Committee *for* Health & Social Care

THE REVIEW OF DRUGS, TREATMENTS AND DEVICES

Proposals from the Committee *for* Health & Social Care to implement changes to drug funding policy

Introduction

Today, the Committee *for* Health & Social Care is publishing its proposals to implement National Institute for Health and Care Excellence (NICE) drugs and treatments with technological appraisals (TAs). This follows a review undertaken by Solutions for Public Health (SPH)[1], in accordance with a resolution of the States arising from the amended Roffey Requête debated by the States of Deliberation in December 2018 (P2018/91).

The review has resulted in the production of two reports which the Committee is also pleased to publish today. The first report entitled "The Review of Drugs and Treatments: Options Appraisal" sets out the current position, various options in relation to the adoption of NICE TAs, together with the strengths and weaknesses of each, as well as an analysis of the views of medical professionals, elected representatives and the public following workshops undertaken earlier in the year. The second report entitled "Additional Costs for the Implementation of NICE TAs" is a detailed analysis of the expected implementation and ongoing running costs associated with the introduction of new drugs and treatments.

The Committee is very grateful to SPH for an excellent piece of work. The reports demonstrate the sheer complexity of establishing a policy for accessing drugs and treatments, but have also enabled HSC to present proposals based on detailed, impartial and expert evidence.

HSC has considered the reports at length and discussed its proposals with SPH, the Policy & Resources Committee and the Committee *for* Employment & Social Security. A Policy Letter will be published later this summer and will offer more detail about the Committee's recommendations for change. However, HSC believes it is important that its proposals are published as soon as possible in order that they are seen in the context of its current financial position and ahead of the budget setting process for next year.

The current policy has, to a large extent, been in existence for the last 17 years and has been effective in controlling the rate of increase in health costs over a period of considerable budgetary restraint. However, this approach has created disparity between the drugs available to patients in England and those available to patients in the Bailiwick. HSC believes that the gap is now too large to be acceptable and a change of policy is necessary if this is not to worsen.

Summary of proposals

The Committee proposes, in summary, that;

1. The States should move towards funding all NICE TAs.

[1] Solutions for Public Health is a National Health Service (NHS) public health consultancy that consists of a multidisciplinary team offering public health, clinical, research and analytical expertise (www.sph.nhs.uk).

2. The move towards funding NICE TAs should happen in stages based on a universally accepted method of differentiating drugs, known as the incremental cost effectiveness ratio (ICER).[2]
3. Year 1 should see the introduction of NICE TAs with an ICER of up to £30,000 and year 2 should introduce further drugs and treatments with an ICER of up to £40,000.
4. The ability to include non-NICE TAs should be retained to ensure best value for money.
5. A review to be undertaken at the end of Year 2 will assess the impact of the above changes and whether they have had a material impact on patient outcomes. This will determine the approach to the next stages of work to introduce drugs and treatments with an ICER value above £40,000.
6. Current policies and processes will be reviewed in light of 1 -3 above and information available to the public improved to ensure greater transparency.

The cost implications of the proposals will be £5.3m in Year 1 and £8.1m in Year 2. The full costs as all NICE TAs are introduced are set out below. It is important to note that they do not include additional NICE TAs approved over the coming years which approximate to 70 per annum.

Year	ICER Range		New patients			Backlog			Additional Running costs	**Overall total**
	In-year addition	***Cumulative***	*In-year addition*	*Brought forward*	***Cumulative***	*In-year addition*	*Brought forward*	***Cumulative***		
			£m	£m	**£m**	£m	£m	**£m**	£m	**£m**
1	<£30k	**<£30k**	1.5	0	**1.5**	3.1	0	**3.1**	0.7	**5.3**
2	£30k-£40k	**<£40k**	1.0	1.5	**2.5**	1.6	3.1	**4.7**	0.9	**8.1**
3	£40k-£50k	**<£50k**	1.3	2.5	**3.8**	1.2	4.7	**5.9**	0.9*	**10.6**
4	£50k-£100k	**<£100k**	0.6	3.8	**4.4**	0.8	5.9	**6.7**	0.9*	**12.0**

** The additional running costs for years 3 and 4 relate only to those drugs and treatments with an ICER of less than £40,000 introduced in years 1 and 2. The ongoing running costs for drugs and treatments with an ICER value above £40,000 are unknown at this time. The £0.9m figure shown above therefore represents the minimum expected running costs in years 3 and 4.*

Reasons for the proposed phased approach to implementation are:

1. Additional staff will be required to implement and run the new system. Additional work undertaken by SPH has identified the need to increase resources in pharmacy, nursing, radiology and pathology. These additional resources are estimated to cost £700k in Year 1 and £900k in Year 2.

2. To implement NICE TAs above £40,000 will require infrastructure changes to the Princess Elizabeth Hospital (PEH) which will need incorporating into Phase 2 of the Hospital

[2] An ICER is a ratio of the difference in the mean costs of an intervention compared with the next best alternative to the difference in mean health outcomes. ICERs are expressed as a cost (in £) per QALY gained. A QALY (Quality-Adjusted Life Year) is a single unit of health gain that combines both expected years of life gained and quality of life gained.

