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Annex A Volume 3 of 3

NHS Resource Allocation Review

Targeting Poor Health : Report of the Welsh Assembly's National Steering Group on the Allocation of NHS Resources

Report of Task Groups
Executive Summaries

NHS Resource Allocation Review

Report of Task Groups

Executive Summaries

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NHS Resource Allocation Review

Report of Task Group A
Review of Research

Executive Summary

(a) The report sets out work undertaken by Task Group A in the following areas :-

- Review of the research team report
- Formula development
- Review of urban issues
- Review of capital charges
- Resource mapping
- Drafting of the Emerging Findings Report and Final Townsend Reports

(b) The work undertaken in respect of capital charges and resource mapping has been led by Mrs Alison Gerard, Head of NHS Financial Performance Management, NAfW, work on resource mapping has been led by Mr Alun Lloyd, Deputy Director of Finance , Bro Taf Health Authority . The work on drafting of the Emerging Findings Report and Final Townsend Reports has been led by Mrs Carys Evans, Policy Unit, NAfW.

(c) The review of the research team preliminary and final report has been undertaken by a combination of detailed analysis undertaken by the review team and wider consultation and participation via specifically arranged workshops. The workshops were attended by Professor Townsend, Office of National Statistics, Task Group A members, the Research Team members, Project Review Group members and other key NHS stakeholders and Assembly officials. The contributions of the workshops has added significantly to the understanding of the key issues in the research report and the decision - making processes. Appendix B sets out the range and depth of comments on the research reports arising from the workshops.

(d) Task Group A has undertaken work on urban issues , capital charges and resource mapping. The detailed papers for each of these areas of work are set out in Appendices D, E, and F respectively in the main report. The main conclusions and recommendations are as follows:-

(i) Urban Issues

- Establish from the DRG database the costs of HIV / AIDS, Haemophilia, Multiple/ complex healthcare needs in children, and forensic psychiatry and compare the distribution of these conditions with the factors / indicators already included in the direct resource allocations.

- Establish whether the unallocated renal services costs and drug and alcohol abuse costs can be allocated by formula.

- Identify the availability of data sources for homelessness and the additional costs of ethnic minority services

(ii) Capital Charges

- Capital charges should be allocated to health authorities on the same basis as the revenue allocation formula (except for those elements that qualify for protection

(iii) Resource Mapping

- The development path for resource mapping needs to inform the development and implementation of the proposed formula. The next stage in this is to take forward the 2000/01 Resource Mapping exercise on a consistent basis throughout Wales focusing on the data and financial information requirements necessary to facilitate comparisons, both at Health Authority and Local Health Group levels throughout Wales, and over healthcare programmes and care groups, with the developing formula.

- In addition an aim of the exercise will be to update the Expenditure Sectors analysis to support the proposed formula. This work would need to reflect and incorporate the need to disaggregate the financial flows to support the evolving commissioning arrangements post April 2003 and the implementation of improved data and financial information as per the All Wales Costing Review.

- To take this forward it is proposed that a Project Group be set up, chaired by a Director of Finance, to be accountable to the Finance and Assets Task and Finish Group. The Chair of the group would need to be a member of both the Finance and Assets Task and Finish Group and the Resource Allocation Development and Implementation Group. This group will need to work in parallel, and cross-reference, with the Resource Allocation Development and Implementation Group tasked with the development of the formula post July 2001. Membership of the group should include representatives from NAfW, Health Authorities, Local Health Groups and Trusts.

(iv) Outstanding Work

- A direct outcome of the workshops has been the identification of further refinements and work required on the formula. Appendix G in the main report details the areas of work required to be completed before the formula is ready for consultation, the work which is required to be completed before the formula is implemented, and the on going work to develop the formula and monitor its impact. Focus of attention will be on the outstanding work which needs to be completed over the course of the next three months i.e the work which is required to be completed before the formula is ready for consultation.

