

Scenario planning: *the impact of different financial scenarios*

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Objectives of this session and areas we will cover

Key changes to Competency 6, Strategy and Finance for Year 2

The parameters of different financial scenarios

Potential response actions that PCTs should consider

Assessing the wider implications of reprioritisation

Main changes to Competency 6, Strategy and Finance for Year 2 of WCC

Competency 6

- Increased focus on:
 - Total resources
 - Investments and disinvestments

Strategy

- Strengthened criteria including:
 - 3 funding scenarios and implications on initiatives, investments and disinvestments
 - Outcomes linked to initiatives
 - Understanding investment/disinvestment
 - Board understanding and part in governance and delivery of plan

Finance

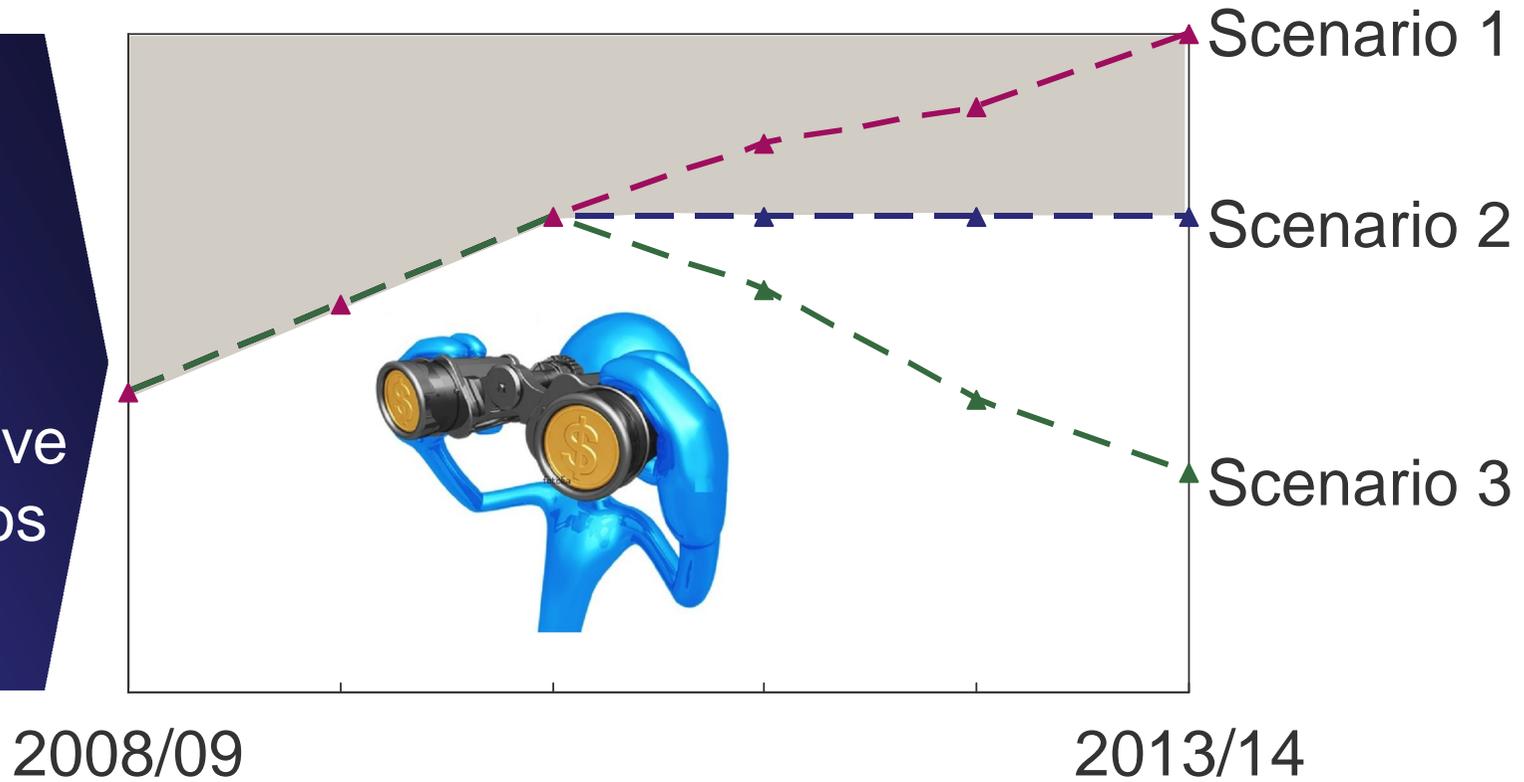
- New section on robust financial management including
 - Financial performance management
 - Invoice auditing and debt and asset management
- Sustainable financial position under different scenarios
- Streamlined financial template

