

	Finance Committee of the National Assembly for Wales.
Purpose:	The Welsh NHS Confederation's response to the consultation on Welsh Government Draft Budget Proposals for 2016-17.
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Introduction

1. The Welsh NHS Confederation, on behalf of its members, welcomes the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget proposals for 2016-17.
2. By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.
3. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work. Members' involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.
4. The Welsh NHS Confederation and its members are committed to working with the Welsh Government and its partners to ensure there is a strong NHS which delivers high quality services to the people of Wales.
5. The seven Health Boards and three NHS Trusts in Wales are already working hard to make sure that high quality, safe and cost-effective healthcare services are available to everyone, based on their clinical need.
6. With money extremely tight and demand rising, finance and funding can never be far from NHS leaders' minds. The NHS in Wales, along with other public services, continues to work in an extremely challenging financial climate and it must prioritise and change. Radical transformation of healthcare, and related services, is now the only way in which NHS Wales can hope to be on a sustainable footing for the longer-term. This 'transformation' is not only about reshaping healthcare and doing things very differently, it also involves recalibrating our relationship as patients, and the public, with the NHS.
7. The Welsh NHS Confederation feels very strongly that this change needs to be planned, resourced and supported, rather than allowed to happen on an ad-hoc basis. The NHS in Wales has a clear objective to offer high quality and safe healthcare services to the people of Wales within the resources available. It also acknowledges that there are areas where it could, and should, do better.

Summary

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- a. The Welsh NHS Confederation welcomes the investment the Welsh Government has made in the NHS and this settlement for NHS Wales.
- b. In a period of austerity, combined with increases in demand, rising costs of providing services and an understandable expectation to continuously improve quality and safety, NHS Wales faces a significant financial challenge. The Welsh NHS Confederation recognises that the additional funding outlined in the Draft Budget comes with a responsibility to ensure that it is used effectively. We welcome the ring-fencing of funding for social care in Wales. We recognise social care as part of a patient's pathway and a crucial component of keeping people away from frontline NHS services.
- c. While the increase in directly available health resources is welcomed, further detail is required to establish if the funding provided and made available is sufficient to support the increasing demand on services in 2016-17. While the Draft Budget does outline an anticipated 3.6% real terms reduction to the overall Welsh Government budgets from 2015-16 to 2019-20, and acknowledges a continued projected population growth and growth within the over 65 population, it is unclear at this stage whether funding allocated to health will be sufficient in the longer-term.
- d. We welcome the prioritisation of mental health and older people services, funding for joint working and capital. We agree these are priorities areas for NHS Wales. Currently, the majority of spending in the NHS goes towards the costs of providing hospital and community-based services. Due to a range of factors, the NHS will not be able to continue to do all that it does now, and certainly not in the same way. While much of the debate has been over the amount of money the NHS has at its disposal, we have been trying to shift the focus to how that money is spent if we are to sustain the NHS in the future, including implementing the principles of 'prudent healthcare'.ⁱ
- e. The NHS must be allowed to prioritise, and change must take place right across Wales to ensure efficient, safe and sustainable services are provided within the resources allocated by the Welsh Government. This will inevitably mean that difficult choices have to be made on what services are provided where and when. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services. As our recent briefing, 'The 2016 Challenge: A vision for NHS Wales',ⁱⁱ produced for the National Assembly for Wales Election, highlights National Assembly Candidates should '*Recognise the change in the way we organise care is necessary, and play a leadership role in ensuring debates about change focus constructively on people's outcomes, experiences and well-being*'.ⁱ
- f. Consideration will be required by the NHS of the impact of the Budget settlement and funding reductions to Local Authorities, and also wider partners who support healthcare service delivery such as the third Sector and housing. There will need to be clarity on the delivery plans of our partners to manage services within resources available to ensure there is no wider impact on NHS services. We recognise that any extra money given to NHS Wales means it cannot be spent elsewhere. With the proposed additional NHS funding it must be recognised that the funding provided to the Health and Social Services Department now accounts for 48% of the funding allocated to the Welsh Government, a 2% increase at a time when other departments' budgets are being cut. Therefore we want to underline our commitment to collaborate with colleagues across sectors; seeking new ways of working to deliver timely services which meet the needs of

the people of Wales. The Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015 will help support integration and collaboration across the public sector in Wales.

