

The Future of Funding the Welsh NHS

This briefing provides an overview of the Welsh NHS funding system, the challenges it faces, and examples of what is being done within Local Health Boards and NHS Trusts to address them.

Key Points

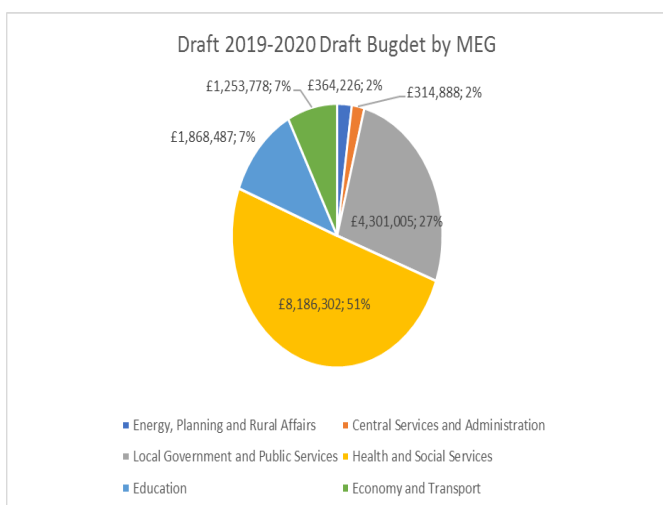
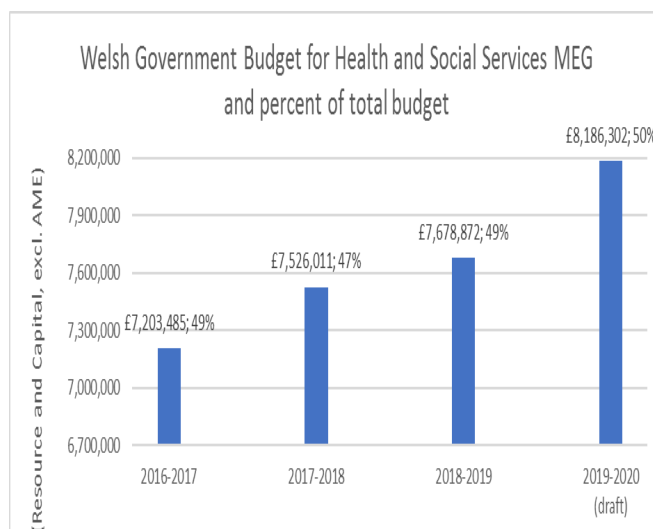
- NHS Leaders in Wales welcome the additional funding for health and social care in 2019-20 draft budget, including the £192 million for the implementation of *A Healthier Wales*. However, we recognise this increase in funding comes at a cost to other public services and we are committed to working in positive partnerships with our public service partners to maximise the value of our combined resources for the benefit of our shared populations.
- One of the biggest issues for policy makers and politicians is how to allocate the Welsh Government Budget to derive maximum economic, social, environmental and cultural value when annual cost pressures are higher than any budgetary growth available. We need to focus attention on the total amount of funding available to public services in Wales, not just annual increases. We also need to ensure that all the component parts of the public service system in Wales are working together as efficiently as possible and focused on the real needs of people and shared population outcomes.
- Greater integration between public services required to deliver the vision set out in *A Healthier Wales* will require harmonisation of pay and terms and conditions between front line staff working in different public services. Beyond that we would also welcome closer alignment between health and social care funding streams, rules and funding flexibilities; and
- Even with a robust long-term plan for a new model of health and care, the NHS will need annual uplifts in funding. We are using an Efficiency Framework and a national approach to Value Based Healthcare to drive greater efficiency while increasing patient outcomes and services at the required pace and scale.

Background

Across the UK, the National Health Service seeks to provide high quality public services within a tightly constrained financial system. Wales currently has the highest rates of long-term limiting illness in the UK, which is the most expensive aspect of NHS care. The cumulative pressures of people living longer with multiple co-morbidities, developments in pharmaceuticals and medical technology, pay and price inflation, recruitment and retention issues as well as increasing demands and expectations from the public means the NHS in Wales needs to do more with less.

