

## 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

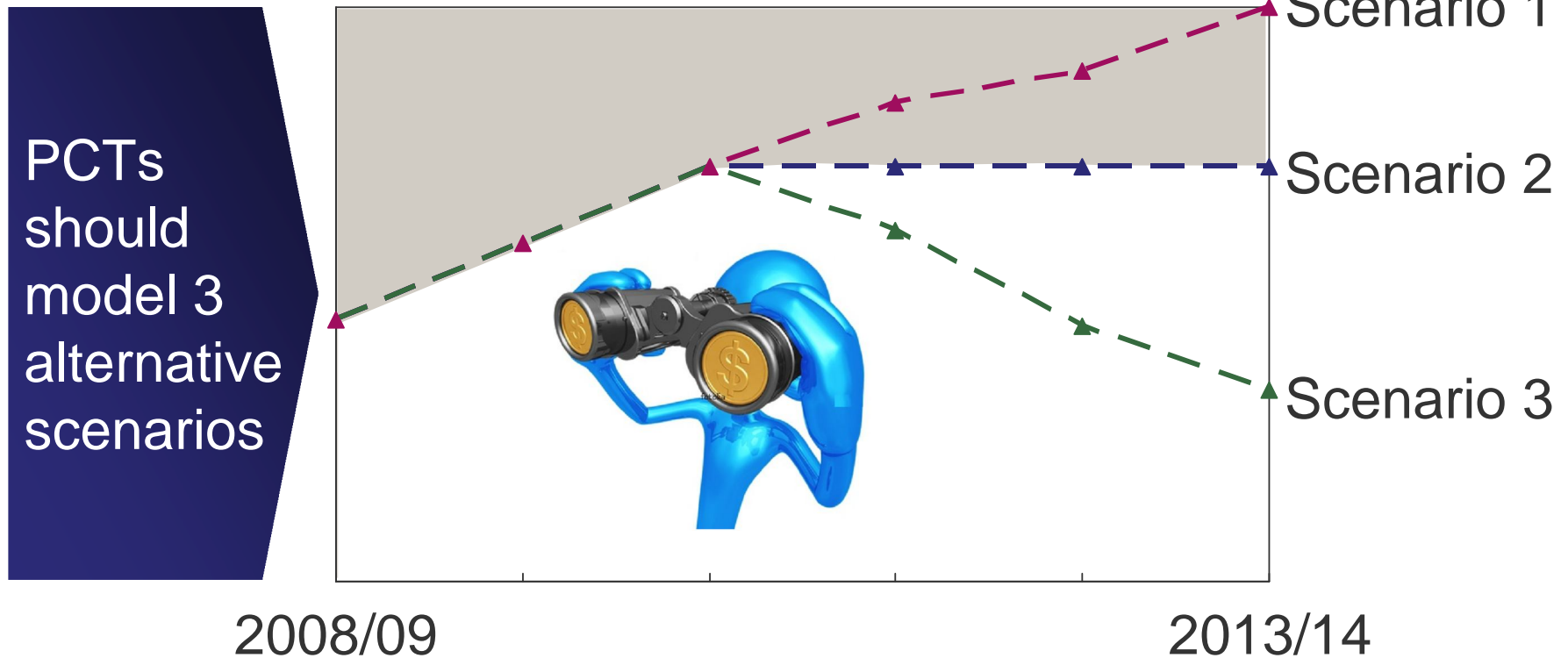
## Finance

- 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



## 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

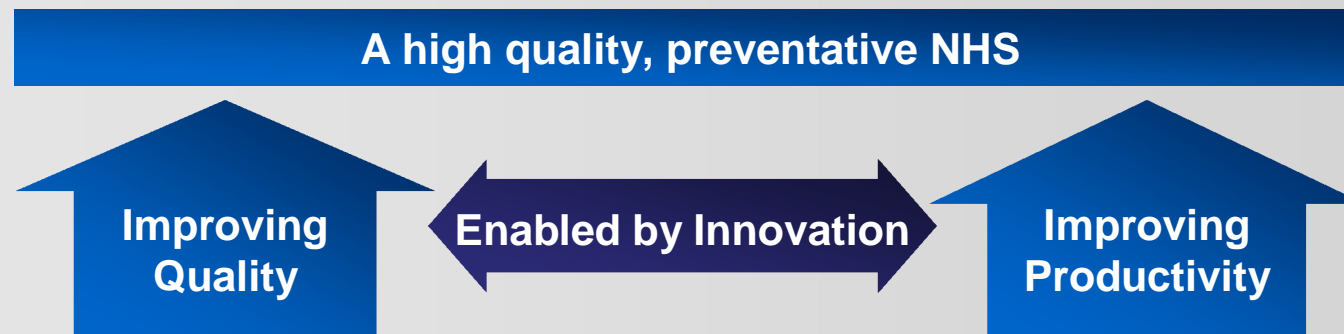