Changes for year 2 reflect

- Feedback from last year's evaluation and this year's consultation
- Reinstatement of competency 11
- Greater challenges facing healthcare economy
- Requirement to deliver increased quality, improved outcomes and reduced inequalities
- Context of needing greater productivity during time of financial constraint

Potential Scenarios

PCTs should model 3 alternative scenarios



Financial outlook in the NHS

- NHS investment this year & next averages at 5.5% both years
- Treasury not yet set Departmental allocations beyond 2011
- Health a key Government priority
- NHS must continue to identify efficiency savings to deliver high quality care for every patient
- David Nicholson challenged NHS to £15-20bn efficiency savings from 2011-14
- Focus on improving quality and efficiency
- To consider role of QIPP in collective response

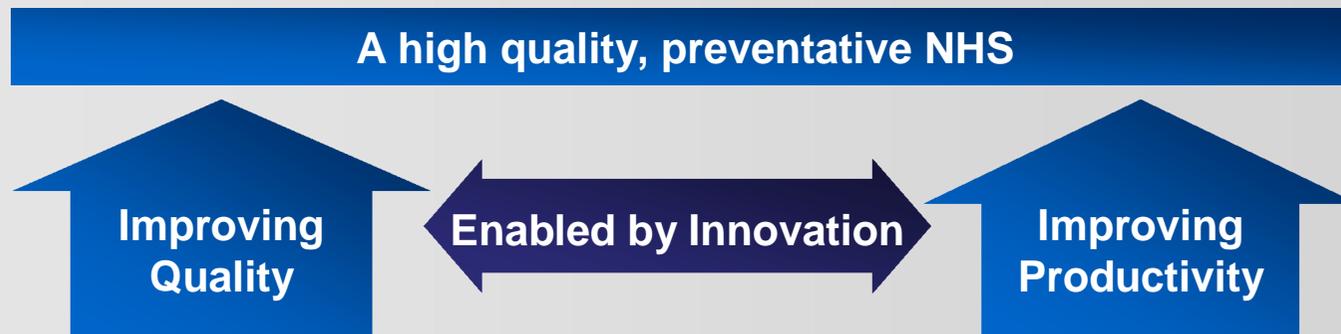


Responding to the challenge: QIPP

David Nicholson, NHS Chief Executive



Quality, Innovation, Prevention and Productivity (QIPP)



