

SECTION 1: THE BACKGROUND TO CONTRACTING

A07340

**1.1 ORGANISATIONAL STRUCTURES**

The NHS and Community Care Act (1990) introduced, from April 1991, a separation in the NHS between **purchasing** and **provision** of health treatment and care. It is now the responsibility of District Health Authorities, as purchasers, to commission treatment, care and action to promote good health for their populations from any suitable provider, including providers in the independent (private and voluntary) sector as well as the NHS.

NHS providers may be independent NHS Trusts or part of District Health Authorities as directly managed units. As from 1st April 1991 Bristol and Weston Health Authority no longer has responsibility for any directly managed services (apart from the Avon Ambulance Service) following the creation of the United Bristol Healthcare NHS Trust (UBHT) and the Weston Area Health Trust (WAHT). Southmead and Frenchay Health Authorities currently have both purchasing and providing responsibilities, as NHS services continue to be directly managed in both districts. However, applications for Trust status have been made by Southmead Hospital and Community Services, Frenchay Hospital and Community Services, Services for People with Learning Difficulties in Bristol & Weston, Frenchay and Southmead (The Phoenix Trust), and the Avon Ambulance Service. If these four applications are successful Bristol & Weston, Frenchay and Southmead District Health Authorities will have no responsibility for direct service provision from 1st April 1992 and a proposal has been made by the South Western Regional Health Authority that they should form a single NHS purchasing authority for the Bristol and District populations. This specifications document has accordingly been prepared jointly by the 3 Districts.

**1.2 TYPES OF CONTRACT**

Bristol & Weston, Frenchay and Southmead DHAs, as purchaser authorities, have negotiated contracts for the provision of services to their populations in 1991/92.

The majority of current contracts are **block contracts**. A block contract is one in which the value is stipulated based on assumptions about the level of flows, but the total contract sum will be paid by the purchasing health authority regardless of actual flows. For example if a block contract stipulates that £20,000 will be paid for an estimated activity level of 2,000 beddays, £20,000 will be paid even the actual workload is more (say 2,100) or less (1,950). There will be further development of the definition of volume and case-mix required under block contracts for 1992/93 and this detailed information will be included in Part II of the specifications to be issued at the end of October.

In 1992/93 some block contracts are likely to be replaced by more sophisticated **cost and volume contracts**. Under this type of contract, a provider will receive an agreed sum in respect of a baseline level of activity, defined in terms of a given number of treatments or cases. Beyond that level, funding will be on a cost per case basis for actual work done.