Worst Case)	75% Achievement
UROLOGY	1.99	1.89	-133	108	-14,334	-7,501
TRAUMA & ORTHOPAEDICS	2.10	1.52	-832	103	-85,701	-44,849
PAIN	2.11	0.64	-42	117	-4,949	-2,590
GENERAL MEDICINE	4.12	2.75	-380	132	-50,134	-26,236
ENDOCRINOLOGY	2.77	2.64	-39	119	-4,589	-2,401
CARDIOLOGY	2.06	1.08	-322	132	-42,491	-22,236
DERMATOLOGY	1.38	1.25	-220	78	-17,187	-8,994
THORACIC MEDICINE	2.84	2.27	-327	143	-46,804	-24,493
NEPHROLOGY	3.14	2.58	-80	132	-10,593	-5,544
MEDICAL ONCOLOGY	6.46	3.14	-84	114	-9,593	-5,020
NEUROLOGY	0.89	0.82	-39	140	-5,471	-2,863
RHEUMATOLOGY	3.72	2.45	-385	144	-55,490	-29,039
PAEDIATRICS	1.98	1.23	-453	166	-75,248	-39,379
GERIATRIC MEDICINE	2.34	1.22	-101	180	-18,144	-9,495
GYNAECOLOGY	1.37	1.18	-585	104	-60,822	-31,829
		TOTALS:	**-4,023**		**-501,548**	**-262,470**

4.4. Demand Management

Islington and Haringey PCTs, our two main commissioners, have both planned large demand management programmes for 2008/09.

The main focus of Islington PCT's (IPCT) demand management is Practice-Based Commissioning (PBC) initiatives aimed at reducing the overall level of referrals from GPs. IPCT is also seeking to manage downwards the demand for urgent care at the Whittington, by continuing to reduce the number of minor Emergency department (ED) attendances by 10% in 2008/09, and providing better out-of-hospital care for patients with long-term conditions. Haringey PCT has also focused on reducing referral levels, with some specific schemes for general surgery, paediatric and heart failure inpatients.

The maximum financial risk to the trust arising from demand management is £1,657,642. This relates to the PCTs delivering in full their demand management plans, of which there has been no previous history. The Trust has risk assessed each scheme based upon the percentage likelihood of achievement. This has minimised the financial risk to £826,139.00. This risk has been fully reflected in the financial model of the Integrated Business Plan.

	Demand Management As per 08/09 Agreed SLAs				
Point of Delivery	**Total Demand Mgt (Worst Case)**	**Total Population Growth**	**Risk Adjusted Demand Mgt**	**Risk Adjusted Pop Growth**	**Estimated Net Impact (Likely Case)**
All Critical Care Activity	-67,479	111,440	0	55,720	55,720
All Elective Activity	-15,627	24,190	0	12,095	12,095
All Non Elective Activity	-986,056	187,374	-591,633	93,687	-497,947
All Outpatient Activity	-1,213,449	215,349	-895,998	107,674	-788,324
Day Case Activity	-107,122	70,377	-26,781	35,189	8,408
Direct Access Activity	-53,970	86,788	0	43,394	43,394
ED attendances	-164,405	62,451	-164,405	31,226	-133,180
TOTALS:	**-2,608,107**	**757,968**	**-1,678,817**	**378,984**	**-1,299,833**
Estimated Cost Reduction * :	950,465	-276,224	611,807	-138,112	473,695
ESTIMATED NET IMPACT:	**-1,657,642**	**481,744**	**-1,067,011**	**240,872**	**-826,139**

5. Quality Metrics

A number of clinical quality performance indicators have been incorporated into the SLA with agreed improvement targets. These are tabled in **Appendix 1**, highlighting measurement methodology, thresholds, and whether a financial penalty is incurred if delivery falls short of the agreed threshold or target. A risk-rating column has been added and completed where possible. This will be fully populated once the initial data run has been undertaken.

6. Performance Metrics

Four further performance metrics have been incorporated into the SLA agreement, and cover the following areas:

- Referrals – other than GP referrals
- Excess bed days
- % Elective procedures carried out on the day of admission
- Non Elective re-admissions within 28 days

These are discussed in detail below.

6.2 Referrals – Other than GP Referrals (Internal)

The trust is required to improve the ratio of non-GP referrals to total referrals to the 50th percentile for medium acute Trusts.

Analysis of baseline data shows that the Whittington has a ratio of 0.36 compared to a benchmark of 0.24. This translates into a reduction of 5,000 referrals over the year with significant specialty variation – see **Appendix 2** for the activity by speciality breakdown.

6.3 Excess Bed Days

The Trust is expected to have no further excess bed days than the England average. Excess bed days are those days over and above the nationally agreed length of stay trim point.

Quarter 1 data 07/08 demonstrated a significant improvement on Q1 06/07 as a result of the Making Best Use of Beds project. The Trust is now only 3% above benchmark although some specialties have much higher variances (negative variances indicate Trust performance is better than the benchmark).