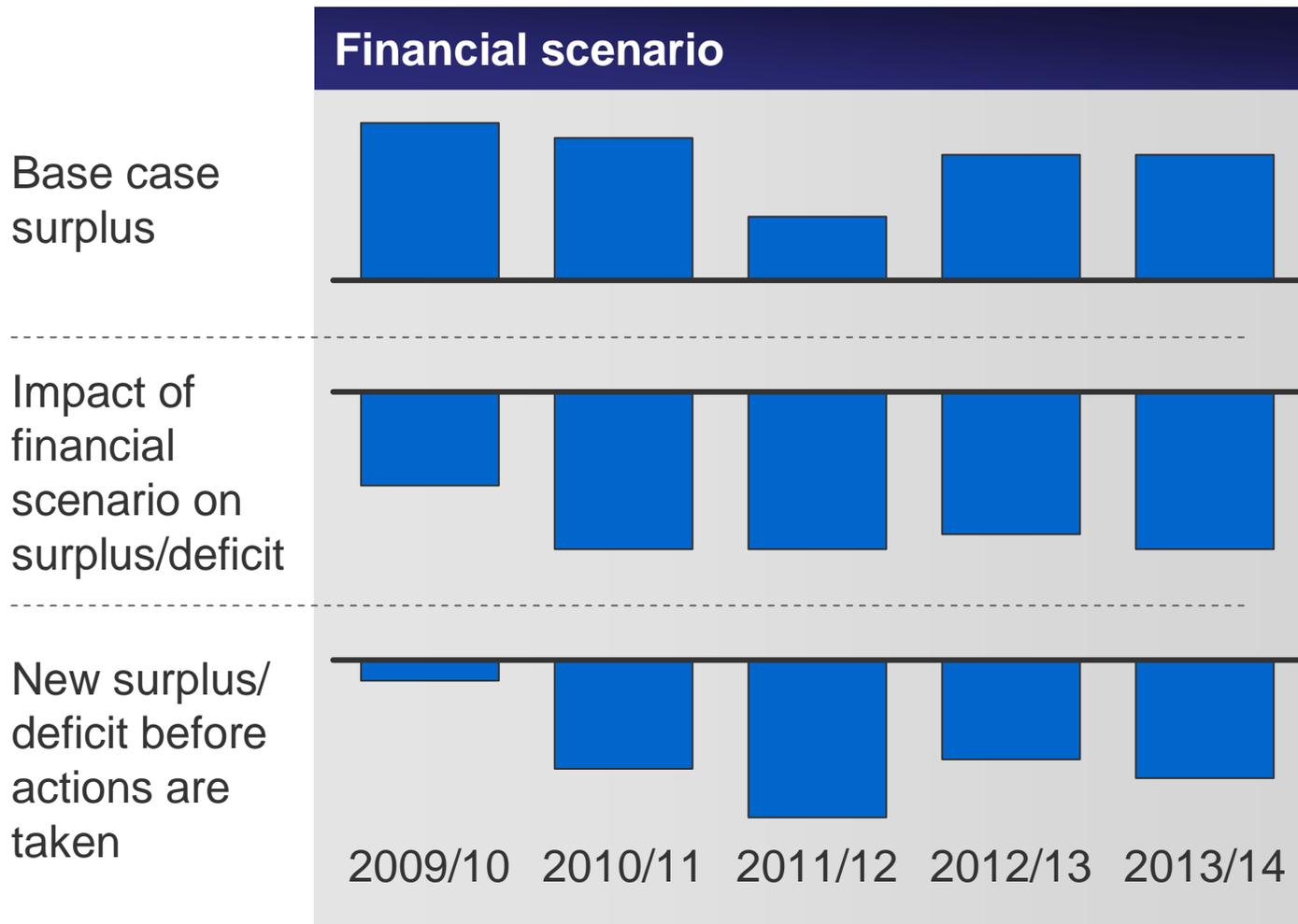
Implementing the NSR visions: the quality and productivity challenge

- **David Nicholson wrote to Boards** asking them to contribute to thinking on delivering a service with quality through a period of significant financial challenge
- The role of Quality, Innovation, Productivity and Prevention (**QIPP**) in our collective response
- Challenge for **whole NHS system** not from set of top down initiatives
- Real changes designed and **delivered locally** with centre playing enabling role
- Meeting the challenge central to the role of **every NHS leader and NHS Board**
- **This is the day Job**



