Direct Payments

Webinar transcript

Slide 1: Introduction

*Ellie McFatridge (EM):* Good afternoon everyone, thank you for taking the time out to join us for today’s webinar on Direct Payments. I know it’s a really busy time for everyone so really appreciate you coming along today.

A little bit of housekeeping before we start, the session will begin with the presenters taking us a few slides and providing more information on Direct Payments.

We’ll then finish with a Q&A where we’ll have a few more panellists joining us to answer any questions you might have. The information packs will be shared along with responses to the Q&A discussed, including any we don’t get a chance to go through.

If you have any questions, please type them into the Q&A box on the right-hand side of the screen. You will be muted during the session so please do input any questions you have into the Q&A box.

We’ll also be recording the webinar today and sending it out following the webinar. I’ll now hand over to Sonia McRobb to take us through the speakers and the agenda for today.

Slide 2: Speakers

*Sonia McRobb (SM):* Thanks Ellie and welcome everyone, thank you for joining. I’d also like to thank our speakers and panellists for taking time out of their day to facilitate today’s session.

I’ll start by introducing myself and our presenters today. I’m Sonia McRobb, Senior Company Strategy Manager at the Department of Health and Social Care.

We’ve got Adrian Snarr, Director of Financial Control at NHS England and Improvement, Danny Storr, Deputy Chief Finance Officer at NHS Hull CCG, and Kevin Breen, Head of Property Finance at Community Health Partnerships. We were also hoping to have Andrew Lawley, Head of Premises and Capital Development/CCG Estates Lead, Black Country and West Birmingham CCG but unfortunately he had a personal matter to attend to this afternoon. Howver we will include his slides when we send out the pack.

Slide 3: Panellists

*SM:* We also have a number of panellists, Steve Murray, Head of Corporate Accounting at NHS England and Improvement, Harj Brar, Credit Control Manager at NHS Property Services, Ian Watt, Head of GP and non-NHS Debt at NHS Property Services, Helen Richardson, Credit Control Team Leader at Community Health Partnerships, Andrew Parsons, Finance Manager at NHS Hull CCG and Jo Fox, Senior Programme Lead at NHS England and Improvement.

Slide 4: Agenda

*SM:* We’ve got a busy agenda today, so I’ll start off with an introduction to Direct Payments before handing over to Adrian to take us through why we need Direct Payments, the benefits of Direct Payments and the Direct Payments policy. Kevin will then take us through the process overview before we go to Danny Storr to hear about a case study from Hull CCG.

Slide 6: What are Direct Payments and how do they work?

*SM:* So Direct Payments is not a new proposition as many of you may well be aware. It is something that is permitted under the Premises Cost Directions 2013.

NHS England and Improvement on behalf of the CCGs, currently reimburses the practice for its rent, rates, clinical waste and water costs (‘reimbursable costs’) on receipt of invoices received by GPs within its area, in line with the PCDs 2013.

Under Direct Payments the CCG reimburses the property company directly. It’s important to note that the GP still receives an invoice and accounts for the transaction in its accounts. The GP signs a S52 letter agreeing to this.

As well as it being best practice to consult with the LMC to be aware of the arrangements, they can help to support in delivery of Direct Payments.

Slide 7: Outstanding Property Company Reimbursable Debt

*SM:* This slide sets out how much reimbursable debt is owed by GPs to the property companies by area – we wanted to share this to illustrate there is an issue here for the property companies and the GP’s reimbursable costs.

For NHSPS, total rent at the end of September 2020 amounted to £49.6m, whereas for CHP, total reimbursable debt at the end of September 2020 was £55m.

Where Direct Payments has been put in place, collection of reimbursable debt is more efficient. This is measured by the time taken to pay the invoices using debtor days. For CHP, GPs on Direct Payments take c. 23 days to pay invoices, those not on Direct Payments are c. 120 days, it costs money to service this debt (and this is public money and all comes out of the same pot – the DH Group).

Conversely, NHSPS debtor days are longer. This is because there have been instances where GPs were not paying any reimbursables at all and so Direct Payments has actually meant GPs have started paying these costs.

I also wanted to add that Direct Payments was part of a suite of measures agreed with NHSE&I, the Department and NHSPS following the NAO report into NHSPS, and the subsequent Public Accounts Committee in November 2019. Progress against all measures is reported on through published Treasury Minutes.

I’ll now hand over to Adrian to take us through why we need Direct Payments

Slide 9: Why do we need Direct Payments?