All public services in Wales are facing the same challenges of increasing public demand and expectations with limited financial resources. A decade of austerity has led to difficult budget choices for the Welsh Government so while healthcare spending in Wales has been relatively protected since 2014-15, other public services that support health and wellbeing haven't had the same level of protection.

One of the biggest issues for policy makers and politicians is how to allocate the Welsh Government Budget to derive maximum economic, social, environmental and cultural value when annual cost pressures are higher than any budgetary growth available. The fact that expenditure on healthcare across the UK as a percentage of Gross Domestic Product (GDP) is still lower than other countries and declining in relative terms just highlights the scale of the challenge.



The Health and Social Services Main Expenditure Group has increased as a proportion of the overall Welsh Government budget and now represents more than half the total budget at £8.0 billion per annum in 2019-20. However, the sustainability of the health and care system relies not just on a sustainable social care system, but also crucially, decent housing, employment, education, environment and transport for the population as whole.

Given the financial environment in which public services are currently operating in Wales and across the UK we need to focus attention on the total amount of funding available to public services in Wales, not just annual increases. We also need to ensure that all the component parts of the public service system in Wales are working together as efficiently as possible, focused on the real needs of citizens and shared population outcomes. If we are to stem the rate of growth in the healthcare budget it is imperative that a sustainable system of public services and funding be established which moves away from a model focused on treatment services to one investing more in preventative and early intervention services that impact on the wider determinants of health and wellbeing.

Welsh Government's strategy "A Healthier Wales: our Plan for Health and Social Care" – July 2018

A Healthier Wales sets out a long-term future vision of a 'whole system approach to health and social care'. This builds on Prudent Healthcare, close relationships across public services Wales and the impact on health and wellbeing throughout life. It provides emphasis on preventing illness, supporting people to manage their own health and wellbeing, and enabling people to live independently for as long as they can. This is supported by new technologies and by integrated health and social care services which are delivered closer to home.

Health and social care leaders have signalled their support for the vision and principles articulated in *A Healthier Wales*, recognising that the real challenge is in its delivery. The plan includes a number of actions that relate to funding of health and social care including:

- An analysis of current spending in health and social care, and how adoption of new models of care can impact on the future costs.
- A time-limited Transformation Programme supported by a £100 million Transformation Fund supporting rapid development and implementation of seamless health and social care models which have been selected for their potential to scale up to a wider population base, and their alignment with national priorities.

- The alignment of other existing funding streams, such as the Integrated Care Fund, Primary Care Fund, Delivery Plan funding and other relevant funding streams. The evaluation of the Transformation Fund will inform how they apply future core investment in health and social care.
- To drive the maximum medium-term benefit from this investment, Welsh Government will ensure planning and governance systems are aligned, as far as is possible, across health and social services to remove any barriers to delivery of these new models of care.
- Welsh Government transformation of locally-based care will be initially supported through a £68 million capital investment in new health and care centres.

We are of course supportive of any developments which lead to additional resources for health and social care, including the Transformation Fund, but we also need to articulate the investment needs of services that support the wider determinants of health and wellbeing and work out how these will be funded.

The plan rightly emphasises the importance of people in Wales receiving public services seamlessly to improve experience, outcomes and efficiency. To achieve this will require greater integration between front line staff and managers but unless we address it, different pay levels and terms and conditions between public services will slow the pace and scale of new integrated ways of working. Beyond pay we would also welcome closer alignment between health and social care funding streams and rules, and consideration of financial flexibilities for NHS organisations, such as borrowing powers and the holding of reserves.

Welsh Government Draft Budget 2019/2020

Health and care services in Wales are under significant pressure (see our [Finance briefing published last year](#) for more details). The proposed 2019-20 draft budget would mean the spending limits set for day-to-day spending by Welsh Government departments in 2019-20 (the fiscal resource DEL) will increase by around 2.2% in real terms from 2018-19, rather than falling as was projected last December. However, this only partially reverses austerity measures over the past eight years.

NHS Leaders in Wales welcome the additional £500 million on health and social care in 2019-20 draft budget, including the £192 million for the implementation of *A Healthier Wales*. However, we recognise this increase in funding comes at a cost to other public services and we are committed to working in positive partnerships with our public service partners through Public Service Boards and Regional Partnership Boards to maximise the value of our combined resources for the benefit of our shared populations.

