Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

PWYLLGOR CYLLID
FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	29 June 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	2021/22 Savings Plan
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Huw Thomas, Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas) **Purpose of the Report** (select as appropriate)
Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA
SBAR REPORT

Sefyllfa / Situation

The Committee will be aware that the Health Board currently faces a financial deficit, estimated to be around £27m in the current financial year. As part of the development of a financial and service strategy for the coming financial year, it is clear that early planning is likely to lead to a more robust, sustainable and deliverable plan. This report and presentation sets out some of the key themes that will help reduce the financial deficit, as well as support the Health Board's delivery of the key ambitions set out in the Healthier Mid and West Wales strategy.

Cefndir / Background

The Committee will be aware that under the NHS Finance (Wales) Act, there is a statutory requirement to break even over a three year period. In 2020/21, all Health Boards and Trusts – with the exception of Hywel Dda and Swansea Bay – broke even in year, with Betsi Cadwaladr and Cardiff and Vale breaking even in year but not fulfilling the 3 year obligation due to deficits incurred in previous years. It is the sole remaining reason why Hywel Dda University Health Board (HDdUHB) remains under Enhanced Monitoring in the Welsh Government escalation and intervention arrangements. There is therefore heightened emphasis at Welsh Government level on the requirement for the Health Board to tackle its deficit.

Following a review of the approach adopted by the Health Board in bearing down on its deficit, a number of key issues were identified. Amongst these are the alignment of short-term savings plans with longer term strategic objectives, the relatively late commencement of detailed planning and decision making processes for cost reductions, generation of savings proposals by services, and the fact that the size of our deficit will require transformational as opposed to efficiency savings.

To address some of these issues, the Executive Team has been exploring with Welsh Government a longer-term "roadmap" to achieving financial sustainability. This sets out a number of key changes to service delivery if we are to reduce expenditure to match the level of income we receive to deliver care. This is aligned with the strategic vision articulated in our 'A Healthier Mid and West Wales' strategy, albeit with some revisions to the timing of certain aspects, and with some amendments to the original plans. A summary of the roadmap is included in the presentation appended to this report.

Asesiad / Assessment

Understanding the factors that underpin why we spend more than income has been a key objective for the Finance Team over the past 2 years. The Committee will be aware that the Finance Team has presented a range of different analysis outlining the key differences between Hywel Dda and other health boards in Wales – both in terms of the cost of our services, and the volume of care that we provide. This deficit analysis identified that our expenditure on unscheduled care is the key cost driver, with both the unit cost and the volume of care that we provide being significantly at variance with other Welsh health boards.

In terms of cost variance, the most significant areas are in respect of emergency department and unscheduled inpatient care, with lower levels of cost variation noted for primary care, maternity provision and outpatient care. In terms of volume of care, activity levels in critical care, elective care and unscheduled care are the main drivers of cost, but with significant additional levels of activity noted for Emergency Department (ED), outpatient procedures and outpatient follow-up. Cost or activity differences were much less pronounced in primary care, community care and mental health, largely due to the funding and contractual arrangements in place for these services.

The Health Board has undertaken further analysis in these areas to understand the differences at locality level, with a view to identifying whether there are key differences between our GP clusters. The Committee has previously been shown the Locality Analysis Tool, which has highlighted variations between clusters, most notably in terms of ED attendance, unscheduled care admissions, and levels of planned care for certain conditions. In turn, these differences have been subject to further investigation with the assistance of Lightfoot Solutions and Healthcare Efficiencies Ltd, with a view to identifying the most significant areas of opportunity to reduce variation and cost.

The key themes emerging from the analysis are:

- Levels of unplanned short stay admissions consume significant resource, frequently with little or no benefit to patient care.
- Conversely, very long lengths of stay (>21 days) also consume significant numbers of beds, again with no benefit to patients and often actually increasing the risk of harm from infection, deconditioning / dehabilitation and the difficulty in arranging subsequent home care.
- Ambulatory care-sensitive conditions – those which have the potential for community-based treatment and care – also see significant resources consumed using hospital attendances, admission and treatment.
- “First responder” issues – such as how we provide care for frail older people, falls response, treatment of suspected stroke etc – also consume significant resources at hospital level.
- Finally, using technology to effect a step change in efficiency has been noted as an area of opportunity. By being able to provide early warning of patient decline, targeting care at those who need it most, improving our administrative efficiency such as electronic medical record creation and planning of rosters, there are likely to be both quality improvements as well as cost reductions.