- g. Finally it is important to acknowledge the enormous achievements made by Health Boards and Trusts to make significant efficiency savings within the Welsh NHS. The Wales Audit Office's recent report into public services, *A Picture of Public Services 2015*,ⁱⁱⁱ found that, since 2011, the NHS has reported making around £800m in savings while the Draft Budget states that between 2010–11 and 2014–15 the NHS has made more than £1.1 bn in efficiency savings. The health service is committed to continuing to find more efficient ways of working which improve patient experience and reduce costs.

The Committee's terms of reference

9. We note the specific questions the Committee has raised in respect of this consultation. While we are not responding to the specific questions posed we considered it would be helpful to give an overview, from the NHS perspective, of the budget challenges and opportunities.

Health funding

10. These are difficult and testing times and the seven Health Boards and three NHS Trusts in Wales will continue to drive down costs to meet the reality of an austerity budget. While health and social services have seen the smallest real-terms reduction of any department, a significant financial challenge remains.
11. In each year since 2010-11, the Welsh Government has provided more revenue to the NHS than initially planned, with health revenue funding increased by more than 9% since 2013-14 on a recurrent basis. However, according to the Wales Audit Office's recent report^{iv} into public services, health spending in 2011-12, 2012-13 and 2013-14 was lower than in 2010-11 in real terms. Therefore the Welsh NHS Confederation welcomes the recently announced extra capital and revenue funding in the Draft Budget.
12. While the increase in funding is positive news for 2016-17 we are concerned about the proposed settlements within the UK Government Spending Review for the following two years. These will place significant pressures in future years and therefore it is important that the NHS in Wales quickly moves to transforming our health services to contend with this looming pressure. The 'prudent health' care approach will help us work through this but it will require the commitment of the NHS, all healthcare related partners and the general public, to truly be successful. The NHS will need to be supported to make progress in changing the way care is delivered, with patient outcomes at the heart of the measurement of success.

Efficiencies made within the NHS

13. As highlighted the increase in funding is recognised, but we are frustrated that the success in delivering efficiency savings within the NHS is not more widely recognised. As the Draft Budget highlights, between 2010-11 and 2014-15 the NHS has made more than £1.1bn in efficiency savings through service changes including increasing day surgery rates, providing more care closer to people's homes, service reconfiguration, increased productivity, demand management, pay

restraint and more effective prescribing. This is equivalent to an average annual saving of more than 4% of health board revenue allocations. While the efficiency savings made by the NHS are significant, the annual achievement has been gradually diminishing year on year, a reflection that traditional methods of savings are unlikely to deliver what is needed in the future.

14. With the Welsh Government's block grant in 2019-20 predicted to be £1.8bn (11%) less than in 2010-11, we know that financial pressures across public services will continue for years to come.
15. While the NHS continues to work in an extremely challenging financial climate, the National Health Service Finance (Wales) Act 2014 does enable Health Boards and Trusts to have a greater focus on medium-term planning. The increased flexibility afforded in the Act allows plans to be developed at Health Board and Trust level so investment can be made in one year to support service change and a reduction in costs in future years. As the Nuffield Trust report^v highlighted, the NHS must transform the way it provides care to meet demand and financial pressures and ensure its resources are used effectively and efficiently. Improving Health Board and NHS Trust planning arrangements is part of this process.
16. While increases in funding are welcome, it is important to note that money is not the overall solution to the issues faced by the Welsh NHS. In a recent survey conducted by the Welsh NHS Confederation,^{vi} more than half of our members (56%) said that an increase in funding would not solve the challenges. This demonstrates that, while finances are extremely important, more money is not a single solution.
17. Radical change is what is needed if the NHS is to meet the level of demand being placed upon it while living within its means. Sustainable plans will have to be developed to enable the NHS to deliver financially as well as provide high quality care to patients. This is a significant and complex challenge which will require the support of the political community and the public.