*Adrian Snarr (AS):* Good afternoon everyone. As Sonia said, Direct Payments are permissible under the Premises Costs Directions but they haven’t been used extensively so part of this webinar is to promote the use of Direct Payment. So I’ll give some flavour as to why we want to do that. We’ve not always promoted Direct Payments, historically we’ve had some concerns that Direct Payments might not be the best way to go. So we decided to run a series of pilots and you’ll hear from one of the CCGs later who was in one of the pilots.

Debt recovery is a challenge for the property companies and for reimbursable debt this is largely the circular flow of funds. Funds flow out from the Department, through the NHS, to GPs and then back to Department of Health owned companies but as Sonia alluded to, the debtor days taken on that reimbursable debt can be significant and as with any aged debt, the risk of recovery of that debt increases over time, i.e. it is difficult to recover very aged debt. In the GP community we do have a number of quite old debts now.

So it’s a real opportunity to make a much more efficient process when you look at the end to end process, and it also significantly reduces the risk in the system. We are talking to GPs here, GPs are not NHS bodies and so there’s only a number of remedies that the property companies can take if they are owed debt by GPs. One of them is enforcement action, and obviously nobody really wants to take legal action against a GP practice to recover debt for that premises. However, we have had a few instances where we’ve started to look at a reduced set of options to get that cash flowing round the system.

There’s a risk to service continuity, so again we’ve seen some at scale GP providers that have had significant debts and there’s been concerns that they’ve actually when those debts are settled, do they have a viable service behind that and therefore are we looking at a risk of service continuity in primary care. Clearly, it would attract adverse media coverage for the reasons that I’ve just stated. Through the lens of the public, taking legal action against a GP to recover debts is not going to produce a positive media coverage story.

There is a cost to this debt, it’s not that there are no consequences, NHSPS and CHP have to live within their budgeted means. They are organisations that are largely geared up to break even, and they break even by charging the tenants for their buildings. When GPs don’t pay in a timely fashion, that starts to have a direct impact on the working capital of the property companies and their only route to deal with those cash issues is to go to the Department of Health to apply for working capital loans which come at a cost of interest – cash isn’t free however you get it into the public sector. What we’ve got is that we’re putting cash out into the system, into GPs, that is not coming back into the Department of Health-owned companies and it is causing a real cost to the overarching NHS system. The administration is significant, as you would imagine anyone who has been involved in credit control chasing debt is a time consuming task and chasing debt that the NHS has funded in the first place is something that we shouldn’t really have to do, but it’s a day-to-day reality for the property companies. We then start to get involved at a national level to support the property companies and I’m sure many people in CCGs have been involved in these discussions as to how funds can flow better through primary care.

That’s what we’ve been faced with in recent times, and these are some of the challenges that we face. Direct Payments was an option to us and we wanted to test out how that works and it is just for reimbursable debt, so GPs are also responsible for payments to the property companies for a whole range of things that are non-reimbursable. We aren’t proposing any changes through Direct Payments for that, it is just the rent and some of the other areas that are covered by the Premises Cost Directions. It provides clarity, it’s very transparent – certainly some of the CCGs that we discussed it with in the pilots were worried about what their role was and what obligation that it put onto them, and we’ll cover some of that off. It doesn’t necessarily change things for them, it puts them into the middle of the process, but it doesn’t put them into the middle of any of the obligations.

Slide 11: Benefits of Direct Payments

*AS:* You can see from the slide that’s just appeared up there’s benefits for everyone. We’re getting positive feedback from GPs and we’ll see some of those quotes shortly. It reduces their admin, it provides clarity for them. We’re seeing benefits for NHSE&I and for CCGs, again you get the benefit of clarity. CCGs in particular don’t get consumed with trying to resolve thorny debt disputes with primary care colleagues. It’s also started to improve relationships with primary care colleagues, with the CCGs and with the property companies. Sandwell and West Birmingham for example, I think what Andrew would have said is that it’s improved their visibility on who’s occupying which demises in some of the premises because they are notified of that through the Direct Payment route. They’ve got much more immediate clarity of GP’s demised occupation.

We believe it improves efficiency. There are fewer financial transactions so we get better value for money and we’ve significantly reduced the risk across the NHS family. There are things that we will do to improve the efficiency even further and I’ll cover that shortly.

The initial benefit and the reason why the property companies have asked us to support them on this is that it’s much more timely in terms of debtor days to payment, and they are seeing improvement in relationships as well. There’s positive engagement from CCGs, and good engagement from GPs – as I said, it’s one less thing for GP practices to worry about. There’s a huge benefit for everybody in terms of working relationships.