Another aspect of financial plans for the coming years is to recognise the increasing maturity of thinking and capability in respect of value based health care. With both a nationally supported programme of work, supplemented by local reviews in our own priority areas, there is an expectation that this will lead to major patient benefits and efficiency improvements. Clearly, not all reviews are expected to lead to cost savings: some, indeed, may reveal that the best approach to delivering improvements in value or outcomes might require additional

expenditure. The Health Board will, however, be able to evidence a robust and rigorous challenge to multiple service areas over the coming years that demonstrates the value for money of the adopted pathways for patient care.

In addition to value driven assessments, the Finance Delivery Unit has recently refreshed its efficiency framework – and rebranded it to Value, Allocation, Utilisation and Learning Toolkit ("VAULT"). This toolkit has several different layers of analysis, ranging from population health, system insights, technical efficiency and value based healthcare demonstrators. Akin to most organisations, refreshing the toolkit with relevant and reliable information has proven difficult, given the impact COVID-19 has had both on the collection of data and its applicability to a post-COVID-19 world. The Finance Value team is currently assessing which areas of the toolkit are likely to yield suggestions for cashable savings, and these areas will be brought to operational managers attention in the planning process.

The Committee has previously expressed a desire for greater engagement across the Health Board in respect of the challenging agenda to move toward financial sustainability. As part of initial exploratory and feasibility engagement of the proposed roadmap to financial sustainability, a number of conversations have taken place across the Health Board, including with operational, clinical and support staff. The Chief Executive has recently issued planning objectives for senior colleagues to investigate in detail the implementation aspects of the roadmap, alongside the longer term aspirations of our 'A Healthier Mid & West Wales' strategy, including how quickly we can realign service provision to match the level of resources we have available. It is likely that service proposals for change will be received by September 2021, in order to inform the first stages of the financial plan for initial drafts to be completed soon after. An initial outline proposal has been created for the Carmarthenshire system that seeks to implement some of the proposals in the roadmap, and colleagues within finance are supporting the analysis of its financial impacts for next year and beyond.

Finally, in respect of the delivery of the changes in the current financial year that will impact recurrently on next year and beyond, a review process is underway to understand the impacts. There are many areas of COVID-19 related expenditure that are likely to be significantly reduced or even eliminated before the next financial year. Conversely, there are likely to be recurrent costs even once the acute phase of the pandemic is over. There are also aspects of our operations that have fundamentally changed as a result of COVID-19, such as staff working from home (which potentially reduces office costs as well as travel related expenditure), the impact of virtual consultations, and the increased use of technology and out of hospital care approaches.

Argymhelliad / Recommendation

Finance Committee is requested to note the work underway in informing operational and clinical leaders of the scale of savings requirements to firstly hold the Health Board's deficit and then make inroads on a route to sustainable financial balance.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Cyfeirnod Cofrestr Risg Risk Register Reference:	Not applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s): Hyperlink to NHS Wales Health & Care Standards	Not Applicable
Amcanion Strategol y BIP: UHB Strategic Objectives: Hyperlink to HDdUHB Strategic Objectives	9. To improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners. 10. To deliver, as a minimum requirement, outcome and delivery framework work targets and specifically eliminate the need for unnecessary travel & waiting times, as well as return the organisation to a sound financial footing over the lifetime of this plan
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve efficiency and quality of services through collaboration with people, communities and partners Develop a sustainable skilled workforce

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Various reports, returns, statistics etc – contact Chris.Williams10@wales.nhs.uk for further information
Rhestr Termau: Glossary of Terms:	N/A
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	N/A

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	No direct financial impact, but creating a strategy to address our financial deficit of £27m will inevitably impact favourably on our finances
Ansawdd / Gofal Claf: Quality / Patient Care:	No direct quality impacts
Gweithlu: Workforce:	No direct workforce impacts

Risg: **Risk:**	Principal risk is not complying with the statutory requirements to break even over a three year period
Cyfreithiol: **Legal:**	As above
Enw Da: **Reputational:**	No public reputational impacts
Gyfrinachedd: **Privacy:**	No privacy impacts
Cydraddoldeb: **Equality:**	No direct equality impacts