Scoping and responding to scenarios

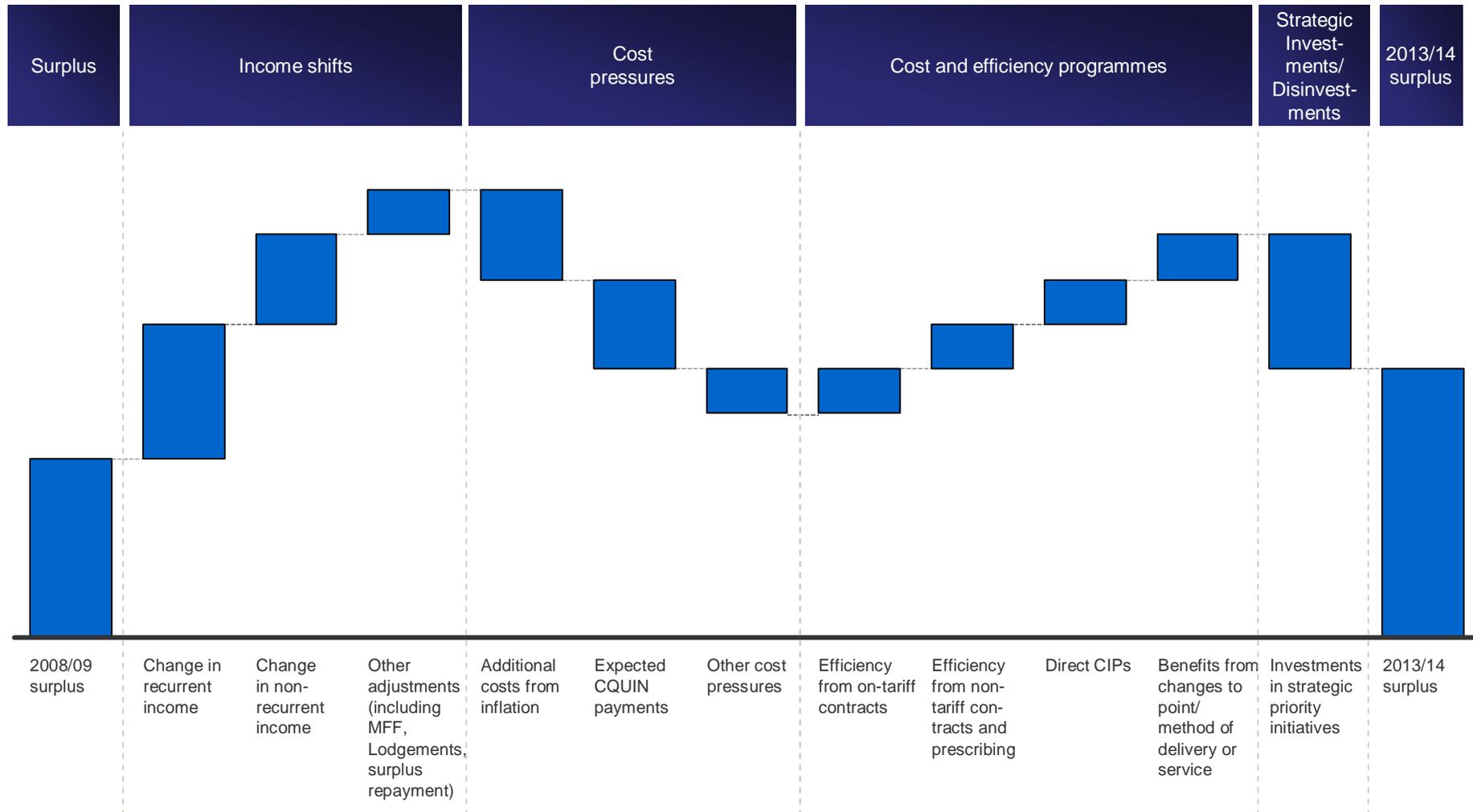
PCTs need to forecast the future surplus/deficit in alternative financial scenarios



What actions are needed to 'bridge' the gap?