EXCESS BED DAYS

	Quarter 1 0607				Quarter 1 07/08			
Specialty	Expected	Actual	var	%	Expected	Actual	var	%
Accident & Emergency	42	28	-14	-33%	134	103	-31	-23%
Clinical Haematology	132	38	-94	-71%	32	16	-16	-50%
Elderly Medicine	732	947	215	29%	375	273	-102	-27%
Gastroenterology	44	8	-36	-82%	109	130	21	19%
General Medicine	2015	2381	366	18%	1425	1285	-140	-10%
General Surgery	345	864	519	150%	358	634	276	77%
Gynaecology	220	207	-13	-6%	150	239	89	59%
Maternity	1127	794	-333	-30%	513	490	-23	-4%
Medical Oncology	29	39	10	34%	35	47	12	34%
Paediatric	167	319	152	91%	222	323	101	45%
Respiratory Medicine	81	114	33	41%	75	171	96	128%
Rheumatology	0	0	0		36	35	-1	-3%
Trauma & Orthopaedics	327	509	182	56%	298	161	-137	-46%
Urology	70	86	16	23%	58	29	-29	-50%
Trust Total	**5331**	**6334**	**1003**	**19%**	**3820**	**3936**	**116**	**3%**

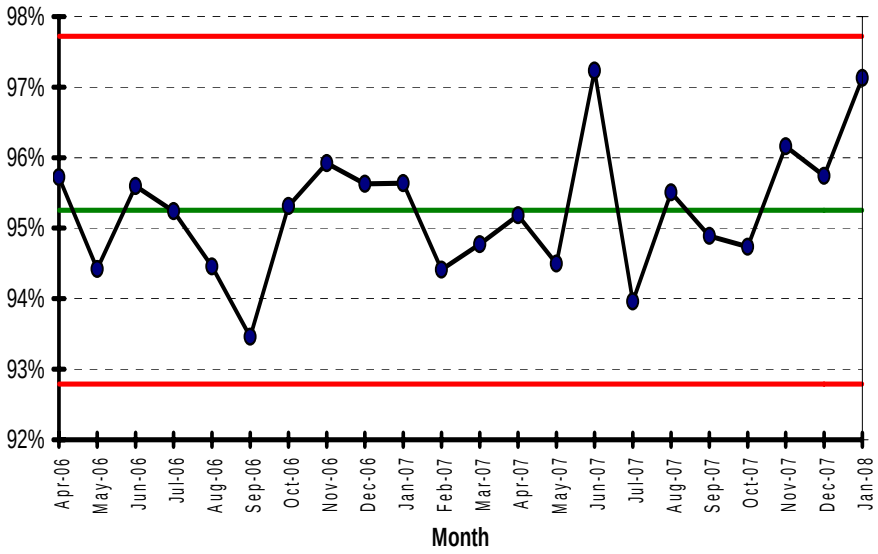
Source of data: Audit Commission PbR National Benchmarker

6.4 % of Elective procures Carried out on the Day of Admission

The Trust is expected to carry out 98% of elective procedures on the day of admission (includes Day Cases).

Trust average over the two years is **95.2%**, although recent months have started to show an improvement, in line with theatre scheduling changes. This will need to be maintained on a consistent basis.

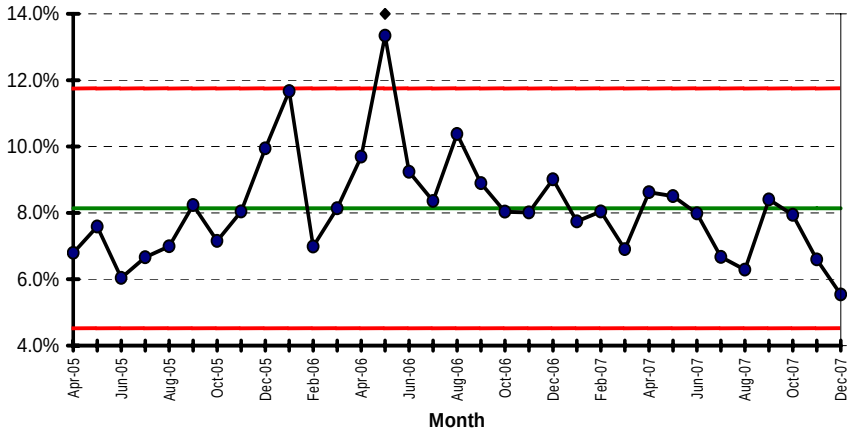
% Elective Procedures on the day of admission



6.5 Non-Elective Readmissions within 28 Days

The Trust is expected to reduce non-elective re-admissions within 28 days for the same condition. This excludes patients under 16 years, oncology and maternity patients. Discussions are underway with the Commissioners to agree the precise measurement methodology and the improvement target.

Related Condition 28-day Readmission rate



7. In Summary and Next Steps

The Trust Board are requested to note the quality and performance metrics included in the SLA agreements, and be aware of the financial risks, which are….. Performance against many of the metrics will be monitored through the performance dashboard report currently under development.