NHS West Kent

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Briefing Paper
Kent Health Overview and Scrutiny Committee, March 25th 2010

A range of specific questions were notified to the PCT in advance of the meeting which address two broad areas of interest to the HOSC. The intention of the briefing is to answer the questions and provide information that will help members of HOSC to explore the areas further before and on the day.

For convenience the briefing refers to and answers each specific question under the two main headings. Other relevant documents containing greater detail are referred to and attached where appropriate.

1. **What are the challenges to ensuring the NHS in Kent is financially sustainable?**

- ***Why is achieving financial balance across the local health economy important and what are the potential consequences of not doing so?***
  - Achieving financial balance is a statutory duty of NHS organisations. Primary Care Trusts have specific annual requirements, and NHS Trusts have greater flexibility to break even over a rolling three year period, which in some circumstances may be extended to 5 years.
  - Financial balance is consistent with financial sustainability. However, financial sustainability alone is not the challenge. The provision of and access to services that meet required standards on a sustainable basis is the real challenge. Sustainable service provision helps to ensure that valuable services continue to be provided reliably. Financial imbalance is usually an indicator and measure of wider problems and challenges facing a system.
  - Over and above the direct implications for users of services, the resources and activities required to restore financial balance can compete with or even displace the functions of planning, prioritising and making changes to achieve strategic objectives. In extremis intervention by third parties is the consequence, which often diminishes the ability of local stakeholders to work together and drive their locally owned agenda, until a form of balance is restored.
  - Achieving and sustaining financial balance is itself a continuous activity. The public as taxpayers rightly expect services to be continually improved in terms of effectiveness, availability, quality standards and cost. Providing this challenge is tackled collectively and is properly understood in terms of using all of our resources as effectively as possible with due regard to fairness; money becomes the currency, and excellent health and healthcare for local residents is the business.

- ***What are the main challenges to achieving financial balance across the health economy?***
  - The PCT five year Strategic Commissioning Plan "Best Possible Health" was published in January 2010.[1] The PCT is now developing the second Annual Operating Plan based on the strategy. The Strategic Commissioning Plan describes the needs assessment, prioritisation process and engagement that resulted in the final Board approved plan. The document also describes the challenges facing the NHS in general and West Kent in particular. The challenges and risks described in the plan remain relevant today. Ten key points drawn from the Strategic Commissioning Plan are:

    1. Increased investment will be relatively flat from 2011 onwards. *The actual settlement includes over 2% new funding, which is better than the plan anticipated.*
    2. The funding available to West Kent is about right according to current funding formula. *The recently revised and updated national formula indicates that West Kent is 2% below its fair share allocation. The fair share allocation itself is around 10% below the overall average NHS per capita allocation.*
    3. The health of West Kent residents is better than the England average, but there pockets of deprivation.
    4. Benchmarking indicates that there is variation at health programme level. For example, more of our spending is attributed to cancer services than other areas, but the outcomes do not appear to be better than other areas.
    5. High cost providers and PFI facilities mean that more money is spent on buildings and facilities, and less on front-line staff, patient services and medicines. The facilities are high quality, but like all resources they need to be used wisely.
    6. The combined effect of demographic growth, and other drivers including technology, innovation, externally defined standards and regulation mean that over £300m of additional value/ costs need to be absorbed over five years. This will be achieved by managing inflationary pressure including pay increases and by improving productivity. Where real additional costs are incurred, for example more staff, more drugs or more wheelchairs, real costs may need to be reduced elsewhere.
    7. Twelve clinically defined programmes were identified, which mapped into strategic initiatives categorised into operational, tactical and transformational initiatives. *Since the plan was published, the initiatives have been mapped into "QIPP" categories and further developed.*
    8. Public engagement in the transformation of services is critical to success.
    9. An integrated health and well-being model to increase independence and employment and empower and support personalised self-care for people with long term conditions and their carers is an essential part of the five year plan.
    10. The development of GP commissioning and Health and Well Being Boards appear well aligned with the strategy. The strategic direction remains valid in 2011 and will continue to inform the annual operating plan.