Growing pressures on the health service

18. Against the backdrop of significant financial pressures, there have been relentless advances in medical technology, increased patient and clinical expectations, long-term demographic trends, lifestyle-related conditions and the challenges of providing services across all parts of Wales. Furthermore, an ageing population, combined with more people having increasingly complex needs, means that demand for health and social care services is predicted to grow rapidly.
19. While the fact that more of us are living longer is a success story and should be celebrated, this trend brings about fresh challenges for the NHS. The number of people aged 65 and over is projected to increase by 50% by 2037.^{vii} While people are living in good health for longer, this health gain is not distributed equally. Wales currently has the highest rates of long-term limiting illness in the UK, which is the most expensive aspect of NHS care. Between 2001-02 and 2010-11 the number of people with a chronic or long-term conditions in Wales increased from 105,000 to 142,000.^{viii} This figure is expected to rise for a number of conditions, including cancer, dementia and diabetes.
20. In practical terms this has meant that the NHS in Wales has had to contend with increasing costs arising from, but not limited to:

- a) The workforce, in respect of capacity to deal with increased demands and the increased cost of the workforce through increments and pension contributions. Currently, around 129,000^{ix} people are employed in the health sector in Wales – the equivalent of 8% of the country's employment – while NHS Wales itself employs around 85,000 staff.^x This makes the health service Wales' biggest employer, with the NHS pay bill standing at around £3 billion (more than 50% of NHS spend);
 - b) Non pay cost increases, also through increasing demands, price increases and the increasing demands for high cost drugs;
 - c) Increased volumes of packages of care for patients in the community meeting the continuing NHS healthcare and funded nursing care criteria as a result of our growing elderly population;
 - d) Increased demand for prescribed drugs within the primary care setting.
21. The challenge for the NHS is that, in successive years of dealing with financial challenges, the traditional methods of finding savings are unlikely to serve us well in the future. We must recognise that, year on year, the NHS in Wales has to develop more sustainable and sophisticated plans that have got to be delivered within its responsibility to provide high quality care to patients. Ensuring that efficient and safe services are provided within the resources allocated by Welsh Government requires each NHS body, and NHS Wales as a whole, to prioritise spending. This will inevitably mean that difficult choices have to be made on what services are provided.
22. The NHS has made a strong and consistent case for investing in the NHS based on sound economic and social policy. The moral case for transforming how care is delivered to better suit the needs of people today is strong. There is however an equally compelling economic case for investing in the NHS now, so it can better support our society to live healthier lives with less need for medical care. Put bluntly, a strong economy needs a strong NHS. It is increasingly apparent that more of the same is unsustainable. In order to address the continued austerity in NHS Wales and the challenges it brings, our overriding approach now must be for the NHS in Wales to adopt and implement universally a 'prudent healthcare' approach.

Patient outcomes

23. There are numerous examples within Europe, and the rest of the world, which demonstrate that focusing on improving outcomes for patients rather than focusing on purely inputs will improve the quality of care delivered. This approach will also reduce the cost of delivering care. There are several examples of good practice happening across NHS Wales. We would welcome the opportunity to do further work with the Welsh Government to reconsider the performance framework for NHS Wales. This would enable performance to be measured and monitored in a way that will promote improvements in clinical quality and outcomes.
24. The senior leaders in NHS Wales are engaging with clinical leaders to reconsider longstanding delivery models and to adopt a more prudent approach, without compromising the delivery of outcomes. This will require a combined and shared leadership across professions, particularly for finance and clinical leaders, and aligned Welsh Government policies to support its implementation.
25. Targets also have a role to play when it comes to prioritising spending. Waiting times are a key priority for those in the NHS and there is much work going on to address this. While targets have a role to play, policy makers must look at the bigger picture, which is about instigating a whole

system change in the way treatment is delivered to patients and providing the best service we can within the resources that we have. Patient-centred care, which is measured in outcomes, should be driven further through the provision of more services in communities and closer to people's homes. Treatment should be provided in hospitals only when it is absolutely necessary to do so.

