**TECHNICAL ADVISORY GROUP ON RESOURCE ALLOCATION**

**Note of 24th meeting held at 13:00, 9th February 2016**

**Waverley Gate, Edinburgh**

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| **Attendees** | **Apologies** |
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| Christine McLaughlin (Chair) – SGAngela Campbell (Co-Chair) – SGPaudric Osborne – SGEvan Williams – SGDaniel Hinze – SGDuncan Miller – SGLynne Jarvis – ISDRoger Black – ISDSarah Touati – ISDPeter Martin – ISDKirsty MacLachlan – NRSKaren Facey – TAGRA memberMartin Cheyne – Ayrshire & Arran Health BoardHelene Irvine – NHS Greater Glasgow & ClydeDiane Skåtun – HERUAlan McDevitt – BMA | Matt Sutton – Uni. of ManchesterGarry Coutts – NHS HighlandGeorge Walker – NHS LothianRichard McCallum – SGAndrew Daly – NHS Greater Glasgow & ClydeJohn Raine – NHS BordersLynda Nicholson – SG |

**By Video Conference**

Alan Gray – NHS Grampian

Nick Kenton – NHS Highland

Fiona Ramsay – NHS Forth Valley (attendance prevented by technical difficulties)

Stephen Logan – Grampian Health Board (attendance prevented by technical difficulties)

**AGENDA ITEM 1 – Welcome and apologies**

Christine McLaughlin (CMcL) – as a new TAGRA member and Chair – welcomed the group and noted apologies from those listed above.

Martin Cheyne (MC), Stephen Logan (SL), Evan Williams (EW) and Peter Martin (PM) were welcomed as new TAGRA members.

**AGENDA ITEM 2 – Minutes of last meeting and updates on actions**

The minutes were accepted as a clear and accurate record of the last meeting.

An update was provided regarding an action from the previous meeting, which required the AST to look into how supply variables are handled within the NRAC formula. A review of variable definitions has been undertaken by ISD and discussed at the most recent Acute MLC subgroup meeting. This work is summarised in Paper TAGRA(2016)02.

**AGENDA ITEM 3 – Summary of the NRAC formula**

Paudric Osborne (PO) and Lynne Jarvis (LJ) provided a presentation (slides will be distributed to TAGRA members) which summarised the various components of the NRAC formula. This was intended as an introductory piece for new members and a refresher for established members.

Key themes of the presentation included:

* Purpose of the NRAC formula;
* Structure of the NRAC formula, with specific reference to the Population component, Age and Sex component, Morbidity & Life Circumstances component and Unavoidable Excess Cost component;
* Data sources and level of geography used;
* Outputs from the 2016/17 formula run, including the published target shares;
* Development of the formula, in terms of its maintenance by TAGRA and updates carried out by its various sub-groups.

MC inquired whether the NRAC formula has a role to play in driving efficiency / productivity improvements in hospitals. In response, it was highlighted that other mechanisms exist to drive efficiency / productivity improvements, whereas the formula itself is aimed at allocating resources according to relative healthcare need across the population. Nevertheless, the incentive exists within formula allocations to improve efficiency / productivity since Health Boards receive aggregated sums of money across care programmes with which to provide care, and as such will need to provide services as effectively as possible.

**TAGRA noted the summary presentation.**

**AGENDA ITEM 4 – Update from the Scottish Allocation Formula (SAF) Review**

Daniel Hinze (DH) – who has taken over from Chris Dodds as the Chair of the Expert Technical Group (ETG) of the SAF Review – presented Paper TAGRA(2016)01. This summarises the main work of the ETG for the SAF Review since its last update to TAGRA.

In particular, DH explained that the work of the ETG has included:

* Completing a review of data availability;
* Commissioning of external research on the workload/need and excess costs components of the formula;
* Establishment of a User Group.

In terms of data availability, a paper summarising the various data issues has been completed and is available to TAGRA members upon request. The availability of workload data is a key concern: the preferred data source from a CSO-funded research project and CPRD data are not available / useable. Consequently, the remaining option is to use PTI data from ISD, which is the same data source used for the original formula estimate.

In terms of commissioning of external research, the ETG has commissioned two substantial pieces of research, one on the Workload / Need components of the SAF and one on the Excess Costs component of the SAF. The Needs Factors research is expected to be completed by the end of April / beginning of May. The excess cost component is expected to be complete by mid-May.

The first User Group meeting was held in November 2015, which consisted of an overview of the present formula and discussion of the 2014-2017 SAF review, including work of the review to date and work-plan for the remainder of the review. A future meeting will be held at an appropriate date once the external research is complete.