- In 2011/12 the PCT needs to take additional steps to reverse increases in hospital activity and costs in order to achieve the improvements identified in the Strategic Commissioning Plan. A range of initiatives intended to enable a full range of services to be delivered within the available funding for 2011/12 has been developed. The initiatives are consistent with the original strategy and reflect the contributions of local clinical leaders.
- The three main risks identified in 2010 are relevant in 2011. (see page 49 of the plan for the detailed wording)
    1. Scale and pace
    2. Engagement and ownership
    3. Achieving transformation, while maintaining grip in an environment of change.

- The mitigation has been strengthened in 2011
    1. Development of Practice Based Commissioning towards GP consortia.
    2. PCT clusters developed to support transition phase of White Paper.
    3. Real terms growth in funding compared with no growth assumed in plan.

- ***What has been the impact of the NHS Operating Framework for 2011/12 and the PCT allocations for the next financial year?***
    - The impact for most parts of the NHS is that the increased allocation, including funds directed towards social care, is almost sufficient to fund some transformational change, expected price/ wage inflation and some demographic pressure.
    - The allocation is not sufficient to fully fund demographic pressure or any new investment in local health systems.
    - Measures to achieve financial plans in 2010/11 need to be made good in 2011/12 in West Kent. This requires a greater effort to deliver the range of services in the Annual Operating Plan within the available funding.
    - Appendix 1 describes the financial headlines from the NHS Operating Framework.

- ***What are the particular demographic trends in Kent that will affect NHS commissioning now and in the future, and how does Kent compare on these compared to the rest of the country?***
    - According to ONS estimates, there will be an increase of more than 56% in the over 65yrs population in West Kent by 2028 compared to 50% for the rest of England.
    - In 2017 this group will constitute approximately 18% of the total West Kent population, rising to 20% by 2028.
    - In terms of five years age bands, the biggest increase will be seen in the 85+ males, approximately 170% increase by 2028 (from 5000 to 13,000)
    - These increases have serious implications for health and care delivery. For example, over 65s are 18 times more likely to suffer long term heart/ circulatory problems.
    - By 2028, the proportion of under 5s and 5-19 yrs population group in West Kent is expected to increase by 12% compared to 9% for the rest of England.
    - The lowest increases are expected for working age population with only 6% increase in the 35-44yrs age group, similar to the England average.
    - Please see the response from East Kent for a Kent wide analysis of demographics.

2. **Are there any implications for the range and quality of health services available to the people of Kent as a result of any measures being taken to achieve or maintain financial sustainability?**
    - Achieving and maintaining financial sustainability is an integral part of the strategy, which will result in the best possible health for local residents.
    - Where service changes are required, current services may be replaced with more effective services or removed altogether if they are no longer relevant to the current needs of the population.
    - Some services may no longer be available if they are considered to be of limited benefit to patients.
    - An underlying principle of QIPP is that improving the quality and safety of healthcare services will derive significant savings across all healthcare provision. This theme of "quality as the organising principle' is central to achieving financial sustainability for the future. A number of contractual measures such as never events, CQUIN and penalty clauses will secure improved quality through financial controls.

- ***What kinds of measures have been taken in 2010/11 in terms of prioritising treatments and changing service provision across Kent in order to try and achieve financial balance?***
    - The Annual Operating Plan[2] for 2010/11 describes the first year implementation of the five year plan.
    - A range of additional measures were considered during the year to help achieve the longer term financial balance. These were considered by the PCT after consultation with clinical groups and representatives of the public. Appendix 2 is a letter to West Kent clinicians together with a summary feedback.
    - Although most if not all of the proposals had been considered or implemented in other parts of the NHS, only some of the proposals were considered to be acceptable. A few of the proposals were considered to have longer term benefits and have been included in the operating plan proposals for 2011/12.
    - GP Commissioners are more involved in agreeing our plans and priorities for 2011/12. This engagement will certainly increase the chances of success.