From Opportunities to Savings Plans

2021 / 22 Progress

Finance Committee
29th June 2021

Mark Bowling, Assistant Director of Finance

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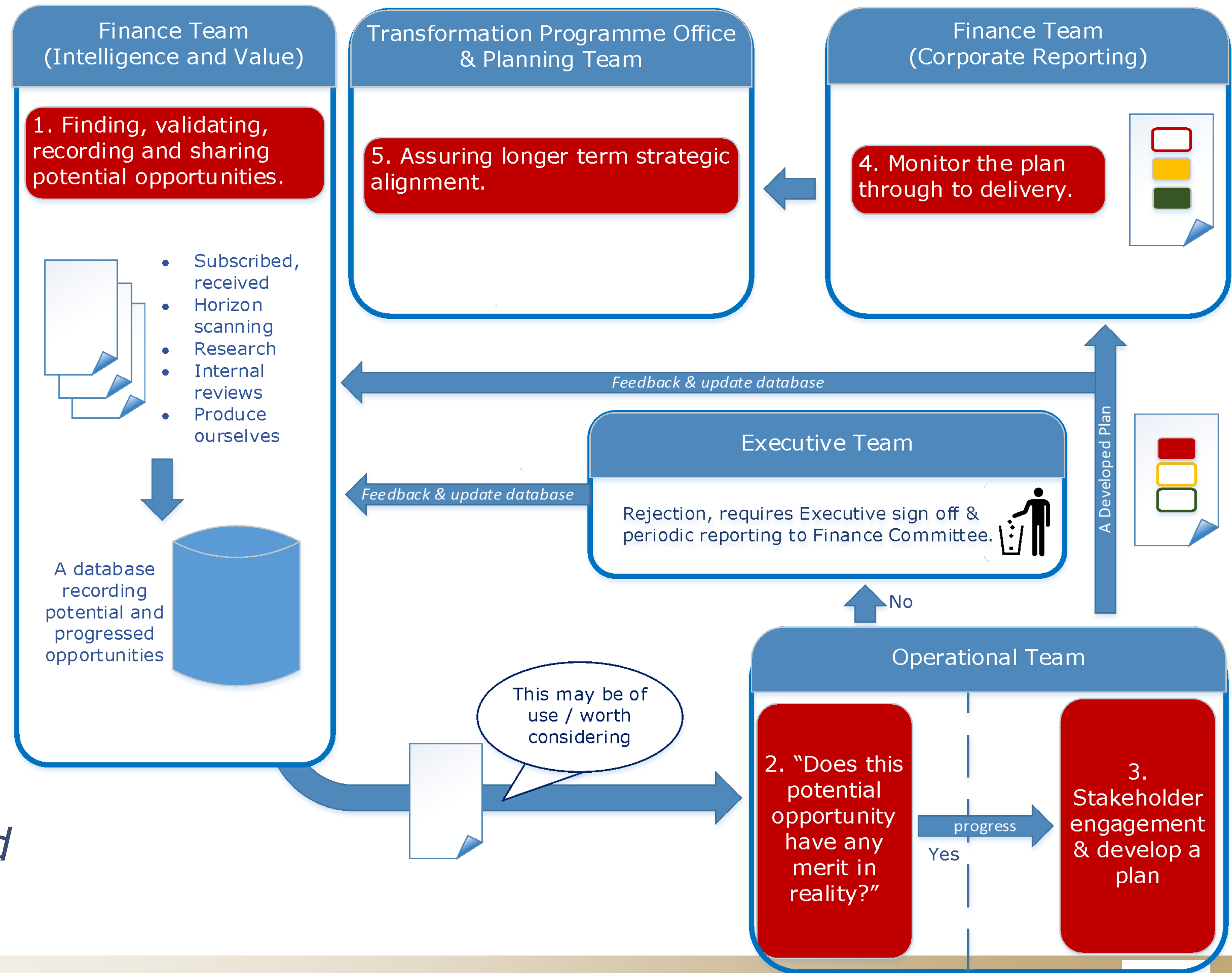
A quick recap of the inter-related elements over the past eighteen months

