**Discontinuation of the Clinic-Based Cost adjustment:**

**Note for information and discussion**

1. The excess cost adjustment for the Community Care Programme is composed of two elements: a travel-based adjustment and a clinic-based adjustment. The travel-based adjustment covers services which are travel intensive, e.g. district nursing and health visitors; the clinic-based adjustment covers other services such as immunisations. The overall community care programme excess cost adjustment is the weighted combination of these two elements, using a weight of 2/3 for travel-based and 1/3 for clinic-based.
2. The travel-based adjustment was derived from a modelling exercise, undertaken originally by National Economic Research Associates (NERA). The model combines assumptions on travel time, set up time, contact duration, size of settlement where services are based and proportion of home visits. The model was revised with updated information for NRAC by the Health Economics Research Unit (HERU) at Aberdeen University.
3. The clinic-based adjustment is derived from the remote and rural cost index in the Scottish Allocation Formula (SAF), which was used to allocate funding to primary care practices until last year. This remote and rural cost index was developed for the SAF by estimating the relationship between a proxy for the cost of primary care services and three rurality variables: population density (number of hectares per resident); population sparsity (population in communities of less than 500); and, the proportion of the practice population attracting road mileage payments.
4. The SAF remote and rural index values for primary care practices are converted into the data zone geographies for the NRAC formula by attributing the practice index values to data zones, on the basis of the share of the data zone population which are registered at individual practices. That is, the share of a data zones residents registered at specific practices are used as weights to combine those practice index values and derive a clinic-based cost adjustment for each data zone.
5. However, the remote and rural index for the SAF is no longer being updated: the latest version of the index is for quarter 1 of 2018. The issue for TAGRA is that this means that the community clinic cost adjustment will not be updated until a replacement method can be developed.
6. At present there is no obvious source of data which could be used to derive an alternative adjustment. One possibility is that relevant information may be generated from the collection of primary care practice income and expenditure data, which has been mandated by the new primary care contract. This new dataset is unlikely to become available until 2020 and, at present, it is not clear how useful it will be.
7. **TAGRA is asked to note this development.**