The base case scenario

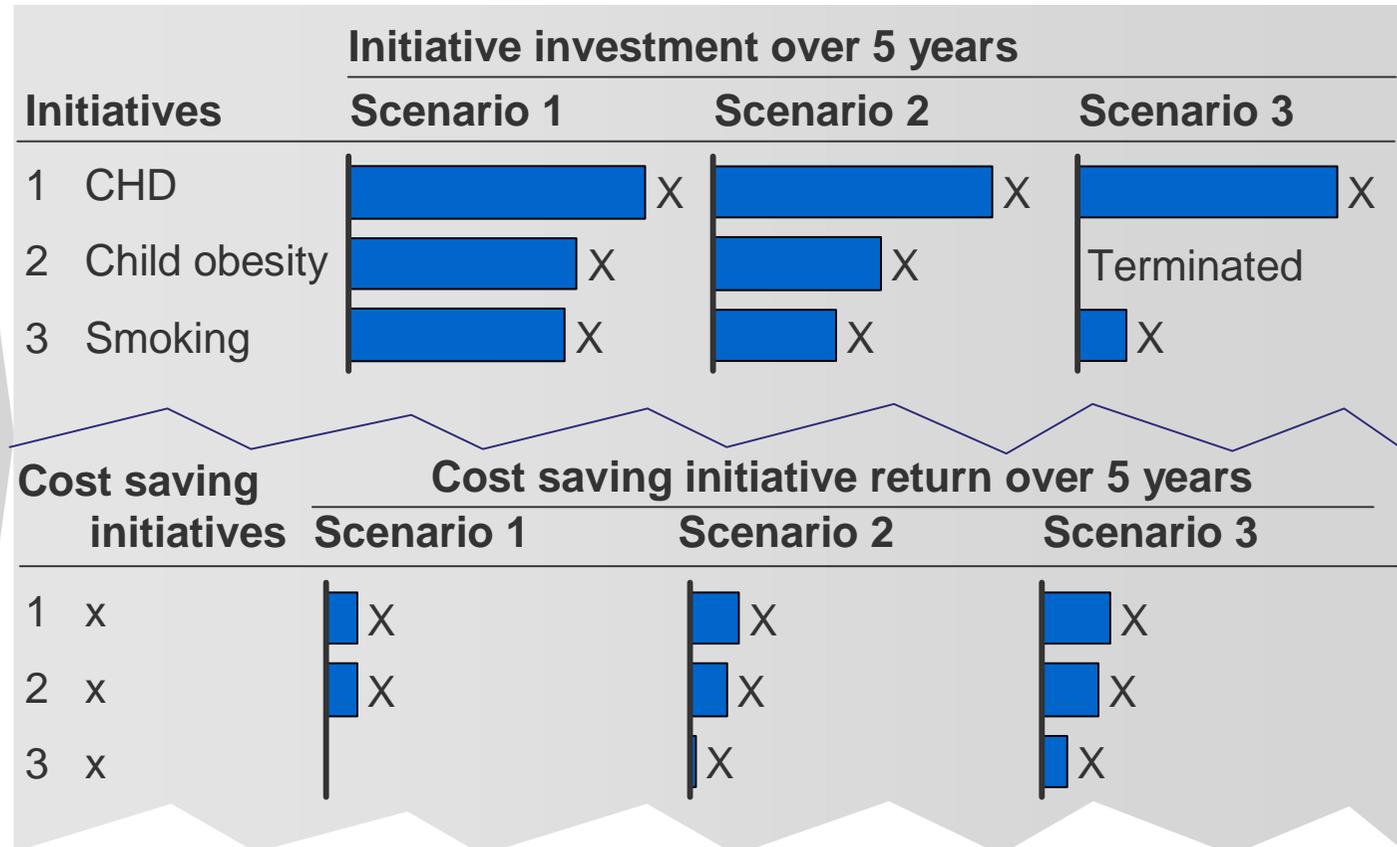
Cumulative change in expenditure over 5 years



Potential actions for PCTs

Consider

- How might scope & scale of cost saving initiatives change under different scenarios?
- Should investment be
 - Maintained?
 - Accelerated?
 - Reduced?
 - Postponed?
 - Terminated?



What are the implications of these decisions?

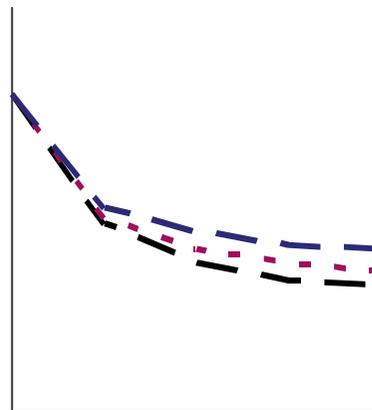
Assessing the potential implications

- - - Scenario 1
- · - Scenario 2
- - - Scenario 3

Questions to consider

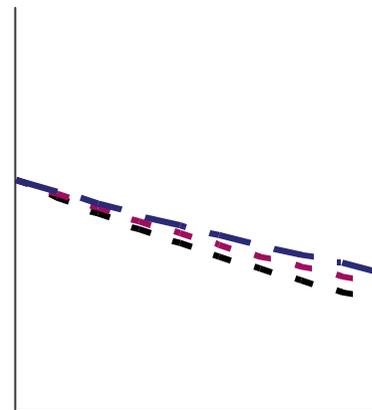
- Impact of disinvestment decisions outcomes?
- Trade-off between initiatives, impact and outcomes?
- Impact on priority health needs?
- Synergies between initiatives maintained? (e.g., CHD mortality and smoking prevalence)?
- Investment in preventative initiatives being maintained?