I’ll now hand over to Sonia who’s going to run through some of these quotes that we’ve obtained from various organisations.

Slide 12: GP Quotes

*SM:* Thanks Adrian. We wanted to share some feedback that had been received from GP practices on Direct Payments.

You will see there are a couple of quotes, one from GP practice manager and another a GP business partner both acknowledge from their perspectives that it is one less issue for them to deal with.

I am going to hand back over to Adrian to pick up policy on Direct Payments.

Slide 14: Direct Payments policy position

*AS:* Thanks Sonia. As I’ve mentioned, we decided to run this as a trial and I think technically it’s always been in place so it wasn’t new. However, it wasn’t extensively used across CCGs. We initially spoke to organisations where there was some debt challenges with GPs in their locality. We had some volunteers that were very keen, we had a few people that we approached who were equally keen – we’ll hear from Danny shortly who was one of those part of the trial. As part of those, there was a few things we had to do. We wanted to test the process, we wanted understand what, if any impact there was on CCG operations and did it derive the benefits that we were hoping for.

Sonia mentioned earlier that there has been a lot of scrutiny on the property companies, there’s been a Public Accounts Committee hearing which had a specific focus on NHSPS. One of the challenges that was set for the property companies, the DH and NHSE&I was how can we work better together to reduce the aged debt that we see in both property companies. Today we’re talking specifically about Direct Payments and we are fully behind this initiative as part of the national team. We’ve got a national director, who is the executive sponsor – that’s Emily Lawson who is the Commercial Director for NHSE&I and I provide some of the more day-to-day support for this initiative.

We want to try and drive this forward, we wanted to make sure it works, we believe it does work and therefore we want to drive it forward in greater numbers now. We want to make sure that when new occupiers come into buildings, whether that’s an NHSPS site or a CHP site that it is now compulsory to go straight onto Direct Payments. We’re going to bring that in now, but it doesn’t impact huge numbers of new occupiers as a lot of the GP occupiers are reasonably static. It’s those occasions where we do get new contractors coming in and a new occupancy being set up that we want to mandate that Direct Payments will be in place from day one.

We would also recommend that when changes are made to occupancies, that is a good chance to have a review, take stock and encourage Direct Payments. As I mentioned earlier, one of the benefits for CCGs is that they’re getting better transparency on those occupancies. When there are occupancy changes coming through then it is an ideal opportunity to make the switch.

We do want to make the process as efficient as possible, we don’t want this to be an administrative burden that’s passed over to CCGs from primary care. There are certain tasks that need to be undertaken to deliver Direct Payments, but we want to automate the process. We are hopeful that we’ll be able to do that at some point in 2021.

Some of you may be aware that there is a new GP payments and pensions system that is due to come online in the not-too-distant future. Once that comes online, we are speaking to Capita which is the organisation building that system to make sure that we’ve got the opportunity to automate Direct Payment within that process. We can’t give a definitive date but we do think it will be earlyish in the new financial year.

Just by way of confirmation, management fees for reimbursable costs are reimbursable for GPs and therefore we can add the management fees that are relevant to reimbursable costs into the Direct Payment process.

I’m going to hand over to Kevin Breen from CHP to talk through what the Direct Payment process is.

Slide 16: Direct Payments process

*Kevin Breen (KB*): Thank you Adrian. Good afternoon everybody and thank you for joining today. I’m going to take you through some nice easy steps as to what happens when you decide to jump on board. All I would say is that prior to step one, there’s plenty of dialogue that takes place between the CCG and the property companies so at that point if there’s any issues that are specific to your region or to your set of GPs or even to your individual SFIs then we can talk through those and decide the best way to support each other through the process.

Step one is that we’ve got to the point where we agree that Direct Payments is the way that we want to go. Once we’ve got that in place, what we will then do is we will help with the production of a Section 52 letter which will be provided by NHS England and that is to be sent out by CCGs through to GPs for approval. GPs have obviously got to sign this to sign the ability over to the CCGs to make payments on their behalf.

The next step is that any changes in occupancy must be communicated through to the property companies and the CCGs, and that would be captured as part of making sure that the payments align with the Annual Charging Schedule. The only slight difference between the two property companies is that CHP bills monthly and NHSPS bills quarterly. What will happen is that the GP bill will go out on a quarterly basis for NHSPS and on a monthly basis for CHP to take care of rent, rates, water, clinical waste plus any local arrangements, with the true-up process in place at the end of the financial year. At the point of going live, both property companies will produce a forecast as to what that position is going to be. Both companies do an Annual Charging Schedule so it just depends on what point in the year that you want to go live, but what you would do is if you went live at the end of Q1 then you would look at July through to the end of March and see what was left, and what that would work out to on a monthly basis, on a GP by GP basis. That would form the agreement between the CCG and the property company as what’s going to be contained in the monthly payments. Obviously, you’ve got that opportunity to run through to make sure everyone lines up with what expectations are and to make sure that it’s exactly aligned with what’s being billed.

