Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

PWYLLGOR ADNODDAU CYNALIADWY
SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	23 August 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Resource Allocation and Consumption – A County Perspective
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)

Er Sicrwydd/For Assurance

ADRODDIAD SCAA
SBAR REPORT

Sefyllfa / Situation

As part of the ongoing series of analyses to better understand the costs of caring for the residents in Hywel Dda University Health Board (HDdUHB), this report sets out the conclusions reached from a population-based assessment of the activities and cost of care. Each cost driver in the Health Board has been analysed, and the costs of care allocated to each of the three counties/localities, to derive resource consumption based on registered populations in each county.

Cefndir / Background

The NHS in Wales allocates shares of funding to health boards using a needs-based formula. The formula attempts to match the underlying health needs of the population with a “fair share” of the financial resources available to meet those needs.

Recently, the formula and data used to allocate NHS Wales funding has been updated. Indicative allocations were published with an element of transitional relief for those health boards who receive more than their “fair share” of funding. In HDdUHB’s case, the revised annual recurrent funding allocation is approximately £700,000 above the fair share, and this will gradually be eroded over the coming years until the formula level of funding is achieved.

As a consequence of the formula review, additional funding allocations to reflect the outcomes of previous reviews have now been subsumed into the general formula. The level of financial resources received to provide care is now demonstrably in line with those provided to other health boards, even when considering HDdUHB’s specific circumstances such as providing small-scale secondary care facilities for a relatively sparse population.

The updating of the formula presents an opportunity to identify how resources are allocated within the system. Building on the work undertaken by KPMG, which identified substantial variation in the consumption of resources across the 7 cluster areas, the Costing and Value team were commissioned to develop income and expenditure statements for each County.

The aim of this work is to estimate the likely share of overall health board income that each County's population entitles HDdUHB to receive, and subsequently match it to the level of resources consumed by each population. In essence, this attempts to more accurately define at a high level where the most significant levels of population variance exist, and whether that variance is justified or not.

The Committee has previously received a demonstration of the locality variance tool developed by the Costing and Value team, which examines population variance such as the level of attendances at A&E, admissions (both planned and unscheduled), the number of episodes of care at specialty level, etc. It also uses activity data to highlight key variations at weighted population level, and is an extension of the analysis contained in this report.

Resident / registered population

In terms of methodology, it is important to note the distinction between *resident* population and *registered* population.

Resident population is used by Welsh Government (WG) to allocate fair shares of funding, using a weighting mechanism to reflect relative needs in each area. The weighting incorporates factors for age, deprivation, chronic condition prevalence, etc.

Registered population is a different measure that reflects the fact that people may live in one locality area but are registered with a GP in a different locality. There are a number of people in north Pembrokeshire and the west of Carmarthenshire who are registered with GPs in south Ceredigion. Since costing data cannot capture individual residential address, the patient's GP address is used to allocate costs to localities.

There is no feasible way of deconstructing the expenditure data to residential address, which is the basis upon which the income is allocated to the Health Board. Hence, an estimate has to be used to ensure a consistent basis of comparison between income and expenditure. A conversion between resident population to registered population income therefore allows for a meaningful comparison with expenditure to arrive at a "surplus" or "deficit" for each locality.

Asesiad / Assessment

In terms of income apportionment, the following tables set out the estimates attributable to each locality.

Income stream – raw population basis	Carms	Ceredigion	Pembs
HCHS inc presc	262.2	99.2	174.7
HCHS ringfenced including prescribing	28.8	10.9	19.2
Directed expenditure	57.6	21.8	38.4
GMS	0.5	0.2	0.4
GMS (inc prescribing from above)	32.4	11.6	21.6
GDS	61.2	22.5	40.8
Community Pharm	8.6	3.1	5.8
Share of non HD patient income	10.3	3.7	6.9
Total income share	380.7	143.1	253.9
Income per weighted head of population	2,006.31	1,992.31	2,007.73

Income per raw population is another way of assessing the "fair share" of resources to allocate to each population. Comparing this to weighted population – we receive more money due to the demography of our population overall

Income stream – resident population basis	Carms	Ceredigion	Pembs
HCHS inc presc	264.5	95.0	176.6
Presc (assumed @ 11% of total)	29.1	10.5	19.4
HCHS ringfenced including prescribing	58.1	20.9	38.8
Directed expenditure	0.5	0.2	0.4
GMS	32.4	11.6	21.6
GMS (inc prescribing from above)	61.5	22.1	41.0
GDS	8.6	3.1	5.8
Community Pharm	10.3	3.7	6.9
Total income share	374.4	134.5	250.1
Income per weighted head of population	1,872.42	1,872.52	1,872.69

Estimation of income by resident population corresponds very closely to weighting - so is considered to be the "true" income attributable to each county if each county was treated as a standalone entity

Income stream – registered population basis	Carms	Ceredigion	Pembs
HCHS inc presc	248.1	126.0	162.0
HCHS ringfenced including prescribing	54.5	27.7	35.6
Directed expenditure	0.5	0.2	0.4
GMS	32.4	11.6	21.6
GMS (inc prescribing from above)	*59.7*	*25.5*	*39.4*
GDS	8.6	3.1	5.8
Community Pharm	10.3	3.7	6.9
Share of non HD patient income	8.7	4.4	5.7
Total income share	363.1	176.7	237.9
Income per weighted head of population	1,881.15	1,802.46	1,888.12

Income per registered population takes account of cross border registrations, particularly south Ceredigion where registered pop > resident pop

There is a significant difference between the amount each resident in each county generates as income for the Health Board, and the amount that is attributable to the populations registered with GPs in each county.