## Responding to the challenge: QIPP

David Nicholson, NHS Chief Executive



### Quality, Innovation, Prevention and Productivity (QIPP)



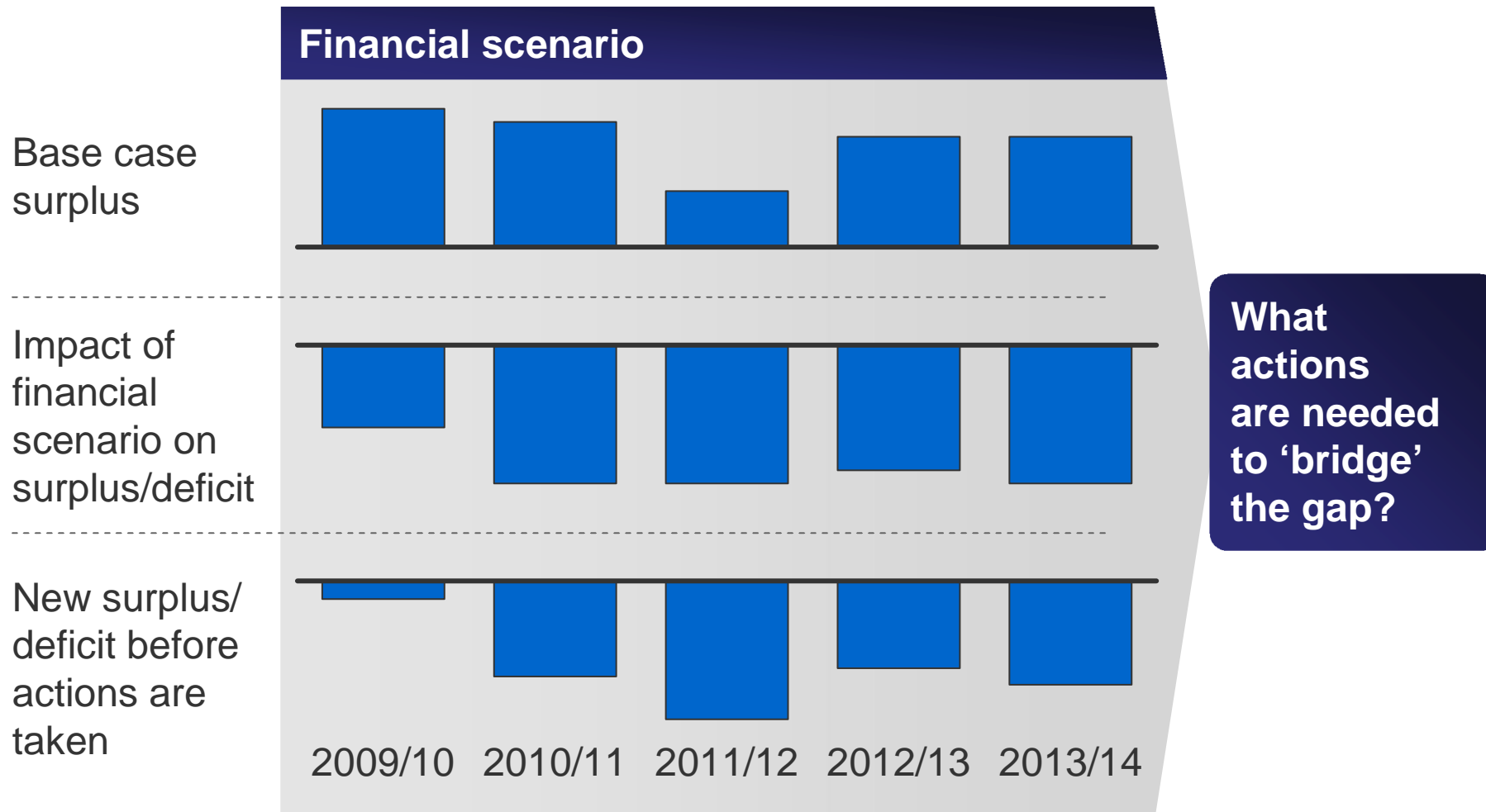
# Implementing the NSR visions: the quality and productivity challenge