- ***What kinds of measures are being considered for 2011/12?***
    - The measures being considered in 2011/12 are still under development and will be considered by the PCT Board at the end of March.
    - The financial implications of the proposed initiatives to deliver the objectives of the Annual Operating Plan are summarised using the 18 QIPP categories. For 2011/12 over £30m of resources are freed up to allow greater value to be achieved from the same programme area or actual cash released to enable investment in other programmes.[5]
    - An Operating Plan Assurance statement is being developed to help ensure that the objectives being pursued reflect national operating plan priorities.

- ***How is the QIPP challenge being met in Kent?***
    - PCTs remain responsible for the delivery of the Annual Operating Plan including QIPP.
    - QIPP plans have been developed and pursued at PCT and emerging GP commissioning consortia level, and at Kent and Medway level. This

recognises both the different scale and complexity of some transformational schemes, and the need for all plans to have local ownership.

- PCT clusters are being created as part of the transition phase of the winding up of the PCTs and the development of new arrangements.

References:

1. NHS West Kent five year strategic commissioning plan "Best Possible Health" January 2010. Please refer to the document pages 1 – 52.

   http://www.westkentpct.nhs.uk/Have_Your_Say/Best_Possible_Health_Strategic_Plan/index.html

2. NHS West Kent Annual Operating Plan for 2010/11. Please refer to the document pages 1-16.

   http://www.westkentpct.nhs.uk/The_PCT/Our_plans/index.html

Appendix 1 - Impact of NHS Operating Framework 2011/12

Impact Of NHS Operating Framework 2011/12

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National Surplus

- Aggregate national PCT surplus delivered in 2010-11
- Draw down to be determined by SHA in conjunction with DH
- No PCT to plan for a deficit
- Still 1% surplus national expectation, but some flexibility
- 2% of budget deployed Non-Recurrently
  - To be held by SHAs
  - Business Cases required to access

PCT Allocations

- Headline growth 2.2%
- Further 0.8% relating to joint working with Social care
- Dental/Ophthalmic and Pharmaceutical now to remain as annually set allocations, pending creation of NHS Commissioning Board
- Not all allocations published as yet
  - SHA Bundle allocations will be critical
    - Prisons
    - IAPT
- A number of announcements in Operating Plan require new funding to be identified from the increased allocation.
- PCT revised Distance from Target – 2.1% (£21m)

Anticipated Resource Limit

Recurrent Allocation		981,758
Primary Care (Dental/Ophthalmic/Pharmaceutical)		38,390
Joint working with Social care		7,814
Regional Transformation Fund	-	19,635
Cancer Drugs	-	1,617
Free School Fruit	-	485
NSCAG	-	6,028
Impairments		2,000
Brought forward surplus		-
Central Budgets		5,132
Other		1,222
Total anticipated Resource Limit		**1,008,551**

Social care

- PCTs have an allocation to invest in social care services to benefit health and to improve overall health gain (£7.814m)
- PCTs will transfer this funding to Local Authorities, e.g.
  - Telecare, falls prevention, community equipment and adaptations, crisis response
- Re-ablement services (£2m)

Tariffs (1)

- Efficiency drives
  - Changing tariff to ensure relatively short stays do not attract long stay tariff
  - All tariffs set 1% below the national average
  - Expansion of Best Practice tariffs
  - Combined, embeds 2% efficiency in tariff structure
- Pay &Price assumption 2.5%
- Efficiency requirement (4.0%)
- Net tariff change reduction (1.5%)
- Applies to non tariff settings as well

Tariffs (2)

- Hospitals not reimbursed for readmissions within 30 days
- PCTs should use Re-ablement funds to coordinate activity on post-discharge support
- New outpatient tariffs
- Review of Specialist Top-Ups
- 30% marginal rate for emergency admissions (same base year of 2008-09)
- New flexibility – providers can offer services below tariff
- CQUIN (quality incentive) remains at 1.5%

- The combined impact of all this should increase PCT purchasing power, but need to await results of Road-testing tariffs before confirming