Initiatives currently within the Welsh NHS

NHS Leaders recognise the pressure the health budget is placing on other parts of the Welsh Government budget. In our delivery of *A Healthier Wales* we understand the importance of focusing on the £8 billion base budget and not just annual increases or ring-fenced specific grants, albeit they are very important in providing crucial pump and transitional funding. We are focused on maximising value and improving efficiency recognising that successive years of dealing with financial challenges mean that low hanging savings are harder and harder to find.

Even with a robust long-term plan for a new model of health and care there is no escaping the fact the NHS will need more money from the Welsh Government each and every year if it is to keep pace with inflation and cope with these external pressures. We are developing new ways of thinking about value and efficiency to help the NHS in Wales to become more efficient while increasing patient outcomes and services at the required pace and scale. For example:

- an Efficiency Framework is being used to identify opportunities for improving population health, technical efficiency and productivity, providing a platform for shared opportunities and whole system thinking to promote financial efficiency gains at an All Wales level;
- a national approach to Value Based Healthcare is being developed as a means of creating a data-driven system to help us allocate resources to interventions that have the greatest impact on patient outcomes; and
- continuing to embed the concept of Prudent Healthcare to develop the behaviours and culture that leads to high quality and consistent care based on the four underpinning principles.

There are many other initiatives, projects and programmes focused on delivering greater value and efficiency being implemented across Wales, the UK and other healthcare economies. Some are highlighted as case studies within this briefing to encourage shared learning and to stimulate further improvement across the system.

Chief Executive Management Team (CEMT) National Improvement Programme

Led by the CEMT, the National Improvement Programme brings together the various professional peer groups across the NHS in Wales, for example Medical Directors, Finance Directors as well as connecting with other statutory bodies such as the All Wales Medicines Strategy Group. The aim is that with a multidisciplinary approach, health professionals and those on a strategic level will be able to come together to make the Welsh NHS more efficient while driving for improved patient quality, safety and outcomes. The programme is now well into its second year of operation, and the actions within are proving to achieve this goal. Some highlights of the Programme include:

- “*Medicines identified as low priority for funding in NHS Wales*” paper that aims to decrease unwarranted variation in five prescribing areas (Lidocaine, Liothyronine, Tadalafil daily, doxazosinXL and Co-proxamol). Based on an early assessment of primary care data (May 2018) it is anticipated that **expenditure in Wales for these five medicines will reduce by approximately £1.4m (a decrease of 30% with a range of 12-40% across the seven Health Boards)** when compared to 2017. This is being expanded and consultation is ongoing to identify other medicines of low value when prescribing, and follows along the work of NHSCC and NHS England has done to restrict prescribing of medicines that were deemed to make poor use of the NHS funds for either being clinically ineffective, more effective alternatives available, or the treatment for a specific condition being available to easily purchase over the counter.
- It was recognised that all Health Boards and Trusts should take coherent actions within the NHS in Wales to drive down agency and locum deployment and expenditure through cultural and operational change, whilst ensuring services remain safe and effective. In this connection, a control framework was designed to support the reduction in medical and dental agency and locum deployment and expenditure to ensure a consistent approach across Wales. There is evidencable fiscal saving since a medical agency cap was introduced across the service in November 2017. For example, Hywel Dda University Health Board adopted a very robust response to reviewing the rates of existing agency spend when the caps were introduced. As a result, there has been a total savings of **£427,000 saving from November 2017 – March 2018, which represents a 67% reduction** in expenditure.

Delivery of Intravenous Antibiotics at Home - Hywel Dda University Health Board

The Acute Response Team (ART) has been in operation in Carmarthenshire since 1st April 2006. The ART is a team of registered nurses and healthcare support workers who work throughout the 24-hour period offering a rapid response treatment service to patients in their own home. The ART provides intravenous antibiotic treatment at home to Carmarthenshire patients. The ART is also Carmarthenshire's out of hours community nursing service that takes over from core community nursing services in the out of hours period.