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Report of Task Group B
Social Deprivation and Disadvantage

Executive Summary and Overview

INTRODUCTION

Task Group B's remit was to:

- Describe the impact of social deprivation and disadvantage on health status in whatever settings people live, rural, urban or valleys.
- Set out ways in which social deprivation, occupational class and health inequalities drive NHS expenditure currently.
- Explore the potential role of the NHS in reducing avoidable health inequalities, through redistribution of existing resources/ targeted deployment of new resources

The membership of Task Group B is included as **Annex A**. The Task Group undertook its mainly through electronic communication and met formally on 2 occasions. The group intended to fulfil its remit through:

- The production of substantial reports, based on existing research, and the expertise of group members
- The commissioning of research from the Research Team to test the link between social deprivation and health need
- Analysis of the work of the Research Team.

SUMMARY OF TASK GROUP B FINDINGS

The Task Group has produced 2 substantial reports which review existing research (including the work of the Research Team) to describe the links between socio economic deprivation and health, and the role of the NHS in improving health and reducing health inequalities. A third paper was produced by Task Group B member John Puzey, describing the impact on health which can be achieved by investment in housing. Each Task Group was asked to 'test' its findings against alternative options for investment. Task Group B chose the housing investment option.

The three reports are:

- ***'The Impact of Socio-Economic Deprivation and Disadvantage on Health Status'*** – this report answers the first part of the Task Group remit by describing the impact of the determinants of health status. It concludes that the NHS has a vital role in promoting positive health and in dealing with poor health caused by deprivation which can only be achieved when the NHS provides equitable services targeted to those in greatest need, and when resource allocation reflects the pattern of deprivation in Wales.

- *'Health and Housing'* - A supplementary report by Task Group member, John Puzey, director of Shelter Cymru, focuses on how the redistribution of existing resources and/or targeted deployment of new resources into housing and homelessness related services can contribute to reducing avoidable health inequalities.

- *The potential role of the NHS in reducing avoidable health inequalities through redistribution of existing resources/ targeted deployment of new resources'* - This report describes the role of the NHS in reducing inequalities and links it to options for the allocation of resources and thus answers parts 2 and 3 of the Task Group's remit. It is the crucial report in that it sets out the findings; a formulaic approach needs to be supplemented with targeted resources to bring about a reduction in inequalities

  The conclusions are :

  - A range of complex factors of which socio-economic affluence and deprivation are of key importance determines health and ill health.
  - Impacting on health is a priority for a number of organisations and processes, including national and regional and local government, the NHS at all levels and the population themselves
  - The NHS is able to make a key contribution in a number of areas. This is reinforced in the vision for NHS Wales in *Improving Health in Wales*.
  - What is crucially important in tackling inequalities is how successfully deliberate targeting of resources is both planned and achieved.
  - A single formula for allocating resources to commissioners which includes a weighting for the additional needs and extra costs in deprived areas is appropriate at all levels at which services are commissioned. Further work is needed on the indicators to be used. Through this inequalities in health should not increase further.
  - To actually start reducing health inequalities, there will need to be ongoing targeting of resources at particular problems through a permanent and adequately resourced inequalities fund, which will allow the severe inequalities in deprived communities, often evidenced at ward and sub-ward level, to be addressed.
  - There will need to be a clear and structured process for determining the way in which these resources are allocated and targeted.

The Task Group also sought to commission research aimed at providing an evidence base for the greater health need of deprived populations. There has been a long and protracted process of negotiation with the Research Team and the RAR secretariat to ensure that the Task Group B commissioned research, The Group was asked to revise its original question; the revised, more limited question was as follows:

'*To what extent are emergency admissions influenced by deprivation in small areas (electoral ward level) in Wales?'*

The RAR secretariat has advised that the data has been extracted to enable analysis to take place and that this proves the link between social deprivation and emergency admissions. The final outcome from the research has not yet been received.