This process will be repeated on an annual basis so, door closes on the financial year and you’ll then move into the new financial year, new Annual Charging Schedules will be produced and engagement again between the property companies and the CCGs will take place as to what those charges are going to be for the following year. That information is charged at source. In practice, what that generally means is that there’s lots of dialogue at the start of the financial year and what we’ve found is that once that’s set up for the new year you don’t really have much communication because it’s an automated process from that point on. The only time that would change would be if there’s a change in demise, either an occupancy has increased or it’s been reduced.

Annual Charging Schedules will then be sent through to the Commissioner which is a request for payment and that is to be paid within payment terms. If there are any queries at that point in time, both property companies have got dedicated members of staff that can be contacted to resolve queries properly.

There’s also an agreement that both property companies will allocate payments within 10 working days of receipt and just to give you a little bit more context, both companies have gone live with this with approximately 12 CCGs each. There’s a little bit of work to set it up to start with but almost uniform feedback from Commissioners which you’ll hear some of soon. It’s actually a really slick process and it improves communications between the property companies and the CCGs, and also does save time.

Slide 17: S52 letter (template)

*KB:* I’ll just talk in a little bit more detail about the Section 52 letter. Obviously it goes into a bit of detail to break down the fact that the payment will cover rent, rates, clinical waste and water charges. Once the GPs sign this, they do have the ability to revoke as long as they provide six months’ notice in writing.

This letter has been drafted by NHSE&I and the Department of Health, so it’s had a few iterations from when we first started but we’re finding that we’re using the same letter template going forward on a consistent basis.

That’s it from me so I’ll hand over to Sonia.

Slide 18: Case Study: Hull CCG

*SM:* Thanks Kevin. As I mentioned earlier, we had been due to hear from Sandwell and West Birmingham CCG about their experience with Direct Payments, however unfortunately they’re unable to attend today due to a personal matter.

We’ll include the case study in the slide pack when we send out a follow up next week but for now I’ll hand over to Danny to take us through how Direct Payments have been implemented at Hull CCG.

Slide 19: Hull CCG – a financial perspective (Danny Storr)

*Danny Storr (DS):* Thanks Sonia.

From a context point of view, we started in 2018/19, and actually went live with some Direct Payments in July 2019. We’ve got only two practices with NHSPS and 30 with CHP so obviously we’re a lot more aligned to CHP. I think Andrew’s slides were probably more involved in the NHSPS side. We now have 26 of our CHP tenants on Direct Payments which is up from last, up from 23 and we’re still working with the practices to try and get all on.

In terms of the financial values, the CHP debt, excluding management fees, as Adrian said, these are reimbursable so taking those into account, the value was £1.3 million in 2018/19, whereas in 2020/21 it was £350,000. That actually all relates to practices that are not on Direct Payments.

The process element that Andrew was going to mention was that you need to make sure that you get the LMC involved at the start, as well as not just sending out the letters and waiting for GPs to sign them. You do have to spend some time engaging with the GP practices. But the benefits are about understanding the space, how it’s being used and then potentially, how it could be used better. At the moment, it is a manual process there for the CCGs – the CCGs are having to put in a little bit of additional effort in terms of making sure that both the debits and the credit entries are put through on the payment system. But that isn’t a huge amount of work, but the benefits outweigh those.

For clarity, we have improved understanding of our budgets and cashflow planning. There is more assurance on how the funding is actually used, I think Adrian said earlier that it wasn’t necessarily being flowed through to the property companies so we have less time involved in trying to resolve issues. The level of GP debt is reduced and I think it’s already been mentioned that we have better relationships with property companies.

In terms of future developments, the automated system will be welcome just to take that little bit of extra work that CCGs do out of the system and making arrangements rolling forward rather than new each year. At the minute, the way we’ve set ours up is that we would have an agreement each year. I think that the plan will be for CCGs to have a rolling agreement with the practices.

I’ll now pass back to Ellie for the Q&A.

A detailed Q&A can be found as a separate document here: <https://www.property.nhs.uk/news-insight/webinars/register-now-direct-payments-webinar/>