The table below outlines the estimated expenditure incurred for each locality:

Expenditure	Carms	Cered	Pembs	Total
APC	120.5	53.0	78.7	252.2
OPC	29.7	14.8	20.4	64.9
Urgent care (ED and MIU)	10.6	7.4	9.1	27.1
Community	53.3	23.3	39.3	115.9
Other - MH APC	9.3	4.7	6.0	20.0
GMS, presc, OOH (inc man pract)	63.7	30.9	41.6	136.2
Dental	8.0	3.3	4.8	16.1
Comm Pharm	9.3	4.3	5.9	19.5
CMH and LD	2.3	0.7	1.0	4.0
LTA SBUHB	18.2	4.2	6.2	28.6
WHSSC / EASC	39.6	15.2	28.3	85.5
Private providers	2.7	1.4	1.8	5.8
CHC	21.7	8.5	15.6	45.8
Loc Auth ad Vol Orgs	5.2	2.7	3.4	11.3
Other	1.6	0.6	1.0	3.2
Total allocated expenditure	395.6	174.9	263.1	836.1

The above estimate employs a variety of techniques to estimate the expenditure in each county. For hospital based data such as admitted patient care, outpatient care, etc, the registered GP code is captured for each patient, and is therefore straightforward to allocate to the county where the GP is based. This also applies to General Medical Services (GMS), prescribed drugs, etc.

However, it becomes more difficult to allocate expenditure for categories such as dental services, where neither the patient address is known, nor the place where the dental practice is located, to identify where the treatment cost should be borne. This is attributed to dentists not having registered patients, and patients being able to seek treatment from any location. For some categories of expenditure, for example, in some community services and public health services, the only appropriate means of allocating expenditure is to apportion by raw population.

It should be noted that the above expenditure employs a "standard cost" approach, which eliminates any differences in the cost of care caused by sub-scale provision, and instead focuses on the differing levels of activity for each county.

The final step is to compare the allocated income to the estimate of expenditure to arrive at an approximation of the likely surplus or deficit attributable to each County.

	Carms	Ceredigion	Pembs
Total income share	363.1	176.7	237.9
Income per weighted head of population	1,881.15	1,802.46	1,888.12
Total expenditure	395.6	174.9	263.1
Expenditure per weighted head of population	2,049.87	1,784.12	2,088.08
Net surplus / (deficit) by County	**- 32.6**	**1.8**	**- 25.2**
Surplus / (deficit) per weighted head of population	- 168.72	18.34	- 199.96

The analysis reveals that:

1. Carmarthenshire drives most of the underlying deficit.
2. However, on a per capita basis, Pembrokeshire is likely to be driving more deficit.
3. Based on activity levels, Ceredigion is actually in line with the level of financial resources that are attributable to their population.

It should be noted that other analyses that use actual costs, rather than standard costing, reveal a different picture, mainly because Ceredigion is a relatively high cost population due to Bronglais General Hospital (BGH) being of small scale and incurring higher costs of community-case provision. Nevertheless, in terms of activity levels, this analysis gives further insight into the allocative efficiency of the current resource consumption and the variation between populations.

Argymhelliad / Recommendation

The Sustainable Resources Committee is requested to note and discuss the issues raised within this report.

Amcanion: (rhaid cwblhau) **Objectives: (must be completed)**	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	2.1 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, give early warning of potential performance issues, making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019	10. Not Applicable

Gwybodaeth Ychwanegol: **Further Information:**	
Ar sail tystiolaeth: Evidence Base:	Included within the body of the report
Rhestr Termau: Glossary of Terms:	Included within the body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Not Applicable

Effaith: (rhaid cwblhau) **Impact: (must be completed)**

Ariannol / Gwerth am Arian: **Financial / Service:**	No direct financial consequences, although the work noted aims to improve value for money of the services we deliver
Ansawdd / Gofal Claf: **Quality / Patient Care:**	Not directly impacted
Gweithlu: **Workforce:**	Not directly impacted
Risg: **Risk:**	Not directly impacted
Cyfreithiol: **Legal:**	Not directly impacted
Enw Da: **Reputational:**	There is a risk that non-delivery or inadequate delivery of savings and sustainability opportunities will adversely impact both WG and public perceptions of the health board. There is mitigation noted in the main text of the report.
Gyfrinachedd: **Privacy:**	Not directly impacted
Cydraddoldeb: **Equality:**	Not directly impacted