(A) Development of opportunities framework	Sept 19 to Feb 20 Finance Committee and Executive Team	*Pages 3-4*
Describes the structure and responsibilities in the journey from potential opportunity to a realised savings plan		
(B) Understanding our deficit	Jun 19 to Feb 20 Finance Committee	*Pages 5-6*
Acknowledging previous 'big 4' firm attempts and using an activity driven approach to compare Hywel Dda service delivery with averages across Wales, Inherently data availability in some areas was an acknowledged constraint. Now concluding next phase which will define this deficit at a county level.		
(C) Routemap to financial sustainability	Dec 20 through to Apr 21 Finance Committee and Executive seminar	*Pages 7-8*
Acknowledging that some aspects of deficit may be warranted or time sensitive. Building from an understanding of the deficit, where we differ, to next explore some of the key drivers, to prompt discussion of what could be done to tackle them. By nature generally large scale and transformational.		
(D) Savings Programme 2021 / 22 and beyond	Today Finance Committee	*Pages 9-12*
Describing current position, an urgent need for organisation to progress in identifying recurrent schemes to firstly constrain deficit to previous levels and then tackle it.		

(A) Overview of the Framework

- Finance Committee endorsed Jan 2020.
- Intended to assist in identifying potential operational changes.
- A support process to existing operational accountability for managing resources.
- *Temporarily suspended during pandemic.*



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(A) Opportunities Framework - Responsibilities

Process / products	Who (Finance team)	Who (organisation)	Purpose
Opportunities Framework	Intelligence and Value	Executive Team Finance Committee Operational teams	Distilling external benchmarking into observations, questions and insights for the Health Board Very broad quantification where feasible
Accountability / budget holding	Business partnering support	Operational teams	Consider opportunities framework Produce savings and investment plans
Savings register & monitoring	Corporate Reporting	Operational teams Finance Committee	Accountability and monthly monitoring and reporting of progress against savings plans (internal and external)
Integrated Medium Term Planning	Medium Term Planning	Planning Operational teams	Consider recurrent in year savings. Feedback into process from medium term planning direction & opportunities.

(B) Understanding Our Deficit (for information)

- Activity based analysis (2018/19 data at the time)
- Our cost variance (care more expensive than average) was £9m overall
- Our volume variance (more care provided than average) was £55m overall
- *Some demographic explanation but significant unexplained variation across the Health Board.*
- *As shown two of the clusters were outliers when compared via weighted population.*

	Carmarthenshire			Pembrokeshire		Ceredigion		
Speciality	**Llanelli**	**Taf**	**Amman**	**North Pembs**	**South Pembs**	**North Cere**	**South Cere**	**Total**
General & Geriatric Medicine	**6.2**	**3.4**	**2.7**	**6.7**	**4.2**	**2.3**	**2.8**	**28.3**
Trauma and Orthopaedics	**2.3**	**2.0**	**1.6**	**2.5**	**1.7**	**1.7**	**1.5**	**13.3**
Emergency Department	**2.5**	**1.4**	**1.4**	**2.1**	**1.4**	**1.7**	**1.1**	**11.6**
General Surgery	**1.1**	1.0	0.8	**1.9**	1.1	0.9	0.8	7.6
Ophthalmology	**1.3**	0.9	1.0	**0.8**	0.5	0.4	0.4	5.3
Cardiology	**0.8**	0.7	0.5	**0.8**	0.5	0.5	0.6	4.4
Urology	**0.5**	0.5	0.4	**0.6**	0.4	0.3	0.4	3.1
Rehabilitation Medicine	**0.0**	(0.7)	(0.3)	**(1.3)**	(1.8)	(0.1)	0.0	(4.2)
Other Specialties	**(1.1)**	(1.9)	(1.1)	**(2.8)**	(2.2)	(0.4)	(1.5)	(11.0)
Other - Community, Outpatient, average Welsh deficit etc	**3.8**	2.1	2.0	**3.2**	1.7	2.1	1.7	16.4
Total	**17.4**	**9.4**	**9.0**	**14.5**	**7.5**	**9.4**	**7.8**	**74.8**
Percentage of Deficit	**23%**	**13%**	**12%**	**19%**	**10%**	**13%**	**10%**	**100%**

(B) Understanding Our Deficit – next steps

- Whilst not revisiting the sum itself, updating key metrics for more recent data from partner sources and our own analysis
- More important now in the context of roadmap and savings plans, using refreshed data to support improvement and transformation.
- *To note Finance Delivery Unit have refreshed and relaunched their efficiency portal for NHS Wales as the 'VAULT'*