- **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

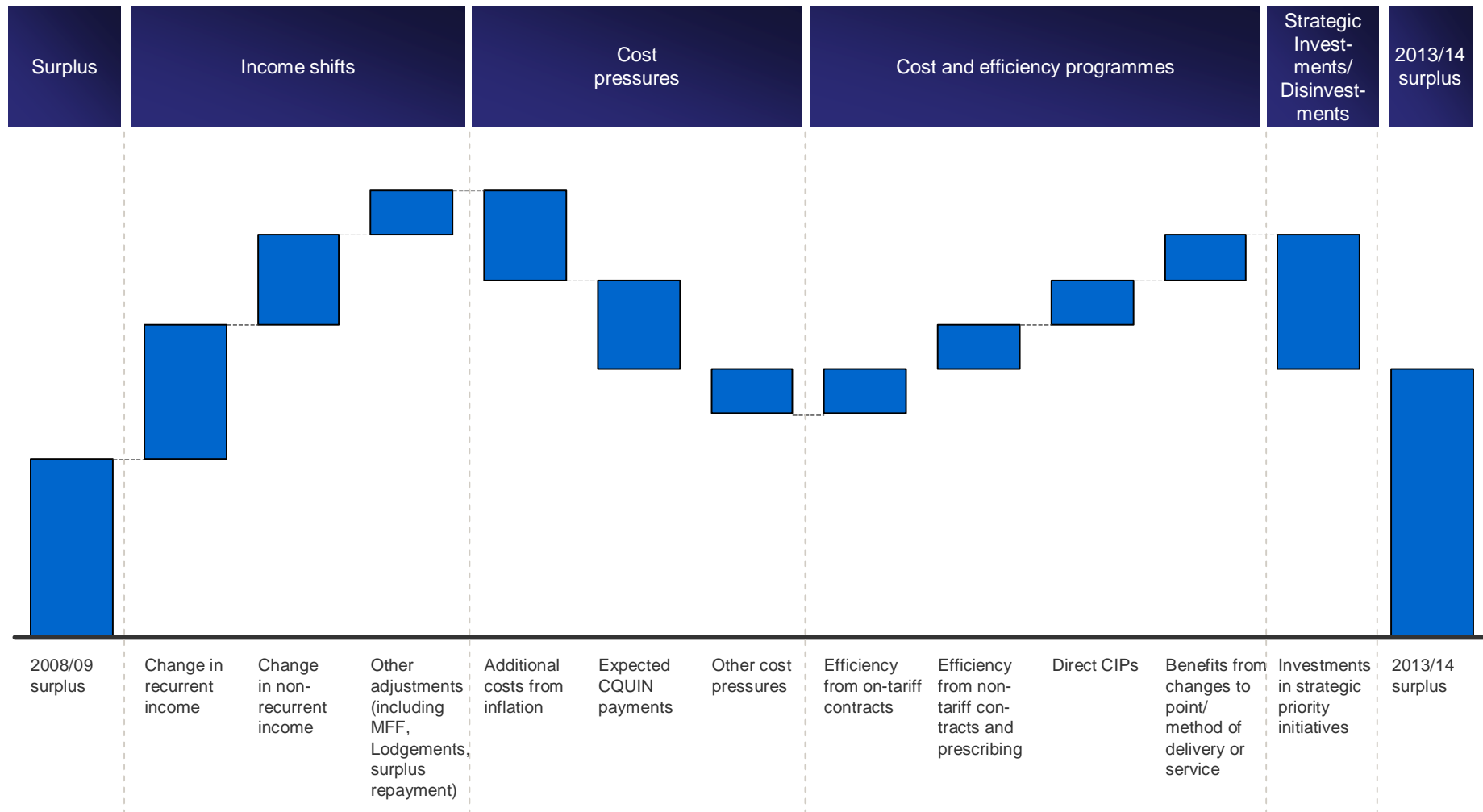
PCTs need to forecast the future surplus/deficit in alternative financial scenarios