TASK GROUP B'S RECOMMENDATIONS

- The research team made clear, that even such resource allocation methodologies which have an explicit aim of inequalities reduction, can only halt the increase of health inequalities. Improving Health in Wales confirms that the partnership agreement 'are committed to providing additional funding that is targeted at groups with the greatest health and social need where or legal powers permit'. Additional targeting is required to start to reduce inequalities. As the research report has made clear, increases in inequalities are not inevitable or irreversible. If inequalities are to be reduced, as is the policy aim, then additional '*investment for health*' is required.
- The allocation formula, whether based on direct or indirect measures of health need, needs to ensure that resources are targeted proportionate to level of health need.
- Funding of evidence based interventions is key to reducing health inequalities.
- A recurrent Inequalities Fund therefore needs to target interventions which will allow the Acheson Report recommendation, that a 'pace of change' policy, which allows deprived areas to make the fastest progress to be addressed.
- The Inequalities Fund should continue to be linked to other resources which tackle the determinants of health, ie Communities First.
- The question needs to be asked about what size any fund needs to be to address adequately the deep-seated health inequalities in Wales. Research will be required to determine the appropriate level of resource for the health inequalities fund to begin to *'make a difference'*.
- Improving Health in Wales stresses the importance of primary care at the core of the NHS. Primary Care needs to be boosted in deprived areas. The Primary Care Strategy needs to emphasise the key role of primary care in addressing health inequalities.

RECOMMENDATIONS FOR FURTHER WORK

- Modelling work is required to assess the redistribution effects, and impact on social deprivation and disadvantage, of the direct allocation methodology.
- Work is needed to analyse which measures could most appropriately be used within an direct needs based formula
- Research required to assess the size of the allocation required in any inequalities fund to reduce health inequalities.

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Report of Task Group C
Rurality and Remoteness

Executive Summary

- The overall conclusion of the report is that the application of the Scottish formula in Wales is valid.

- The work performed to date (using Scottish data) shows very material differing resource needs between urban and rural areas due to the excess unavoidable costs of rurality.

- Welsh costing data needs to be used in the model to provide a substantive evidence base that is unique and reflects actual Welsh circumstances.

- Work undertaken to date to substitute Welsh data has shown a high correlation to the Scottish outcomes in respect of community nurses.

- Utilisation and expenditure data for health services do not reflect the health needs in rural areas where barriers to access result in a lower level of expressed need.

- There is a strong correlation in geography and access criteria, (having discounted the extremes of the Highlands and Islands) between Wales and Scotland.

- There are very material differing prima facie resource needs between urban and rural areas in Wales with initial findings demonstrating that Cardiff would receive 2.7% less than national average funding per capita and Powys 11.4% more.

- There is a requirement for further research to generate Welsh data for substitution into the model to produce a definitive and robust Welsh model.

Recommendations

- The research team continue their work to generate appropriate Welsh data to substitute into the formula to provide a robust and definitive model.

- Given the extremely material nature of the Group's emerging findings that no firm conclusions or final report can be issued regarding resource allocation for Wales until the research and analysis is complete.

- The current rurality factors are not used in any future funding methodology but are substituted by the outcome and results of the further research work being undertaken.

- The continuity of this Task Group’s work is preserved by making it available as a reference group to the Finance and Assets Group if they are charged with the continued development of the resource allocation methodology.

NHS Resource Allocation Review

Report of Task Group D
Tertiary , Teaching, Research & Development and Learning Disabilities

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Executive Summary

This report sets out Task Group D's findings and recommendations following a review of the treatment of Research & Development, Tertiary & Teaching services funding within the resource allocation process.

The specific areas covered by the Group include the following:

- Tertiary / All Wales Services
- Medical Service Increment for Teaching (SIFT)
- Dental Service Increment for Teaching (SIFT)
- Research & Development

At a later stage in the process Task Group D's remit was extended to include a review of ringfenced Learning Disabilities funding. As a result of the short timescale involved it has only been possible to take a cursory view of this area at this point in time.

In general, the Group has identified the characteristics of each service and has attempted to set out the merits and demerits of excluding these services from the main resource allocation formula. A secondary aspect of the work has been to establish whether the level of funding allocated actually matches the cost of services on the ground.

Summary of Key Recommendations

1 The Group recommends that a central body should continue to commission Tertiary / All Wales services but this needs to be reviewed in the light of the National Plan.

2 The current funding arrangements for Medical SIFT to remain unchanged with funding top-sliced and excluded from the distributional effects of the resource allocation formula.

3 The NHS Costing Review Project Board should review the way that Medical SIFT subsidises the ultimate price of services paid by the five Health Authorities to ensure that it is treated consistently and fairly in the costing process.