26. For these strategies to be successful requires a collective ambition and an acceptance that change in the way we deliver services will be inevitable. For any change to be successful the Welsh Government, the National Assembly and the public must acknowledge that the priorities for health services in Wales will need to be re-assessed and delivery targets set accordingly. The current financial position of the NHS means it is very difficult to transform services at the same time as handling ongoing enormous pressures on existing services, finances and resources.

Service redesign

27. Part of the responsibility of the NHS in Wales, especially in these economically straitened times, is to be open about the difficult choices we face. Of course the NHS can make the current model more cost-effective through efficiency by 'doing the right thing', reducing the costs of delivering services and workforce redesign. However, there are only so many costs that can be taken out of the existing models.
28. The challenge here is that there is limited flexibility to shift significant investment away from treatment services when the current demands on the health service are so great. Therefore, this is an extremely difficult, yet vital, task and the health service will need support to do this.
29. In parallel, the NHS needs to channel resources into new care pathways, preventative measures and more cost-effective models of care, which can generate efficiency savings from 'doing the right thing' in the first place. Moving resources into new models of care won't be easy and evidence suggests it takes time for us to see the benefits.
30. Prioritising services and spending means that the people of Wales, NHS staff, partners and politicians must be prepared to accept and support new and different ways of delivering services, while taking more responsibility for how they use those services.

Capital Funding

31. We support the additional £33.5m allocated to capital for NHS equipment, ICT and infrastructure. The shortage of capital funding is a very particular barrier to service change. In order to consolidate services and make them more efficient to release revenue there will need to be a significant investment in buildings, equipment and information and communication technology in the secondary care sector but also in primary and intermediate care.
32. We welcome the recently launched digital strategy for Wales^{xi} and it is important that capital funding is made available for IT services. If we are going to move into modern ways of working we must fully embrace the opportunities that IT and digitisation can bring.

Engaging with the public

33. We believe that the people of Wales understand that the current economic climate affects not only the size of the budget for public services but also how it is used. We know that the NHS in

Wales must do more to involve the public and patients, staff and partner services in explaining and working through the choices that need to be made. We must have honest conversations with the public about what the NHS can and cannot provide and what their role and responsibilities are in terms of using health services in the right way and maintaining their own health and well-being.

34. Health Boards and Trusts are committed to improving arrangements for involving all these groups, explaining priorities and continuing the development of a modern, safe, quality, value-for-money health service. There are positive examples from NHS Wales of engaging with the public for the re-design of local services and to make savings, including:
 - a. Through the local development of services that allow patient activity to be brought back to a local area;
 - b. By developing new service responses to growing demand;
 - c. By creating patient-focused alternatives;
 - d. By shifting services and resources more appropriately to the community; and
 - e. Simply by continuing to focus on more patient activity and efficiency.
35. In addition to the role of Health Boards and Trusts in engaging with the public, politicians must play a leadership role in ensuring that the debate around the NHS is constructive. As our briefing 'The 2016 Challenge: A vision for NHS Wales' highlights, all National Assembly candidates should recognise that change in the way we organise care is necessary, and help to ensure debates about change focus constructively on people's outcomes, experiences and well-being.

Integration

36. The NHS must consider the impact of the budget settlement and funding reductions to Local Authorities, and wider partners, who support healthcare service delivery.
37. Integration across the whole public sector is important. Unless we develop a truly coordinated approach to care, public funding will continue to grow to fund demand with a diminishing rate of return. Budget cuts can create tensions between those in the public sector but good relationships are vital if we are to transform services.
38. To provide patient-centred care, collaborative working is vital. Integration needs to happen, both within and outside the health service. We support the additional £21m to social services and allocating £30m additional funding to the Intermediate Care Fund, which strengthens the integration between health and social care. The NHS will not be able to rise to the challenges it faces without the help of our colleagues in other sectors, including housing, education and, in particular, those in social services. The health and well-being of the population is not the sole responsibility of the NHS - everyone must come together to play their part. At the same time, the NHS must build on its ability to work with others in order to provide services which are not only person-centred but also help to reduce health inequalities and improve patient outcomes.
39. We also recognise that any extra money given to NHS Wales from the Welsh Government's budget means it cannot be spent elsewhere. Therefore we want to underline our commitment to collaborate with colleagues across sectors; seeking new ways of working to deliver timely services which meet the needs of the people of Wales.
40. The Welsh NHS Confederation believes that Wales, given its size, structure and close links, has a golden opportunity to achieve so much when it comes to integration. The Welsh NHS