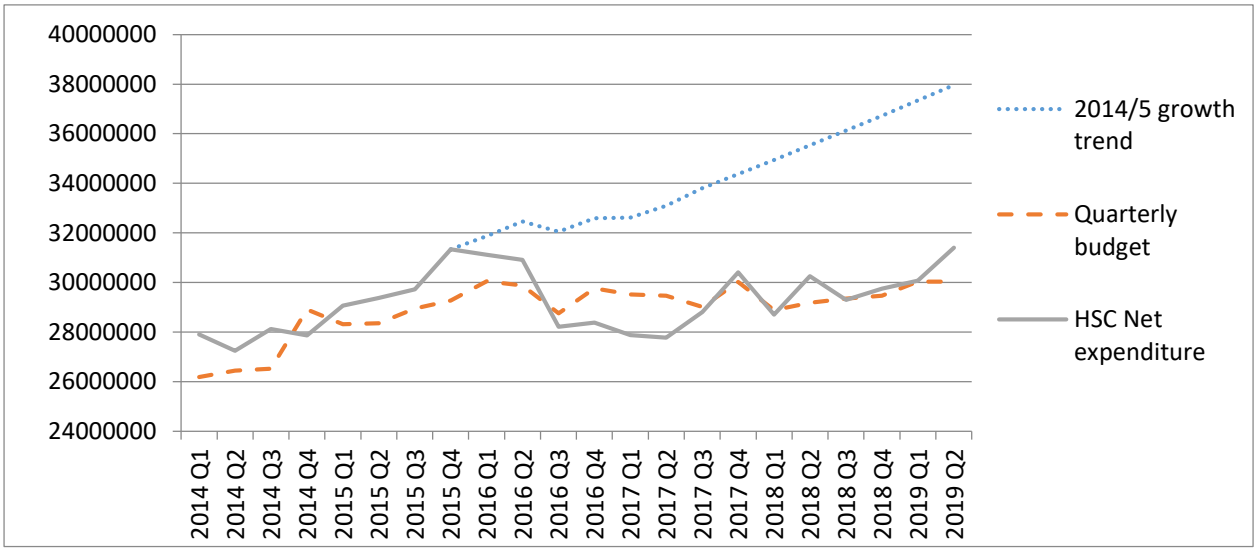
Modernisation Programme. This is also likely to impact resource requirements, although unknown at this stage, and have not been included in the estimates given above.

3. As set out in the accompanying reports from SPH, NICE Social Value Judgements states that advisory bodies need to make an increasingly stronger case for interventions above an ICER of £30,000. HSC believes there is a case to move to £40,000 but given the need for increased infrastructure requirements and resources above this amount, a review should be undertaken to assess whether the changes are having an impact. The fact that this is likely to have an opportunity cost on other areas of health and care also makes it important to have such a review.

Budgetary Pressures

It is important that the above proposals are seen in the context of HSC's considerable budgetary pressures.

Savings of over £6m have been made since May 2016 in addition to which HSC has already made the savings it identified it could make for 2019, totalling £945,000. The impact that transformation has had on the bottom line of HSC's budget, compared to a trajectory of spend extrapolated from 2014-2015 increases in net expenditure (the dotted line), is shown below.



However, it is expected that this year HSC will overspend its budget and the principle reason for this is down to its own success. Due to an excellent recruitment drive, at the end of June 2018 there were 83 Registered Nurse vacancies within acute services and we are expecting a reduction to just 29 vacancies by September. The reasons why this causes problems are as follows;

1. Some of those staff are treated as super-numerary for the first few months of their employment. This has proven to be beneficial for those staff and the existing workforce whilst they bed-in and helps retention. However, during this time, there are in effect, double running costs;
2. A vacancy factor, which basically represents a percentage cut in the pay budget, is in place on the basis that, in common with the rest of the States of Guernsey, HSC has never been

able to fully recruit before. In effect, the pay budget is lower than it should be were HSC fully staffed. The use of the vacancy factor now needs to be questioned; and

3. There is no slack in the budget to be able to cope with issues that arise and can't be predicted. There have been a number of unprecedented issues that have arisen this year that have required expensive locum cover for which there is no budget.

The ageing demographic, a growing demand for increasingly specialist services, together with general developments in modern healthcare, are also having a very real impact on the bottom line. Demand is growing at an increasing rate. Occupancy in the PEH has increased by 10% in the last year with similar growth in community services. Radiology demand has increased by 25%. Increased demand means increased activity and the need for more staff. In addition, cases are becoming increasingly complex and people are living longer with multiple conditions. The health and care pressures arising from an ageing population are having a real and tangible impact on costs, estimated to result in additional expenditure of £1m year on year.

It is due to the above that HSC is submitting a budget this year of c.£131m, which represents a c.£12m increase on HSC's 2019 cash limit, excluding the Year 1 costs of implementing NICE TAs of £5.3m, consideration of funding of Primary Care and any pay increases that may be agreed.

In addition to the funding pressures arising from an ageing population, HSC wishes to invest in the following essential areas:

- Enhancing Community Mental Health and Wellbeing Services to address identified gaps in provision between primary and secondary care
- Increased CAMHS capacity
- Diabetic retinopathy screening programme
- Community nurses for Alderney
- Increasing theatre nurses
- Increased radiology resources
- Community paediatrician

Conclusion

HSC believes it is important that the decision as to how to implement NICE TAs is not made in isolation but seen in the context of the budgetary challenges it faces, which should not be unexpected. KPMG stated that a £20m funding gap would exist by 2027 even after transformation. After years of disciplined spending across HSC it is clear that current budget levels are unrealistic before even considering bringing in new drugs and treatments. Just looking at the latter without addressing the underlying pressures being faced will result in growing opportunity costs across the rest of the service and ultimately lead to greater funding pressures further down the line.

The proposals to fund new drugs and treatments must also been seen in the context of the Partnership of Purpose. This sets out a roadmap for the wider transformation of health and care that focuses on the prevention of ill health; ensuring fair access to care for all and the delivery of user-centred services. With the above budgetary challenges in mind, the Committee is mindful that funding new drugs and treatments should not be at the expense of other investments in the health service which support the long-term transformation of health and care.

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