4. The 'teaching' element of the current Dental SIFT to be top-sliced and excluded from the distributional effects of the resource allocation formula

5. The ‘service’ element of the current Dental SIFT to be de-designated and treated as discretionary funding. However, to protect the viability of the service it is proposed that this element of funding be placed within the auspices of SCHSW who would commission services on behalf of the five Health Authorities.

6. The Research & Developments funding to continue being top-slicing and excluded from the distributional effects of the resource allocation formula.

7 The funding arrangements supporting the Learning Disability resettlement programme should continue but further work should be undertaken to review of the level of top-sliced funding and the financial implications of the resettlement plans.

NHS Resource Allocation Review

Report of Task Group D
Tertiary , Teaching, Research & Development and Learning Disabilities

1. Introduction

This report sets out Task Group D's findings and recommendations following a review of the treatment of Research & Development, Tertiary & Teaching services funding within the resource allocation process.

The specific areas covered by the Group include the following:

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- Medical Service Increment for Teaching (SIFT)
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The membership of the group and its original terms of reference are set out in Appendix 1.

2. Services Under Review

2.1 Tertiary /All Wales Services

The vast majority of Tertiary / All Wales services are funded via each Health Authority's discretionary allocation through the resource allocation formula and paid for on the basis of usage. There are three services that come within the remit of SHSCW that are currently ringfenced and protected within the resource allocation process.

The services in this category are the High Security Commissioning Board and the Artificial Limb & Appliance Service both of which are funded to Health Authorities on the basis of the resource allocation formula. Paediatric Intensive Care is also funded on the basis of the resource allocation formula but excludes North Wales Health Authority.

The Group considered the characteristics of all the Tertiary / All Wales Services that have been identified within the potential remit of SHSCW. A

common characteristic of many of these services includes the provision of services to a wide population base often from a single site. This is often due to the relatively small volume of activity that is undertaken and the need to maintain and safeguard critical mass (skills, training, expertise, equipment etc). This in turn leads to a service that provides more beneficial access to those residents living local to the delivery of the service than to those living further afield.

The key issue revolves around the need to protect these potentially vulnerable, innovative or politically sensitive services on the one hand whilst safeguarding the fairness of funding and equality of access to the system on the other.

The Group can readily identify with the benefits of providing a mechanism to improve the accountability, management, planning and commissioning of these services. This could be achieved by top-slicing the cost of these services with accountability shifting from the Health Authorities to SHSCW or successor body along the lines adopted in Scotland.

The counter argument to top-slicing revolves around the problem of unequal access to these services and the perceived unfairness of losing the link between funding and usage (i.e. paying for what you get)

The Group recommends that a central body should continue to commission services but this needs to be reviewed in the light of the National Plan.

The Group has undertaken work to identify a mechanism that optimises the need to protect certain services whilst keeping a link between funding and usage. This involves future bodies 'paying' for usage (through top slicing) averaged over 3 to 5 years.

2.2 Medical Service Increment For Teaching (SIFT)

SIFT funds the costs to the NHS of supporting the teaching of medical undergraduates. It is not a payment for teaching as such. SIFT has two complementary purposes

- to ensure the NHS supports undergraduate medical education
- to ensure a "level playing field" for health care comparison between providers who support undergraduate medical education and others

The allocation is currently top-sliced and excluded from the distributional aspects of the resource allocation formula. It is split into two components:

⇒ Clinical Placements

Payment for clinical placements essentially funds the variable service costs which depend directly on the presence of students.

⇒ Facilities to Support Teaching

This allocation essentially compensates Trusts for the substantial infrastructure costs incurred in the delivery of undergraduate medical education

The Group has considered a comprehensive report produced by the Cardiff & Vale Trust that assesses the cost of SIFT for medical undergraduates. The result of the assessment indicates that the costs attributable to revenue SIFT in 1999/2000 were broadly in line with the allocation received.

The exclusion of SIFT from the distributional effects of the resource allocation formula is an approach adopted by Scotland, England and Northern Ireland. Task Group D supports its continued exclusion from the general allocation formula and subject to the awaited outcome of comparison with English Teaching Hospitals accepts that the current level of funding appears to be broadly in line with costs attributable to Medical SIFT.