# The base case scenario

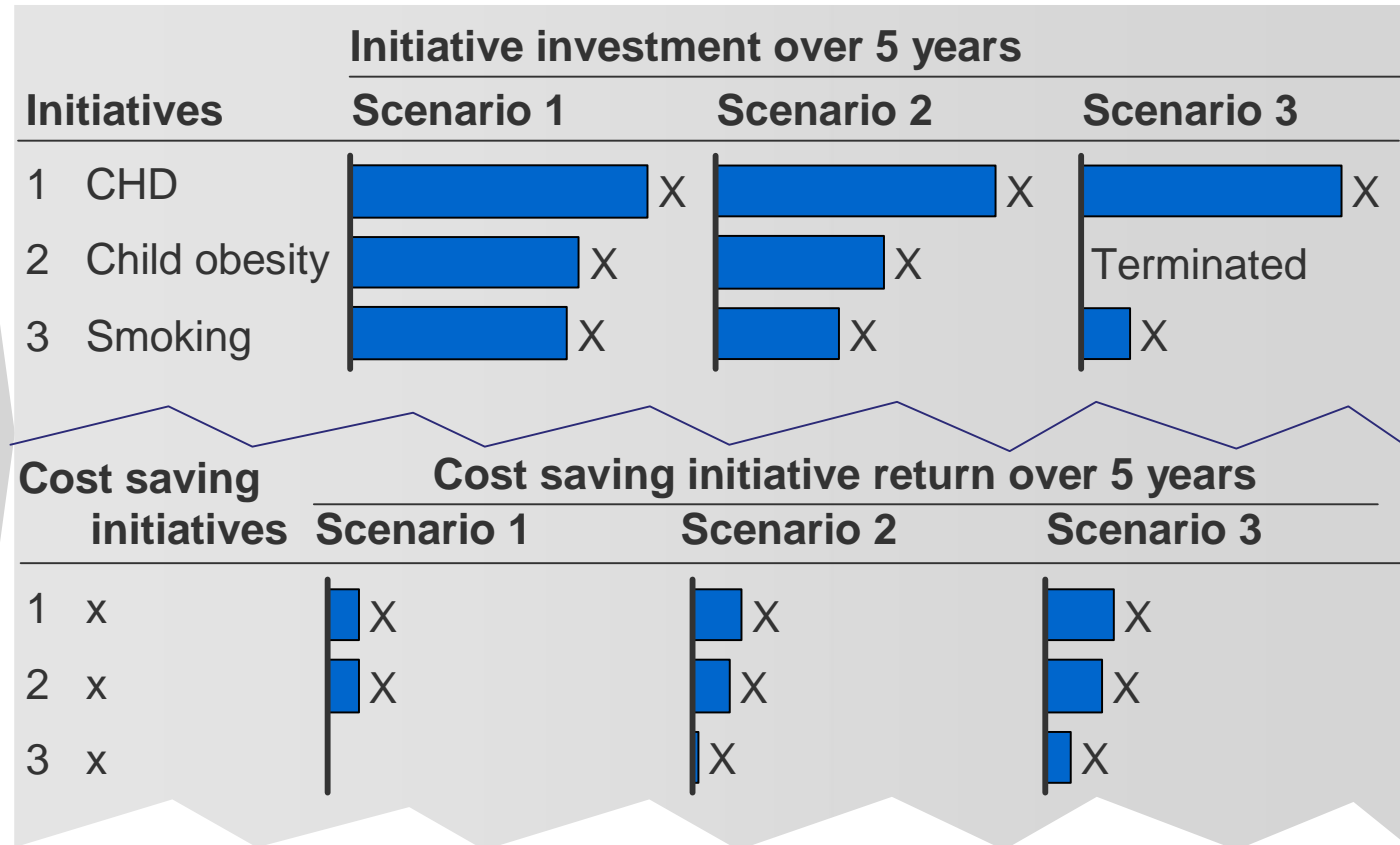
Cumulative change in expenditure over 5 years