NHS
Benchmarking Network

Scalable learning – eg other HB savings plans

Technical efficiency
- LOS, workforce, prescribing, theatres

System insights
- NHSBN, patient level intelligence, CHC and functional benchmarking

Population health
- Input / output benchmarking, programme budgeting, referral variation, low value activities

VBHC
- Toolkits, TDABC, national / local projects eg diabetes / lymphoedema, procurement, PROMs

(C) Behind the 7 Routemap Proposals (for information)

Financial balance is the sole remaining issue why we are in enhanced monitoring

Impact of pre-pandemic planned care improvement especially RTT has built credibility and trust with WG

If we can address this, we will be better placed to be removed from monitoring altogether

Financial sustainability inextricably linked to service sustainability and quality

Ability to improve service quality is dependent on reducing agency, bank and locum

AHMWW sets out long term sustainability strategy but short term needs now as important

Specific request from WG

Sign of maturing of relationship that they are prepared to support politically challenging discussions and time to implement

If we don’t present viable proposals, likely to be a continuation of same process of in year savings plans and not lead to balance

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(C) *Supporting Data*

Lightfoot insights – unscheduled care

- Advised very short and very long length of stay ought to be focus
- Ambulatory condition management for former, DTOC management for latter
- What are the key enablers to reducing LOS?

Healthcare Efficiencies Ltd

Cost reduction consultancy, bringing experiences from NHS England

Number of their proposals relate to enablers to delivery of roadmap proposals:

- Reducing conveyance / attendance to ED
- Reducing LOS and bed numbers
- DTOC and ambulatory conditions

(D) Savings Programme 2021 / 22

- Savings requirement 2021 / 22 (recurrent) at least £16.1m
- This would hold deficit at £57m

- Savings declared so far (as per monthly monitoring returns)
- All non-recurrent in nature
- Mixture of fortuitous and house-keeping measures
- **Challenge is to close the gap and deliver permanent savings** (identified by September)

Scheme (Non-Recurrent)	Plan £'000
Recruitment delays	3,120
Vacancy hold	1,200
Rates rebate	1,200
Travel and lease car reductions	1,100
Non-Contracted Activity, Individual Patient Commissioning and HCDs	500
Equipment maintenance pattern delays	200
Retrospective reviews	200
Reduction in patient appliances	150
Estates maintenance reduced outsourcing	101
Non-pay underspend	100
Equipment maintenance reductions in year 1 following equipment replacements	100
Reduced external outsourcing	100
Grand Total	**8,071**

(D) Savings Cycle – Corporate Reporting (for information)

Reconciliation and Control process

- Reconcile live savings tracker to financial ledger;
- Gatekeeper for changes to RAG and Status and ledger adjustments in-year;
- Profile and monitor any ‘gap’ in identified schemes;
- Maintain and communicate best practice and internal guidance on standard practice;
- Weekly and month-end archive to maintain audit trail.

On-going validation/challenge

- Review as overall sense-check of tracker data, identifying potential errors;
- High level challenge of apparent inconsistencies in RAG and delivery or forecast;
- Identify/implement adjustments to tracker, e.g. new fields as required to fulfil needs of users.

External and Internal Reporting

- Monthly reporting to Welsh Government, scheme by scheme (Green and Amber only);
- Monthly reporting for internal focus;
- Monthly reporting to Financial Delivery Unit;
- Weekly progress tracker to Executive Team;
- Monthly reporting to Finance Committee, bi-monthly to Board.

(D) Timeline: Operational responsibility and process

Now	From engagement with routemap, more detailed drilldown and support to specific proposals *(see later)*
Q2	Plans for recurrent £16m savings required by end of Sept
Q3	Implementation of 2021/22 and identifying 2022/23
Q4	Update for planning cycle and requirements 2022 / 23
2022 / 23	

(D) Carmarthenshire Health System

As an example of engagement with the routemap requirements.

County Team are creating a vision and strategy for change in Carmarthenshire, linking to both Same Day Emergency Care Unit (SDEC) and urgent primary care initiatives. Exploring how to make positive impacts across the whole health and care system.

Key impacts being considered in categories of conveyance, attendance, admission, flow and discharge.

Finance team linking to data underpinning the deficit and routemap analyses to support their exploration.

Broad change proposals identified, and now being quantified and identifying "routes to cash" - how will we save money from the changes proposed?