

Our Ref: HM/JM/kd

19 December 2005

Dear Colleague

As you will be aware, since the summer, we have been negotiating with NHS Employers to review the new GMS contract. I am writing to update you on progress and the current state of play. Enclosed is a brief summary of the package of proposals.

These negotiations have been conducted in a particularly difficult environment. Not only has there been a considerable over-delivery of the Gross Investment Guarantee – a cumulative total over three years of nearly £1.5 billion by the end of 2005/06 - but the Treasury has been urging the Department of Health to tackle excessive pay awards that have created these significant overspends. Both negotiating teams have thus been under considerable pressure, with the desire not just to limit any future pay awards but to try to claw back significant amounts of what is seen to be a massive over-delivery. In seeking agreements, we have not only had to try to satisfy NHS Employers and the departments of health, but were told in advance that any agreement would be subject to ratification by the Treasury.

We are now in a position to tell you about the package of proposals on which we have reached agreement, although there are still some key outstanding issues to be resolved. Moreover, since the other three countries were, to some extent, waiting to see what was agreed in England, their negotiations are not as far forward as those in England.

Briefly, in return for certain “value-for-money” savings in the QOF – much less than were originally demanded – all four countries have agreed to additional investment in the contract, mainly in the form of directed enhanced services to resource new areas of Government policy. The level of investment is proportionately greater in England, but in all four countries there will be additional investment to resource new work on top of what is available now. Very significantly, we have reached agreement that this year’s settlement will address the perceived value-for-money issues associated with the original contract and that these will not be revisited in the future.

As you may know, the contract review is taking place in two stages with no significant changes to the allocation formula until 2007/08. However, it has been agreed that normalisation¹ will

¹ Normalisation is the process applied at each stage of the allocation formula calculation whereby practice weighted populations are scaled back to the PCT weighted population, which themselves are scaled back to the national registered population, to ensure that the impact of each of the adjustment is equal. The full calculation is set out in Annex B of the Statement of Financial Entitlements.

now take place quarterly on a national basis and not at PCT level which should help to prevent some of the anomalies seen in the past two years.

There will be no increase in the pounds per patient in the global sum nor will there be any increase in the pounds per point in the QOF. However, we have been able to reach agreement on the Contractor Population Index problem which could have increased the size of the average practice and hence, effectively reduced the value of a quality point. This will not now happen.

I believe we have also reached a satisfactory, short-term agreement on the MMR target payment issue which should restore the position to the status quo ante, before the introduction of the pentavalent vaccine.

We have also managed to increase the maximum maternity payment from £980 to £1500, though have not succeeded in getting rid of PCO discretion.

We have recently been made aware of a potential pensions problem which the Department wishes to discuss with us. The considerable increases in GP income over the three years of this contract will have a very beneficial effect on pensions. The published interim dynamising factors for 2003/06 total just over 30%. It appears that this figure may be a significant underestimate of what is likely to be the final out-turn. We have been told that there are at least three issues of concern to the government: uncertainty about the final figures, affordability and, crucially, the potential impact on the negotiations with the other NHS unions and the fact that they might have to make substantial contributions to subsidise GP pension increases.

This news has had serious consequences for what should have been the conclusion of the contract negotiations. Although we may have agreed a package of proposals for next year, we have made it clear that any implementation will be dependent on reaching a satisfactory conclusion to the pension issue. Discussions on pensions will start almost immediately with a view to concluding them as soon as possible.

As the position on outstanding issues is clarified and we have more details on the revised QOF etc, regular updates on progress will be available on the BMA website on www.bma.org.uk. In the meantime, I hope this information will be of help to you and your practice in your plans for 2005/06.

With all good wishes for Christmas and the New Year.

Yours sincerely



Hamish Meldrum
Chairman of the General Practitioners Committee