

# How is General Practice funded?

October 2008

## **Background on the 2004 GP contract**

The new GP contract began in 2003 and was introduced in full in April 2004 following prolonged negotiations and full agreement by all parties, including the Prime Minister's Office and the Treasury. Prior to the introduction of the new contract, there were serious recruitment and morale problems and GPs' pay had fallen behind. This was officially recognised by all parties during negotiations and is reflected in the scale of pay increases under the new contract.

The new contract allocated resources according to the relative workload associated with each practice's patient population and gave GP practices greater flexibility and autonomy in the delivery of services.

This briefing paper gives an outline of some of the services provided by general practitioners and the way general practice is funded. Specifically, this information applies to GPs centrally contracted to provide services by the NHS under the General Medical Services (GMS) contract.

Almost all funding is ***practice based***. This means that payments are made to the practice and ***not*** the individual GPs. There are several major funding streams:

- 1. Global sum & MPIG***
- 2. Quality***
- 3. Enhanced Services***
- 4. Seniority payments***
- 5. Premises***
- 6. Information Technology***
- 7. Dispensing payments (applicable to dispensing GP practices)***

## **Global sum & MPIG**

Typically, at least half of the money that a practice receives is in the form of a 'global sum'. The exact amount a practice receives is calculated based on the workload from each of its patients. For example, the global sum takes into account age and gender of patients, levels of morbidity and mortality in the local area, the number of registered patients in nursing and residential homes (who have a higher workload), patient list turnover (newer patients tend to need more services than longer-established ones) and a market forces factor which reflects staff costs locally.

With the change from the old system of payment to the global sum in 2004, there was a real possibility that some practices would experience a drop in income. Such a drop would have occurred as a consequence of greater funds being directed towards the voluntary Quality and Outcomes Framework (QOF) leading to the global sum, necessary to fund basic practice operational costs, being *under* funded. To ensure this did not happen, a correction factor was applied to the global sum to restore income in such instances to at least 2003 levels. The resulting amount became known as the Minimum Practice Income Guarantee (MPIG).

Where a practice has ceased providing out-of-hours care or additional services, a deduction is made from the global sum. The global sum amount is reviewed quarterly to account for changes to the practice's patient population.

***From October 2008, practices receive a global sum at the average rate of £56.20 per patient per annum.***

## **The Quality and Outcomes Framework (QOF)**

The Quality and Outcomes Framework (QOF) was introduced as part of the 2004 GP contract. It currently offers practices up to 1000 points if they deliver proven high quality on a range of services. These points attract financial resources into the practice. The majority of the points relate to evidence-based clinical interventions proved to benefit patients with illnesses such as diabetes, asthma and other long-term conditions: the remaining points are linked to the organisation and to patients' experience of the practice. The QOF has continued to evolve since the inception of the new GP contract in 2004. The QOF has become a core funding stream and has been amended to improve the diagnosis and management of some of the most prevalent chronic disease such as depression, dementia and chronic kidney disease. New QOF indicators added in 2006 and 2008 with further changes planned for 2009 has increased practice workload without any change in the overall value of QOF since 2006.

For more information on QOF, including improvements in health outcomes for patients since the changes to the GP contract, please go to: [www.bma.org.uk/ap.nsf/Content/QOFbrief0908](http://www.bma.org.uk/ap.nsf/Content/QOFbrief0908)

***For a practice with the average number of patients (5891 in England), £124.60 is awarded per QOF point for 2008/09.***

A GP's practice receives money for quality in two ways. The practice will agree in advance with the Primary Care Organisation (PCO) the number of QOF points they are aiming for that year. A monthly payment equal to the value of 70% of these points is made to the practice. Remaining payments are made once the practice has *actually* achieved the points.

### **Enhanced Services**

Enhanced services are provided ***optionally*** by practices. There are two main types of enhanced services.

***Directed Enhanced Services (DESS)*** – Although practices are not contractually obliged to provide these services which include *flu and childhood immunisations*, most GP practices have continued to provide these services since the new contract in 2004. These services are commissioned according to a national specification and price.

***Local Enhanced Services (LESs)*** – The services provided may vary according to a *specific local need or initiative*. Rates for these services are negotiated locally with the PCO and may vary.

### **Seniority payments**

Some GPs receive seniority payments which reward experience and are based on the GP's number of years of reckonable service to the NHS. Seniority payments are the responsibility of the local PCO.

### **Premises Payments**

The amount of premises funding that a practice may receive varies, but will largely depend on individual agreements reached between the practice and PCO within the framework of the Premises Directions; and will depend upon the value of the premises as determined by the District Valuer.

### **Information Technology Payments**

Since 2004, PCOs have been responsible for the procurement and operational costs of IT systems. Therefore there is *no direct funding* to practices for IT.

## **Dispensing**

The BMA estimates that there are over 1300 practices in England alone which provide dispensing services to approximately 4 million NHS patients, a particularly valuable service for patients in rural areas. The proportion of dispensing doctors' income derived from dispensing medicines varies from practice to practice and is largely dependent on the size of the dispensing list. In the more rural and remote practices, the proportion of income from dispensing can be as high as 50%. In some instances, a practice's dispensing income may cross subsidise its medical services. Dispensing doctors earn more than non-dispensing doctors because they are effectively running two separate, but interconnected services.