Alan McDevitt (AMcD) emphasised that the work of the SAF review must be considered in the context of the GP contract negotiations and that the funding arrangements should support the emerging primary care structure and the role of the GP within it. DH reminded the group that the SAF is fundamentally different to the NRAC formula in that it functions as a means of payment to GPs as well as an allocation formula. In 2004, the SAF had been supplemented by a Minimum Practice Income Guarantee to maintain funding stability. A key issue is to pay GPs for their workload but to allocate funding according to need.

Duncan Miller (DM) welcomed the update and the ongoing collaboration between the BMA and SG. He re-emphasised the changing nature of the GP within the community, and that in future the allocation formula might have a diminished funding role. The final SAF review report will provide a recommendation to take forward to the contract negotiations.

Helene Irvine (HI) noted that the PTI was discontinued in 2012/13 and only represents a sample of GPs. Use of the PTI, furthermore, will not be able to address the issue of unmet need. Is its use by the SAF review, therefore, a good approach to take?

DH affirmed that even though the PTI data was not the preferred option of the ETG it was authoritative and fit-for-purpose as we would expect the relationship between workload and the underlying drivers not to have changed substantially since 2012/13.

AMcD agreed that PTI represents a limit dataset, and pointed to research carried out in Northern Ireland suggesting that workload has increased significantly in recent years. He also agreed that the SAF won’t be able to fully address unmet need.

Diane Skatun (DS) noted that the work of the SAF review might become redundant in the near future as circumstances and / or data availability change. Ultimately, the review should think more broadly about what data is required as opposed to simply what data is available.

Karen Facey (KF) and HI commented that not enough information had been provided in the update for TAGRA to offer guidance. The SAF review should take into account Scotland-based work such as Professor Graham Watt’s research. KF emphasised that the work of the Acute MLC sub-group has used TAGRA’s ‘Core Criteria’ as a basis for decision making, and queried whether the timescales for the SAF review remained realistic.

HI was concerned that the work of the SAF review was not being properly scrutinised given the confidentiality arrangements, and expressed the view that not much progress has been achieved by the review in the last year.

The rest of the discussion focused on TAGRA’s specific role in relation to the SAF review.

DM set out that the motivation for the SAF updates was to provide an opportunity to access the expert insight of TAGRA members, though this process is somewhat limited by the sensitivity surrounding the GP contract.

Angela Campbell (AC) referred to the governance arrangements diagram on pg. 3 of Paper TAGRA(2016)01. The aim was to feed in TAGRA’s expertise on technical formula issues; and also recognises the linkages that exist between the two formulae (for example, an element of the SAF formula is used with the NRAC formula as a proxy for community clinic- based excess costs). She recognised that there was little analysis available as yet to share with TAGRA while noting that further details of the data considerations could be made available if that would be useful.

KF emphasised that TAGRA members should act as formula experts and not concern itself too much with the negotiations between the SG and the SGPC.

CMcL summarised that there was a need for more clarity regarding the relationship between the SAF review and TAGRA, so that appropriate oversight could be given in future.

**Action** – DH to clarify for TAGRA what is required in terms of oversight of the SAF review, including consideration of what will be included in SAF review updates in the future.

**TAGRA noted the update.**

AMcD, DH and DM left the meeting.

**AGENDA ITEM 5 – Update from Acute MLC subgroup**

LJ presented Paper TAGRA(2016)02, which summarises the main work of the Acute MLC subgroup since its last update to TAGRA.

In particular, LJ explained that the work of the subgroup has included:

* Analysis and explanation of the supply variables, including evaluating the various options against TAGRA’s core criteria;
* Selection of indicator variables;
* A review of the current diagnostic groups, following clinical advice.

In terms of supply variables, the Subgroup has decided to retain the existing supply variables, but to use only one of IPACX and OPACX in each regression since these variables are highly collinear. IPACX will be used for all inpatient diagnostic groups and OPACX will be used for Outpatients.

In terms of indicator variables, the selection process involved removing variables where a high number of data zones had zero counts, and then eliminating ‘near-duplicates’ from the variable list, retaining the variants that correlate best with the cost ratios. Work continues surrounding the selection of an ethnicity variable.

The current diagnostic groups have been reviewed, and the subgroup has decided to keep the current grouping and to examine a ‘Whole Acute’ option which would combine all seven groups together.

The next steps for the analysis are to identify a ‘restricted set’ of variables which are significant predictors of need, from which the final variables will be selected for the needs index. Work to investigate unmet need will then be undertaken and the final report will be delivered to TAGRA as planned in August 2016.

KF added that the formula currently makes use of datazones, whereas it had previously relied on intermediate output areas. This geographical distinction accounts for why the issue of high numbers of zero counts has now surfaced. She commented that new variables that have been considered attempt to identify indicators that affect older people.

