

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/
NHS Wales Chief Executive
Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee

Our Ref: AG/AWL/SB

22nd December 2017

Dear Mr Ramsay

NHS Finance (Wales) Act 2014

Further to your letter of 24th November 2017 please see below a response to your request for further clarification on the issues highlighted in the Zero Based Review undertaken within Hywel Dda University Health Board (UHB).

Under the four key areas assessed as part of the review, the key findings were as follows:

- Demographics

Hywel Dda UHB's relatively older population, higher than the Welsh average, may affect utilisation levels and the costs of providing healthcare, and thus could be contributing to additional costs in the acute sector. Also, while deprivation has the potential for an impact on the costs, as Hywel Dda UHB is the median Health Board in terms of deprivation in Wales, no additional cost impact was identified for the UHB.

- Remoteness

The analysis of costs did not indicate a link between remoteness and additional staff costs within Hywel Dda UHB.

- Service configuration (scale)

As Hywel Dda UHB has four small main acute hospitals there was evidence to indicate that diseconomies of scale could contribute to additional costs in the acute sector.

- Efficiency

Hywel Dda UHB has, in comparison with the Welsh average, opportunity in both activity and unit cost to improve efficiency and reduce costs.

The report findings have been shared with Hywel Dda University Health Board (UHB), with a presentation, and question and answer session, given by Deloitte to Board members on 14th December 2017.

We are currently considering our response to the reviews findings and will be advising the Cabinet Secretary for Health and Social Services in due course. Actions and agreements will then be taken forward, by officials, through the monthly Targeted Intervention meetings with Hywel Dda UHB, and linked to the development and submission of their future year's plans.

It is important to note that the review was only undertaken in Hywel Dda UHB, not in any other Health Board. Accordingly the potential for "excess costs" of healthcare configurations in other Health Boards have not been assessed. However the review does provide evidence that can inform other work, specifically the demographic analysis of both age sex profiles in different localities and also population changes over time, will inform the review of the resource allocation formula.

Yours sincerely



Dr Andrew Goodall