CHD mortality



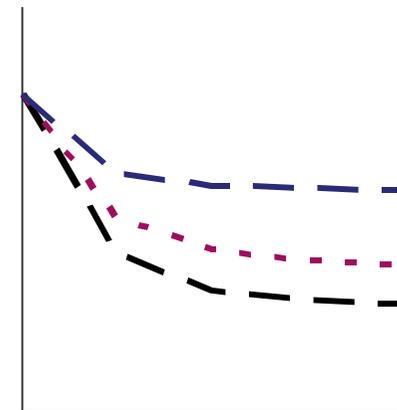
2014/15

Smoking prevalence



2014/15

Prevalence of obesity in Year 6 children

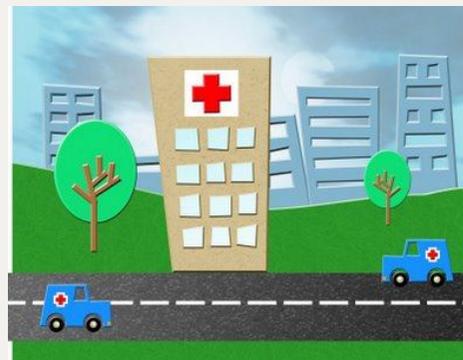


2014/15

- Are **trade-off decisions** appropriate given the implications on outcome aspirations?
- What are the **wider implications** of these decisions? (e.g., workforce, provider landscape, risks)

Cost saving initiatives

- **Cost saving initiatives classified as**
 - Direct cost improvement plans targeting PCT's own cost base
 - Shifting activity between providers or to new providers
 - Shifting activity to a different setting of care
 - Cessation of services
 - Contraction of services



Implications of financial scenario planning for a PCT

Introduction/summary

We are using both 2009/10 and 2010/11 to prepare for the 'lean times'

We need to identify 'demand management' schemes that are owned by GPs and secondary care clinicians

Additionally we are reviewing the total spend of the PCT and seeking to release value for money savings and stop some services funding new improved services

2011/12 and beyond

- **NHS Brighton and Hove has an allocation of c£480m**
 - Original funding scenario was 3% growth and no tariff uplift
- **Funding scenarios we have modeled**
 - A. Inflation funding (1.5%) and a tariff uplift (1.5%)
 - B. No increase in funding
 - C. No increase in funding and a tariff uplift (1.5%)
- **The initial assessed impact in 2011/12 of savings**
- **Required to maintain 2010/11 PCT contingency reserve**
 - A. £7.4m
 - B. £9.0m
 - C. £14.3m

Impact – No Increase in funding scenario

- **Increases in Demand (£7.3m)**
 - 2.25% activity increase
 - Specialist Services
 - Individual placements
- **Investments (£1.2m)**
 - Primary Care Infrastructure
 - ‘Choosing Health’
- **Cost/Service Pressures (£4.0m)**
 - Primary Care Prescribing
 - Improved access to Psychological Therapies
- **Savings from prior years (-£3.5m)**
 - Invest to save
 - Shifting care to lower cost settings

Potential response actions (1/2)

- **Increases in Demand (£7.3m)**
 - Working with providers to ensure capacity is ‘commissioned’ and affordable
 - Need for systems management by PCTs to be robust
 - There will always be increased demand for healthcare but this needs steering and controlling
- **Investments**
 - Reprioritise investments – investing now to release savings and improve health outcomes in the future
- **Cost /Service pressures**
 - Working with providers (including GPs) to improve efficiency and effectiveness – releasing savings to fund pressures

Potential response actions (2/2)

- **Savings from prior years**
 - Ensure 2009/10 and 2010/11 initiatives and investments secure savings that are released in 2011/12 and beyond
 - Decommission inappropriate services
 - Test Value for Money of existing spend
- **Maintaining the PCT contingency reserve**
 - Need to retain the PCT contingency reserve for NR investments and in-year surprises

2011/12 and beyond Local Health Economy (LHE)-wide

- **Jointly we will seek to release existing spend to reinvest in improved health outcomes and patient experience**
- **Funding assumptions set 'providers' a 4-6% efficiency savings target**
 - Ultimately the only way to make savings is for 'providers' to reduce capacity (workforce and facilities)
- **We are setting a LHE savings target**

2011/12 and beyond LHE-wide

**Together
the LHE can succeed . . .**

*if we act individually
we will fail*

The task is to jointly

- Optimise existing spend
- Manage activity inflation (demand)
- Manage Cost and inflationary pressures

Conclusion/summary

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questions