The last year has seen investment through Integrated Care Funding and this has led to further service expansion and the recruitment and promotion of band 5 and band 6 Registered Nurses. ART has also appointed a new band 7 Team Leader, meaning there are now two team leaders each managing a team. The increase in ART's establishment has led to an increase in the amount of patients treated with Intravenous antibiotics and has **resulted in an extra 421 bed days saved (12% increase) as compared to the previous year.**

The cost of operating the ART is approximately £2,000 per day, £712,000 per year. **Based on 3,805 saved bed days (£1,434,485) The ART has saved approximately £722,485 on the provision of intravenous antibiotics alone.** This does not consider any cost savings associated with the ART teams 10,940 home visits for all other interventions.

Quality and Value Control (QVC) panel – Abertawe Bro Morgannwg University Health Board

Last year ABMU launched a Quality and Value Control (QVC) panel to focus on savings from non-pay budgets. Procurement staff are working closely with clinical colleagues to source supplies and equipment which are just as good or better than the ones they have but cost less. One example is a project involving trocar lines for laparoscopic surgery. A decision was made to focus on finding a consistent, good quality and good value trocar lines which could be used across all sites.

Evidence, literature and independent test data were shared and discussed with clinicians. Consultant surgeons then did a benchtop exercise with laparoscopic simulators followed by all clinical teams being invited to trial using "hands-on" approach. A trial was agreed to concurrently run over a period of six weeks where front line procurement ensured that a representative from the new supply company was present at all the trials to provide assistance and ensure patient safety. Procurement teams will continue collaborating to understand the needs of our clinicians/patients and aspire to standardise to achieve improved patient outcomes. **The outcome was switching to a new supplier which will save the health board over £150,000 in a year.**

Teaching patients to self-administer their Denosumab injection - Cardiff and Vale University Health Board

The Fracture Liaison team researched the Clexane pathway for teaching patients to self-administer which was then validated and adapted for the Denosumab pathway. Other health boards use a Local Enhanced Service which provides approximately £40 per injection for GPs to administer it. Not only is this costly but also just shifts the work and places additional stress on GP services which are already facing sustainability issues.

Wider stakeholders were involved in meetings and consultations to discuss possible solutions, including patients, in-patient and community pharmacy colleagues, primary care, consultants, doctors and nurses. A number of alternative models were researched including a Local Enhanced Service (LES) or use of community pharmacies. Following a review meeting the possible solutions were discussed and it was decided that the most affordable and efficient model was to teach patients or their carers to administer their own injection in the comfort of their own home. This showed benefits for both the patients and the service in line with Prudent principals and care closer to home.

In the bone clinic at Cardiff and Vale University Health Board there are 1000 patients who come twice a year for a Denosumab injection and once a year for a review appointment. In 2017 there was an increase of 50 patients from 2016 and this will continue to rise as patients are usually on the drug long-term and the number of elderly people with osteoporosis is likely to rise. And with patient convenience being central to the new-look service, it has also seen a positive impact on the overall budget.

Since the prescription is given in the hospital setting, there is a 20% VAT charge which equates to £36 per injection which would not be charged in the community. However, in the community there would be a £10 dispensing fee but there would still be a **realisation of a £25 cost saving per injection. In addition, there would be a £50,000 cost saving from the VAT per year.** Denosumab is administered in other specialties in the health board which could take a similar approach. To see real transformational change the model could be replicated with other drugs in different specialties across the health board.

EPP Cymru - supporting people to self-manage their own health, 1000 Lives Wales delivered by Public Health Wales Trust

1 in 3 adults are now reported as having a long-term condition. That equates to 843,503 adults (aged 18+) in Wales living with a long-term condition.

People with long-term conditions tend to be frequent users of the unscheduled care system because when their conditions worsen, they often need to access services urgently. **Evidence suggests that prevention is a great way to make the NHS more efficient, so resources can be better focused on where they are most needed.** The concept of self-management provides the opportunity to make a significant reduction in the pressure on NHS Wales services by helping people to manage their condition through education programmes that support them to look after their own health and well-being.

EPP Cymru (Education Programme for Patients In Wales) helps hundreds of people every year with a range of chronic health conditions, including Cancer, Diabetes, Chronic Obstructive Pulmonary Disease (COPD), Chronic Pain and Mental Health. In early 2019, a new course is being piloted for 16-25yrs olds with ASD.

