

GUIDING PRINCIPLES FOR MENTAL HEALTH WASH-UPS

Background

Waikato DHB introduced new contractual arrangements with mental health providers in July 2003, which required providers to reimburse the DHB for payments received where the related FTE services were not provided. Whilst this approach seems self evident it was in fact a significant change within the mental health NGO service area and reflected a change of perception of the DHB from 'Funder' to 'Purchaser'. The new requirements were in line with the requirements that had been applied to the Health Waikato for some time.

In March 2006, as part of a CQI focus, the Planning and Funding Division reviewed sections of the Provider Specific Terms and Conditions for Mental Health and Alcohol and Addiction (A&D) agreements, specifically those clauses relating to providing accountability of service provision in line with funding levels. Notice of the changes to wash-up reporting requirements in 2006/07 contract renewals for all FTE-based and residential-based services purchased by capacity (rather than fee for service) was communicated to all providers affected by these changes.

Over-arching Principles

The Planning and Funding Division has now developed a range of guiding principles to be used when reviewing Mental Health and A&D wash-up reports ("Volume Schedules"). The over-arching principles governing the detail are:

1. Clarity - both within the Planning and Funding Division and outwardly to providers;
2. Consistency of approach - across Health Waikato and all NGOs; and
3. Fairness - ensuring that services are generally provided as funded whilst allowing an acceptable and agreed level of flexibility to ensure maximum service provision.

To this end, the following, more detailed rules have been established and are to be communicated to all Mental Health and A&D providers during briefing sessions to be held from August 2006:

Wash-up Period

All volume schedules are to be submitted, calculated and paid six-monthly (July – December and January – June), however the second wash-up is effectively a full year wash-up, allowing under- or over-delivery within each period to be offset across the full financial year, subject to the funding cap.

This may result in providers submitting a refund to the DHB as a result of under-delivered service levels through the first six months, which is later returned to the provider (in full or part) if they are able to demonstrate a compensating over-delivery of service through the second wash-up period.

Establishment Period/Set-up Costs

Historically there had been expectations in some areas of the sector that funding provided would include an element of set up funding/lead in time. Whilst the concept of establishment funding may be necessary and appropriate in some instances it is important that arrangements are explicit in this respect. Accordingly, for all agreements subject to wash-up requirements, unless made explicit in the Provider

Specific Terms and Conditions, no additional allowance will be made for an establishment period or set-up costs, these being deemed to be included within the price paid. Without such provision, the expectation will be that services will be in place from the outset of the contract period, and if not, that a refund will be due to the DHB.

Offset Between Purchase Units

In considering the option of allowing wash-ups between different purchase units (i.e. offsetting overdelivery of one service against underdelivery of another) Waikato DHB will have sometimes conflicting objectives. On one hand, there is a desire to ensure that those services that have been contracted are delivered to the level contracted. On the other hand there is a desire to ensure that undue inflexibility does not reduce the total amount of mental health services that may otherwise be available.

In the interest of encouraging maximum provision of service, and recognising the current workforce limitations within the Mental Health and A&D sectors, over-delivery of a Mental Health or A&D purchase unit may be offset against under-delivery in another Mental Health or A&D purchase unit, provided that there is no material and sustained negative impact on access to then service that is under-delivered. Generally under-delivery extending of a duration exceeding three months in any year will be considered a sustained negative impact. The materiality of under-delivery will however be more subjective. The quantum of under-delivery that should be considered material will depend on many factors, including the availability of alternative providers with spare capacity and the urgency of demand for the service. Determination of the materiality of under delivery will be at the sole discretion of the portfolio manager.

This allowance is restricted to FTE-based purchase units within Mental Health or within A&D agreements only, so does not allow for offsets between FTEs and other areas such as bed capacity, unless by prior agreement. Significant offset between Mental Health and A&D purchase units or between Child & Youth and Adult purchase units will not be accepted. In the case of significant variance of service provision, prior approval must be obtained from the provider's portfolio manager and may be approved as a short-term measure only. Determination of the level of offset deemed to be "significant" rests with solely with the portfolio manager. It should be noted that the wash-ups between service areas, (e.g. Mental Health, A&D or Child & Youth) will generally be less likely to be agreed than those within a service area and if agreed are likely to be more restricted in terms of both quantum of duration of offsets agreed.

A similar approach will be undertaken with Health Waikato, to ensure consistency and fairness across all providers. It is noted that there may be the need to realign some items within the Health Waikato's PV schedule to ensure this more accurately reflects services expectations. Initial discussions have commenced in this respect.

Service Delivery

For FTE-based purchase units, providers are required to indicate the monthly average number of service delivery hours worked per employee, per week. Service delivery is defined here as "any activity directly related to the delivery of Mental Health services, as contracted, to service users. It may include staff meetings, training and relevant

administration e.g. writing up case notes. It does not include any activity related to the management or administration of the organisation or its' staff. Hotel and/or domestic services may only be counted as service delivery where indicated under the "Services Provided" heading of the contracted purchase unit's Service Type Description, or where indicated as part of an individual service user's agreed treatment/rehabilitation plan."

Additional rules around reporting service delivery hours are:

- A maximum of 40 hours may be reported per employee;
- Paid leave counts towards FTE provision, with the usual service delivery hours for that employee being applied; and
- Unpaid leave amounting to more than 2.5% of total worked service delivery hours within the six month reporting period does not count towards FTE provision and therefore service delivery hours for such periods should be reported as zero.

Vacancies

For FTE-based contracts, in line with the current approach taken across all providers, no funding for vacancies will be allowed. This is based on the understanding that the prices paid for FTEs reasonably allow for overheads such as recruitment costs to be offset once the position is in place and provides an incentive for providers to minimise vacancies.

Capacity

No wash-up provision previously existed for residential based services purchased by capacity (rather than fee for service). New Provider Specific Terms and Conditions implemented by Waikato DHB however include a wash-up clause requiring a refund to the DHB where a minimum average of 80% occupancy rate (by eligible service users) is not achieved. Providers will be required to declare non-eligible service users, as defined in the "Service Location and Coverage" element of their Provider Specific Terms and Conditions, so as to ensure that the DHB is not funding out-of-region or other alternatively funded service users.

Coverage

The arrangements introduced in 2003 were related to mental health FTE purchasing only. As noted above this has been extended to mental health residential bed capacity agreements for 2006/07.

There are two further areas where similar approaches will be considered for introduction over the next six months:

- **Maori Health FTE purchasing:** the mental health FTE approach will be applicable and following appropriate communications, notice of intended variation can be given before the end of December 2006 for July 2007 introduction.
- **Programme purchasing:** this is expected to require significant work to develop targets and measures, so is likely to be progressively introduced over a 2-3 year period.