Confederation is working with ADSS Cymru on a project called Delivering Transformation to assist transformational change across social services and health.

41. Alongside this, there is a need for honest conversations with the public about how greater integration will impact on local services. An increasing proportion of resources will go to community-based interventions, prevention, social support and primary care. Services will need to be transferred out of hospital, but in a way that does not compromise access or outcomes.

Preventative spending

42. Measures to protect preventative programmes at 2015-16 funding levels (such as Flying Start) are welcomed in the context of a wider real terms Welsh Government funding reduction. In the context of wider population health gain and preventative spending programmes' impact on the longer term demographic trends and health service needs, this could result in the continued development of such programmes not fulfilling their potential.
43. Unless we get serious about prevention, health needs will continue to grow, putting more pressure on our universal healthcare system. Services provided by the NHS in Wales cover both prevention and treatment-based services. Evidence has long been put forward that the amount that the NHS spends on preventative services is too little and that there are significant health and economic gains from shifting the emphasis of the NHS from a treatment to a preventative service. The challenge is that the Welsh Government and NHS bodies have limited flexibility to shift significant investment away from traditional treatment services when the current demands on the health service are so great.
44. As a result, investment in new preventative initiatives tends to be linked with specific policy initiatives funded (usually) by top sliced allocations taken from the NHS budget. There is a challenge both for the Welsh Government and NHS bodies to demonstrate that this approach is effective and to ensure that plans produced by the NHS are tested in terms of the investment in preventative services and the expected outcomes and timelines.

Conclusion

45. The Welsh NHS Confederation does not underestimate the massive challenge of public service budget setting in a time of austerity. The Welsh NHS Confederation, and our members, remain committed to doing the very best we can to continue to provide an NHS, in partnership with other public services, which supports the people who need it most, and helps the population generally live healthier lives. But we can only do what we can afford to do. All parts of the NHS in Wales have been making changes to the way services are organised. The fact is that, with funding very tight, the NHS will have to continue to make difficult decisions about the future shape of healthcare services and about priorities. We will also have to strengthen our relationships with others in order to rise to the many shared challenges that public services face. To achieve all of this, the input and support of the public, politicians and staff is vital.

ⁱ Bevan Commission, Mansel Aylward, Ceri Phillips, Helen Howson, December 2013, 'Simply Prudent Healthcare – achieving better care and value for money in Wales – discussion paper'.

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- ii The Welsh NHS Confederation, October 2015, 'The 2016 Challenge: A vision for NHS Wales'.
 - iii Wales Audit Office, December 2015, A Picture of Public Services 2015.
 - iv Wales Audit Office, December 2015, A Picture of Public Services 2015.
 - v Nuffield Trust, June 2014. A Decade of Austerity in Wales?
 - vi The Welsh NHS Confederation, October 2015, 'The 2016 Challenge: A vision for NHS Wales'.
 - vii Welsh Government, StatsWales, July 2013. Population projections by local authority and year.
 - viii Nuffield Trust, June 2014. A Decade of Austerity in Wales?
 - ix NHS Wales Shared Services Partnership, January 2015. NHS Wales Workforce: Key themes and trends.
 - x Welsh Government, StatsWales, March 2015. Health and Social Care, NHS staff by staff group and year.
 - xi Welsh Government, December 2015. Informed Health and Care: A Digital Health and Social Care Strategy for Wales.