The Group also recommends that the treatment of the SIFT subsidy and its impact on prices be incorporated in the remit of NHS Costing Review Project Board currently undertaking a review of the costing framework. This will ensure that the "funding subsidy" is reflected in the ultimate price of the services paid for by the five Health Authorities in the fairest possible way.

In conjunction with the above the Group also supports the view that the level of SIFT received by the Cardiff & Vale Trust should be regularly benchmarked with major teaching hospitals in England.

2.3 Dental Service Increment For Teaching (SIFT)

Funding for Dental SIFT is currently top-sliced and provided in total to the Dental Hospital in Cardiff. Within the 2000/01 allocation there is a notional split as follows:

- "teaching" £5.737m
- "service" £1.783m

The approach adopted to categorise "teaching" and "service" is based on activity returns driven by a collaboration between the Dental School of the University of Wales College of Medicine, the Cardiff & Vale Trust and the National Purchasing Unit based in Sheffield.

Although, there are some concerns over the quality of the coding of activity, the principles for rebasing the allocation can still be considered. The proposal in the draft consultation paper produced by the National Purchasing Unit is that:

- "teaching" continues to be top-sliced and protected.

- "service" to be funded through discretionary allocations to Health Authorities, based initially on usage

The Group supports the continued treatment of a "teaching" element being excluded and protected from the resource allocation formula. Mechanisms to balance the requirements of the 'service' element (i.e. to remain viable) whilst meeting with the requirement for fairness (i.e. paying for usage) have been discussed and considered.

In addition, Task Group D supports the option of giving the commissioning lead to SHSCW or successor body to ensure that the viability of the service is safeguarded. It is also recommended that work is set in place by SHSCW or successor body to validate the level of funding associated with the 'service' element and its component parts i.e. primary, secondary and tertiary elements. This could then provide the basis to fund the secondary and tertiary aspects on a usage basis in the longer term.

2.4 Research & Development

The Research and Development allocation is excluded from the resource allocation formula and is currently top-sliced and held centrally by the National Assembly. The R& D allocation for Health is £13.871m in 2000/01 and is made up as follows:

- £11.1m is allocated through R& D support funding for NHS providers
- £1.9m is allocated to project and training grants
- £0.9m is spent on other initiatives, including funding for four research support units, the dissemination of research findings

NHS Research and Development aims to support a knowledge-based health service in which clinical, managerial and policy decisions are based on sound information about research findings and scientific developments.

The basis of allocating R&D funding is that the funding is directed to the people and organisations that will best do the job – that is to generate reliable, valid research findings that will inform the development of policy and the delivery of services.

Task Group D supports the continued top-slicing of this allocation and thereby maintain the benefits of the current approach.

2.5 Learning Disabilities

The overall resettlement plan and the development of new patterns of care by health and local authorities is co-ordinated and monitored by the National Assembly. The Group support the continued ringfencing of the allocation particularly given the long term planning that is involved in this area with the forecast completion of the process likely to extend beyond 2006. However, in the timescale, it has not been possible to gain a detailed insight into the

financial plans that underpin this process and this seems to be an area requiring further investigation.

Membership of Task Group D
Appendix 1

Chair

Maggie Aikman	Director of Finance, Gwent Health Authority

Members

Gary Thomas	Information Specialist, Gwent Health Authority
Nick Patel	Deputy Head of Finance, National Assembly
Alun Lloyd	Deputy Director of Finance, Bro Taf Health Authority
Dr Alun Roberts	Director , College of Medicine / NHS Liaison Unit
Stuart Davies	Director of Finance, Special Health Services Commission for Wales
Charlie Mackenzie	Assistant Director of Finance, Swansea Trust
Chris Turley	Gwent Healthcare Trust
Chris Lewis	Deputy Director of Finance, Cardiff & Vale Trust
Wayne Harris	Director of Finance, Wrexham Trust
Kim Tester / Carl Eley	National Assembly for Wales
Malcolm Green	Gwent Health Authority

Original Terms of Reference

1. To ensure that the recommended resource allocation mechanisms take into account the legitimate additional costs associated with the provision of All-Wales services including:

    - Undergraduate and Post Graduate Medical & Dental Education
    - Tertiary & All Wales Services
    - Research & Development

2. This would also involve consideration of the trade off between the need to maximise equality of access (i.e. fair resource distribution) and the need to maintain a viable Teaching & Research base with access to sustainable locally provided ‘leading edge’ tertiary services.