# 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?



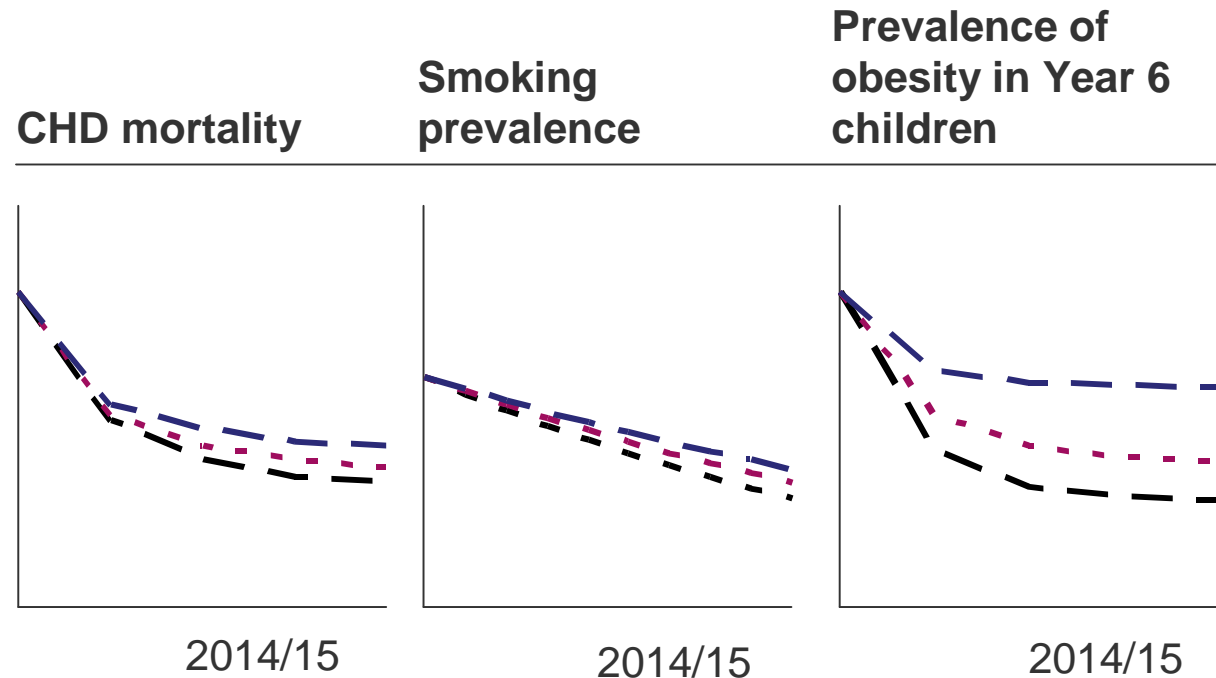
What are the implications of these decisions?

# Assessing the potential implications

## 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?

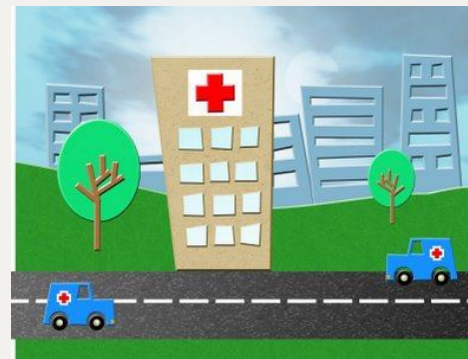
- Scenario 1
- - Scenario 2
- Scenario 3



- 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

**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 to fund new improved services**



# questions