Through a variety of training formats, from weekly courses to residential programmes and online training, individuals are taught coping skills and techniques to support them to manage their own health and well-being, in the hope of them living with their condition in a positive way. Individuals are also given access to other healthcare professionals and wider services.

EPP Cymru is aiming to have 40,000 adults with a long-term condition trained in self-management techniques in Wales by 2021. EPP Cymru courses do not conflict with existing treatments or any other courses that individuals are undertaking. They are designed to enhance regular treatment and achieve better patient outcomes.

Improvement Advisor Professional Development Programme, 1000 Lives Wales delivered by Public Health Wales Trust

The Institute for Healthcare Improvement (IHI) Improvement Advisor professional development programme helps participants identify, plan and execute improvement projects to support the transformation of processes, systems and organisations for the benefit of patients and staff. This programme teaches participants about the science of improvement, a framework and skills that can be applied in the workplace. 1000 Lives Improvement supports the Welsh cohorts and hosts IHI training on behalf of NHS Wales.

For example, one project conducted over a ten-month period in 2017 aimed to enhance the experience of day case surgery patients by reducing the number of cancellations for patients at Neath Port Talbot Hospital site, because operating theatres are amongst the most expensive parts of a hospital to run. A number of changes were tested and implemented as part of the project, including reviewing the pre-assessment processes, Anaesthetics notes review prior to day of surgery and updates to patient specific medicine guidance for patients.

The project was successful in reducing day of surgery cancellations, which supported more efficient use of theatres & enhanced patient experience, as well as **financial savings of approximately £21,600 over the course of the project.**

The Welsh graduates continue to be involved in many ways including supporting local or national improvement programmes; linking with local improvement hubs and training organisations; and coaching or mentoring others undertaking improvement projects.

Gesundes Kinzigtal BmbH: Insurance-Provider Population Health Management, Germany

In 2006 in the Kinzig Valley, a doctor group, wanted to provide more integrated care for the local population. They partnered with a management company to take advantage of new government incentives. This team entered into a joint risk-sharing agreement with two health insurance funds to manage the funds' insured populations.

They made careful investments in health IT, gained buy-in from providers, paid for preventive care, and optimised services for distinct segments of the population. They also made the programme attractive enough for patients to join voluntarily. In short, they aligned incentives to make population health management appealing to all involved.

In 2014 alone, they realised €5.5M (approx. £4.36M) in savings for the insured population compared to risk-adjusted normal costs of care in Germany. They reduced hospital days and reduced medication costs, increased life expectancy among enrollees by 1.2 years, improved patient access, and attained customer satisfaction rates of 94%.

London Health Sciences: Patient-Focused Cross Continuum Care Model, Canada

London Health Sciences Centre (LHSC), a multi-site acute care teaching hospital in Ontario, Canada, was awarded funding in 2014 for a bundled payment programme, which they launched for chronic obstructive pulmonary disease (COPD) patients. The pathway spanned primary, acute, post-acute, and at-home care—a truly integrated system. The goal was to decrease acute care utilisation and costs by reducing length of stay (LOS) and elevating post-discharge home care services.

LHSC solicited input from patient focus groups after the first iteration of the pathway. They heard largely positive responses, and a few bits of advice, such as: ‘Make sure I have all my information in one place...I need it to be clear.’ To address patient (and clinician) concerns, they sent patients home with iPads that served as their care management guide and also implemented an eHome portal, a 24/7 registered nurse (RN) call line, and daytime and overnight nurse and technician visits in the care protocol.

By the next iteration of the pathway, patient comments had changed: ‘Why are nurses with me every single night of the week? I can sleep fine on my own. What is this iPad thing? I would rather read a piece of paper.’ You might expect that constantly soliciting patient feedback would mean patients ask for more support, but here the exact opposite occurred. Patients helped optimise the pathway’s resources. By their last pathway iteration, **LHSC saw significant decreases in cost, LOS, and emergency department utilisation across the pathway.**

Conclusion

If we want *A Healthier Wales* to have real impact, the NHS and all public bodies need to work together to ensure sustainable health and care services that incorporate prevention, treatment and community methodologies.

The Welsh NHS Confederation is a membership body representing all the organisations making up the NHS in Wales: the seven Local Health Boards and three NHS Trusts.



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