

February 2007

# **GMS global sum formula review consultation FAQs**

Guidance for GPs



# GMS Global Sum Formula Review Consultation

## Frequently asked questions

### What is the formula review?

When the new GMS contract was introduced, the Department of Health, the GPC and the NHS Confederation gave a commitment to review the global sum (Carr-Hill) allocation formula in light of the developing contract.

The subsequent review used a detailed examination of the current global sum formula to evaluate the status quo. It also investigated a number of additional factors for possible inclusion in a revised formula, taking into account new data and stakeholder feedback on the current allocation of funding. The finished report *Review of the General Medical Services global sum formula* (February 2007) makes recommendations as to how the formula could be improved in the future.

The review has **not** attempted to identify the resource envelope which would be required to appropriately fund global sum budgets across general practice. **The purpose of the formula is to determine the relative income global sum allocation of one practice compared to another.**

Any change in the formula would affect practices' relative income. The financial effect on individual practices of a change in the formula without adequate additional funding would inevitably be to create both new and different winners and losers.

### Who undertook the review?

The formula review was carried out by a Formula Review Group, established in 2004, which included NHS Employers, members of the GPC and representatives from the four UK health departments. The review was supported by detailed independent academic research.

### Does the review apply to the whole of the UK?

Although the work of the formula review group applies to the whole of the UK, this consultation covers only England and Wales. The health departments in Scotland and Northern Ireland intend to make their own arrangements for publication and consultation.

### **Did the Formula Review Group conclude that the Carr-Hill formula is unfair?**

The Formula Review Group's appraisal of the current formula is complex but it is considered that the Carr-Hill formula has been shown to be sound. Indeed, the review has demonstrated that most of the criticism of the current global sum formula probably stems from the insufficient funding allocated to the global sum at the time of the introduction of the new contract rather than any fundamental flaw in the Carr-Hill formula itself.

### **What has the formula review recommended?**

The formula review has recommended some modifications to the current allocation formula. In particular, the data used to underpin the workload element of the formula comes from the 'QResearch' database – a different source to that used by the Carr-Hill formula and one which permits a greater degree of integration of the constituent variables. QResearch data was not available during the construction of the Carr-Hill formula.

Additionally, the review suggests that any revised formula should include a:

- workload adjustment (comprising age-sex bands, newly registered/temporary patients and an index of multiple deprivation) supplemented by
- consultation length and home visit adjustment
- staff market forces factor (MFF) adjustment
- cost of recruitment and retention (CORR) adjustment
- 'Cost of Unavoidable Smallness' (CUS) adjustment
- rurality adjustment (possibly)

The review also recommends that, on the basis of improvements to the main formula, the current off-formula London adjustment should be discontinued if the revised global sum formula is adopted.

The Formula Review Group considered a number of factors which it has not recommended (on methodological grounds, for reasons of data availability or face validity) for inclusion in a revised formula, namely: QOF prevalence, patients living in nursing and residential homes, ethnicity, patients who speak a different language from their GP and the GP Market Forces Factor. Ethnicity and language were not included as the data produced counterintuitive results. More research is urgently required before ethnicity can be reliably weighted within any new formula.

### **When will the new formula be implemented?**

**There is no certainty that the new formula will be implemented at all.** The Formula Review Group's remit was only to review the formula. **Any decision to adopt a revised formula would be a matter for negotiation and would depend on factors outside the terms of reference of the review, such as the availability of significant additional funding.** Once the formula review consultation period has ended, the negotiating parties will discuss with the relevant health departments how, when, or if at all, the recommendations of the review group will be taken forward.

### **What role will the consultation play?**

After the special conference of representatives of LMCs, held in May 2003, the GPC committed to consulting on the formula review once the work had been completed. The report is a detailed document because it sets out the research and thinking behind each of the recommendations.

As promised, the review has been published for consultation and the GPC and NHS Employers would like to hear the views of GPs, LMCs and practices as well as those of other stakeholders including PCOs and patient groups. The consultation responses received will help inform discussions between the negotiating parties.

### **How does the consultation work?**

You can make general comments on the review and address the specific questions contained in the consultation document, namely:

- Should we seek to implement the proposed new formula?
- If implemented, should the new formula be phased in over a number of years or implemented fully from the start?
- Would you wish to see implementation of the new formula even if the resulting redistribution of the same overall resource envelope meant that some practices would lose income?
- Should any caveats should be applied prior to any implementation of a new formula?

- Should a revised global sum formula include a rurality adjustment in addition to the Cost of Unavoidable Smallness adjustment?
- Do you think practices should be asked to record data regarding the use of interpreters or the number of patients who do not speak the language of their primary healthcare professional?

NHS Employers has agreed to collate and summarise the comments received during the consultation period. You can contact the GPC at [info.gpc@bma.org.uk](mailto:info.gpc@bma.org.uk) if you have any questions regarding the review. We hope to be able to publish a report of the consultation and subsequent responses.

### **What do I need to know before responding to the consultation?**

The review group's report, *Review of the GMS global sum formula*, outlines the process, the research and the recommendations of the review. This report can be found online at [www.nhsemployers.org/primary/primary-891.cfm](http://www.nhsemployers.org/primary/primary-891.cfm) together with further supporting technical documentation and an online response form. It is very important that you read the report before submitting your response.

Responses should be submitted by **Friday 11 May 2007** using the response form.