HI welcomed the update and the work of the Acute MLC subgroup. She queried why unmet need is a relevant issue for the Acute MLC review but not for the SAF review? The resulting discussion includes points relevant to Agenda Item 4 as opposed to the work of the Acute MLC subgroup.

PO emphasised that the SAF review will consider the issue of unmet need, and that the views expressed under Agenda Item 4 merely stated that unmet need is arguably not best addressed by the formula. One potential route to begin accounting for unmet need, for example, would be to control for the effect of supply on workload.

DS raised the point that when discussing for unmet need, it is important to understand why need is unmet in the first place. If need is unmet due to supply issues, then it can in theory be accounted for within a formula, though this is not the case if the issue arises on the demand side.

HI brought up the possibility of using other data to predict unmet need, such as Professor Stewart Mercer’s research. KF highlighted that the research alluded to relied on PTI data as well, albeit a slightly expanded dataset. HI suggested that it had previously agreed that Professor Graham Watt’s expertise would be sought out by the SAF review, and that if he was perceived as specialising in urban-related issues, somebody with expertise on rural issues could also be included.

CMcL concluded that an expanded update from the SAF review would result following the action agreed under Agenda Item 4.

**TAGRA noted the update.**

**AGENDA ITEM 6 – Work Plan**

EW presented Paper TAGRA(2016)03, which represents a routine update to the TAGRA analytical work plan (now running through to April 2017). The main alteration from the previous version involves the introduction of a piece of analytical work to investigate aspects of the Excess Cost component of NRAC. In the 2016/17 formula run very low activity levels for some care programmes (notably Care of the Elderly) in the SDIA category of datazones led to unacceptable degrees of instability in this aspect of the formula. The AST will investigate potential amendments to the formula to mitigate this instability, with a view to bringing a proposal to TAGRA in time for it to be approved and implemented in the 2017 formula run (the next time the Excess Cost adjustments will be updated).

KF expressed the view that it would be sensible to start thinking about the next big area of analysis for NRAC, and that Excess Cost adjustments could be one such topic to investigate. AC highlighted that the CHAD project was also an area of interest, and that work on the community aspects of the formula would be desirable once the necessary data from the CHAD project becomes available. Roger Black (RB) agreed to inquire about the future availability of CHAD data with colleagues at ISD and to discuss at the next AST meeting.

**TAGRA noted the update.**

**A.O.B. and date of next meeting**

LJ provided an update on the Scottish Distant Islands Allowance (SDIA) issue for the 2016/17 formula run, where very low activity levels for some care programmes (notably Care of the Elderly) in the SDIA category of datazones led to unacceptable degrees of instability in the Excess Cost component of NRAC. Work is being done to deal with the instability – a footnote was inserted in the ISD publication explaining how the instability was overcome for this run – but AC emphasised that there is a need to address the issue now so that it doesn’t arise the next time the formula is run.

PO provided an update on the implications for the NRAC formula of the errors identified by NRS in historic mid-year population estimates. The revised data had minimal impact on the NRAC target shares and therefore does not represent an issue of concern.

PO provided an update on the NRAC/GAE change fund allocations. CMcL noted that as the NRAC/GAE change fund allocations get bigger, this will become an increasingly important area that requires consideration of potential impacts. AC confirmed that the SG had agreed to look at this issue internally to ascertain if any action was required, and would feed back to TAGRA if and when this process identified action to be taken.

Kirsty MacLachlan (KM) commented on the closure report of the Population Estimates Comparison Project (PECP), circulated as paper for information in advance of this meeting. The report concludes that the Mid-Year Estimates are the most accurate available measure of the population.

LJ provided an update on the recent work of the Community Health Activity Data (CHAD) project. She confirmed that work is progressing well and that the Mental Health dataset consultation closed at the end of January. There is a plan to implement the findings from this consultation and to then receive data from April 2016.

KM noted that the NRS is due to publish the small area population estimates at the end of March. Are ISD involved in this work at all? RB agreed to check with colleagues at ISD and get back to her.

CMcL noted that the next meeting has been provisionally arranged for 26th April 2016. However, this is potentially too soon to be useful and so there is scope to move the meeting to May or cancel it and have the next meeting in August. KM confirmed that there will be nothing substantial to report from the Acute MLC subgroup in April. AC suggested that the meeting should be timed so that there can be a substantial update from the SAF review. CMcL confirmed that this would be a sensible way forward – to have a single issue meeting and then a full meeting in August. The date of the single issue meeting would be confirmed in due course once clarification has been received from the SAF review.