3. To review the appropriateness of the factors and mechanisms used in the current Resource Allocation methodology to provide and safeguard All-Wales services.

4. To undertake a literature search to ensure that the most up to date thinking on the subject area is available to the group. This should include a critical review of approaches adopted in England, Scotland and elsewhere.

5. To identify the issues involved and specify any further research work that is required.

6. To develop an action plan that supports the timetable set out by the National Steering group to meet the overall programme.

NHS Resource Allocation Review

Report of Task Group E
Community Services, GP Prescribing,
GMS (Cash Limited) and Ambulance Services.

Executive Summary

A group with relevant representation has been established and has identified the factors to be considered by the "Research Group" in order to produce formulae to distribute revenue resources to Health Authorities and LHGs in Wales for:

- Community Services
- Family health Services
- GP Prescribing
- GMS (Cash Limited)
- Ambulance Services

General Issues on Principles

The emerging issues on general matters relating to the use of formulae to distribute resources were considered by the group to be as follows:

Any formula that is recommended should be needs based and not devised from current service provision. Care should be taken in evaluating current expenditure patterns, lest it reinforces current provision rather than objectively determining health care needs.

It was considered that there are two elements that would represent the differing relative requirement of a given population for health resources:

1. Relative differences in Health Need.

2. Relative differences in service provision costs :

   These costs are taken to be external factors, such as, population sparsity on Ambulance Services or Community Services.

- There are two components to be calculated to produce each Health Authority s resource share for each service element:

  1. The resource quantum specified for each service at an All Wales level.

  2. The Health Authority share for each service, which would be applied to the resource quantum.

It was considered that Task Group E should work on component 2 and not make recommendations on component 1.

- It was recognised that the services under consideration were interlinked and resources available in one service would influence other services. Nonetheless, it was noted that the group would examine services individually.

- It was considered that the resources made available by the formulae to Health Authorities for each service should be explicitly shown and not amalgamated into a composite total allocation sum. This will almost certainly present discrepancies between allocated sums and local expenditure profiles, raising issues to be clarified at local level.

- Whilst some data sources may not support allocations identifiable at an LHG level, where data sources do allow identifiable service allocations to LHGs, these should be pursued.

Outcome of Deliberations of the Group

The group moved on to appraise the issues to be considered by the Research Group" in determining the appropriate resource distribution formulae for the services examined. The factors considered to identify the relative need for resources are summarised in the table below:

	Community Services (inc. FHS)	GP Prescribing	GMS Cash Limited	Ambulance Services
Formulae Basis				
Resident population	✔	✔	✔	✔
Transient population		✔ (long term)		✔
Needs Variables				
Age distribution	✔	✔	✔	✔
Sex distribution	✔	✔	✔	✔
Morbidity	✔	✔	✔	✔
Deprivation	✔	✔	✔	✔
Disability	✔	✔	✔	✔
Ethnicity	✔		✔	
Dependency	✔		✔	✔
Homelessness	✔		✔	
Population turnover	✔		✔	
Cost Variables				
Population density	✔		✔	✔
Population distribution	✔		✔	✔
Standby cover				✔
Road length to service				✔
Response standards				✔

Issues to be taken into consideration

The Group were struck by the significant impact that the cost variables would have in a resource distribution formulae for the Ambulance Service and considered the likelihood of successfully producing an accurate formulae at LHG level to be low. However, there is a balance to be struck between the resource available to local purchasers in order to improve co-ordination of commissioning between Hospital and Ambulance Services and the appropriateness of the distribution mechanism that can be produced for local purchasers.

There is a need to review the items included within cash limited element of the formulae for General Medical services, and those not subject to a formulae. The funding of the premises costs of primary care practitioners is an example of such inconsistent treatment.

Conclusion

Task Group E has concluded its deliberations on the relevant issues to be considered by the Research Group in deriving a revenue distribution formulae for Community Services, Family Health Services (cash limited), GP prescribing and Ambulance Services.

The Research Team are asked to produce a proposed formulae for the Group's consideration.