When considering your response to this review it is very important you remember that any change in the formula would affect every practices' relative income. **The financial effect on individual practices of a change in the formula without adequate additional funding would inevitably be to create both new and different winners and losers.**

### **If the new formula is implemented will practices be protected from reductions in their funding?**

It seems unlikely at this point that the government will be willing to support any implementation of the new formula with the resources necessary to protect all practices' funding. You may wish to consider this fact when answering the questions set out above.

### **How will implementation of the formula review affect my practice's income?**

It is impossible to give accurate figures for the impact of the proposed revised formula on individual practices because:

1. the effect of the formula on practices will depend on the overall resource envelope for the global sum
2. there has not yet been any decision made on the inclusion of a rurality adjustment
3. practice level modelling used during the review process was unrefined

In any case, this consultation is only the first stage of consideration of implementation. As highlighted above, any implementation will be subject to negotiation and what the GPC really needs to inform its negotiations is responses from practices and LMCs based on a broad evaluation of the review group’s work. Generic appraisals of the merits of the formula review and careful consideration of the questions listed above in light of the whole profession’s interests will be much more constructive at this stage than responses based on individual practices’ perceived gains or losses.

The Formula Review Group did carry out some preliminary modelling and was able to make some estimates of the impact of the formula (both with and without a rurality adjustment) on different cohorts of practices. This analysis can be found in appendices F – I of the report. A summary of the results of the distributional modelling can be found in figures 1 and 2.

It has been estimated that the **effect of the revised global sum formula with the updated rurality adjustment** would be to change half of practices’ income by up to three percent. A further 30 percent of practices would see up to a five or six percent change in their income. The remaining 20 percent of practices would experience a more fundamental change; half of these would see a change in their income of up to seven-10 percent. Excluding the most extreme one percent of all practices, remaining practices could lose up to 11 percent of income or gain up to 28 percent.

**Figure 1 – Estimated effects of revised global sum formula with updated rurality adjustment compared with the current Carr-Hill formula**

		Percentile										
	Average	Min	0.5th	5th	10th	25th	50th	75th	90th	95th	99.5th	Max
Practices’ percentage change in overall formula weight	0.18%	-23%	-11%	-7%	-5%	-3%	0%	3%	6%	10%	28%	83%

Adopting the formula with the additional rurality adjustment would result in a general increase in the weighted capitation share of urban practices, practices with high proportions of new

registrations, practices with low proportions of nursing and residential home patients, practices with low proportions of elderly patients and London practices.

The effect of the revised formula excluding the updated rurality adjustment on practice income would be a little more pronounced. It has been estimated that the **effect of the revised global sum formula without the updated rurality adjustment** would be to change half of practices' income by up to four percent. A further 30 percent of practices would see up to an eight or 10 percent change in their income. The remaining 20 percent of practices would experience a more fundamental change; half of these would see a change in their income of up to 11-15 percent. Excluding the most extreme one percent of all practices, remaining practices could lose up to 18 percent of income or gain up to 31 percent.

**Figure 2 - Estimated effects of revised global sum formula without updated rurality adjustment compared with the current Carr-Hill formula**

		Percentile										
	Average	Min	0.5th	5th	10th	25th	50th	75th	90th	95th	99.5th	Max
Practices' percentage change in overall formula weight	0.49%	-30%	-18%	-11%	-8%	-4%	0%	4%	10%	15%	31%	72%

Adopting the formula without the rurality adjustment would result in a general increase in the weighted capitation share of urban practices, practices with high additional needs, practices with high proportions of new registrations, practices with low proportions of patients in nursing and residential homes, practices with low proportions of elderly patients, London practices and practices in spearhead PCTs.

Compared to the recommended formula without the rurality index, including the rurality index would on average tend to increase the weighted capitation share of rural practices, practices with low additional needs, practices with higher proportions of elderly patients and practices outside of London.

Details of the projected distributional impact of the recommended formula, with and without the rurality adjustment, on different cohorts of practice can be found on pages 61 and 62 of the formula review group report.

All of the financial modelling in the formula review report is based on the principle that a revised formula would be applied to the same resource envelope.

**Please note that the GPC is not, at this stage, able to provide individual practices or GPs with figures for how much better or worse off they would be under the proposed revised formula.**

### **What about MPIG?**

The Minimum Practice Income Guarantee (MPIG) was agreed as a payment, in perpetuity, in order to ensure that practice income for work transferred across from the previous GMS contract was maintained at no less than its level at the time of introduction of the new GMS contract, allowing only for additions or reductions to patient numbers. It was agreed at the time of introduction of MPIG that any new formula would naturally trigger a review of practices' MPIGs. A new MPIG would then be used to support only those practices whose practice income for work transferred from the previous GMS contract remained lower than that at the time of introduction of the new GMS contract. The GPC would expect a similar arrangement to apply to any practice which became a new loser under any new formula.

Although the MPIG was discussed throughout the formula review, the review group's main focus was the structure and content of the allocation formula itself. Since the original agreement, the government has stated in its primary care white paper, its plan for a separate review of the MPIG. The Formula Review Group report recognises that any new agreement implementing its recommendations would once again raise the issue of financial instability at practice level but it does not make any recommendations about the future of the MPIG.

#### **Remember:**

You can contact the GPC at [info.gpc@bma.org.uk](mailto:info.gpc@bma.org.uk) if you have any questions regarding the review. Responses should be submitted by **Friday 11 May 2007** using the online response form at [www.nhsemployers.org/primary/primary-891.cfm](http://www.nhsemployers.org/primary/primary-891.cfm)