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Aberdeen City Health & Social Care Partnership
A caring partnership

To: Jonathan Passmore MBE (Chairperson); Councillor Len Ironside CBE (Vice Chairperson); and Councillors Cameron, Donnelly and Young; and Rhona Atkinson, Dr Nick Fluck and Professor Mike Greaves (NHS Grampian Board Members); and Mike Adams (Partnership Representative, NHS Grampian), Jenny Gibb (Professional Nursing Adviser, NHS Grampian), Jim Currie (Trade Union Representative, Aberdeen City Council (ACC)), Bernadette Oxley (Chief Social Work Officer, ACC), Kenneth Simpson (Third Sector Representative), Dr Howard Gemmell (Patient and Service User Representative), Gill Moffat and Faith-Jason Robertson-Foy (Carer Representatives), Dr Stephen Lynch (Clinical Lead, Aberdeen City Health and Social Care Partnership (ACHSCP)), Dr Satchi Swami (Secondary Care Adviser, NHS Grampian) and Judith Proctor (Chief Officer, ACHSCP).

Town House,
ABERDEEN, 1 March 2017

INTEGRATION JOINT BOARD SPECIAL BUDGET MEETING

The Members of the **INTEGRATION JOINT BOARD** are requested to meet in Meeting Room 5, Health Village on **TUESDAY, 7 MARCH 2017 at 12.30 pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

DECLARATION OF INTERESTS

1 Members are requested to intimate any declarations of interest

DETERMINATION OF EXEMPT BUSINESS

2 Members are requested to determine that any exempt business be considered with the press and public excluded

3 IJB Budget (Pages 3 - 26)

4 Prescribing Report (Pages 27 - 64)

Website Address: http://www.aberdeencityhscp.scot/

Should you require any further information about this agenda, please contact Iain Robertson, 01224 522869 or iairobertson@aberdeencity.gov.uk

Aberdeen City Health & Social Care Partnership
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INTEGRATION JOINT BOARD

Report Title	Budget 2017/18 - Update
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author	Alex Stephen, Chief Finance Officer
Date of Report	24 February 2017
Date of Meeting	7 March 2017

1: Purpose of the Report

i) To update the Integration Joint Board (IJB) on the funding delegated by Aberdeen City Council and NHS Grampian for health and social care activities in 2017/18.

ii) To advise on the budget pressure facing the Integration Joint Board in 2017/18 and the budget savings identified by officers to close the funding gap.

iii) To highlight to the Integration Joint Board the position with regard to the Board's reserves and future year budget projections along with budget risks and assumptions underpinning the budget.

iv) To seek approval of a budget protocol to be used in future financial years for the creation and approval of the IJB Budget.

2: Summary of Key Information

2.1 Funding for 2016/17

The Integration Joint Board (IJB) has a responsibility to set a balanced budget for 2017/18 as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The funds for the Integration Joint Board are delegated from Aberdeen City Council and NHS Grampian with the purpose of delivering the IJB's strategic plan. In 2016/17 the level of funding delegated at the start of the financial year was as follows:

	£'000
Aberdeen City Council	88,160
NHS Grampian	152,930
Integration and Change Funds (from Scottish Government via NHSG)	14,375
	255,465

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The financial position for 2016/17 has remained relatively stable with the only major budget issue identified to date being an increase in prescribing costs. At the 31 December, the position shown is an overspend on mainstream budgets of £1,480,000, which is more than offset by an underspend on the integration and change funds of £10,630,000, providing a net underspend of £9,150,000. The figures to the end of January are still being finalised, however, they show a reduction of almost £200,000 in the prescribing forecast.

As the delegated funds come from Aberdeen City Council and NHS Grampian the level of funding available to the IJB is heavily influenced by these organisations' grant settlements from the Scottish Government.

2.2 The Provisional Grant Settlement

The Cabinet Secretary for Finance and the Constitution announced the draft Scottish Government budget on the 15 December 2016. As a result of this announcement the provisional grant settlement figures were provided to both local government and the national health boards.

Both Aberdeen City Council and NHS Grampian face challenges balancing their respective budgets due to budget pressures exceeding the level of funding available. This is consistent with most public sector organisations with inflationary pressures for pay and non-pay exceeding the level of funding available and budget reductions being required to close the funding gap.

The settlement information from Scottish Government to both organisations make mention of the IJB.

The Council Grant Settlement letter indicated the following:

- The additional £250 million support for health and social care provided by NHS through the Integration Fund in 2016-17 will be base-lined from 2017-18 and in addition, this will be increased by a further £107 million to meet the full year costs of the joint aspiration to deliver the Living Wage for social care workers, sleepovers and sustainability (£100m) and removal of social care charges for those in receipt of war pensions and pre-implementation work in respect of the new carers' legislation pressures (£7m);

- To reflect this additional support local authorities will be able to adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion.

The NHS Grampian budget information, indicated the following:

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- An acknowledgement that their share of the £107 million identified above had been included in their settlement.

- An expectation that the IJB budget allocations should be maintained at minimum of 2016/17 levels, less any one off adjustments.

- The Alcohol and Drugs Partnership funding to be baselined in the IJB budget.

- An extra £500 million to be invested in Primary Care by end of the parliament with £72 million identified in 2017-18. This is not included in the NHSG settlement figures at present and more information on how this will be made available, what it can be spent on and the arrangements for accessing the funds are expected in due course.

- An extra £30 million of funding identified in 2016-17 for mental health, some of these funds may come to the IJB in due course.

For Aberdeen City IJB, of the £107 million identified above an additional £4.130 million is being made available for the living wage, sleepovers, sustainability, war pensions and preparation for the carers' bill. Of this, the following detail applies:

- The living wage funding is required to fund the full year effect of 6.4% (previously agreed by the IJB for six months) and the increase in the living wage from £8.25 to £8.45 from 1 May 2017.

- The funding for sleepovers is to provide funds to ensure that the providers pay at a minimum HMRC rates for staff providing sleepover cover, rather than a 'per night' payment. The Scottish Government has indicated that the sleepover funding will be reviewed during the year to establish the level of need, as most IJBs are looking at ways to redesign sleepover arrangements to reduce costs.

- The 'sustainability' element is for providers who have historically paid low rates to bring them up to the levels paid by other providers.

- The war pension element of funding will allow this income to be disregarded for financial assessment purposes – this will have an effect of reducing potential income from Charging Policies.

- The final element of funding will allow IJBs to start making preparations for the forthcoming carers' bill.

Aberdeen City Council agreed to remove its share of the £80 million from the IJB's budget on 22 February 2017, as indicated in the grant settlement. This will mean a cash reduction for the IJB of £3,090,000 along with the accommodation of budget

pressures amounting to £895,000, resulting in a total savings figure of £3,985,000.

NHS Grampian officers are recommending to their Board a flat cash settlement (adjusted for any one off additional funding), which will require savings or budget reductions to cover the budget pressures identified of £3,093,000. Note the initial prescribing budget pressure of £1,500,000 has been reduced by £941,000 as indicated in the prescribing report.

2.3 Budget Pressures

Consistent with the majority of public sector organisations, the IJB has a number of budget pressures which it needs to consider during its budget process. One of the principles used in this budget process is that we should only be budgeting for the current level of service, no more and no less. All the budget holders have been involved in collating the budget pressures which they feel will be incurred during 2017/18 and some of these have been reviewed and discounted by the IJB Executive Team. The budget pressures amount to approximately £7 million and are summarised below:

	£'000
Staff Increments and Pay Awards	2,206
Apprenticeship Levy (0.5%)	415
Bon Accord Care (pay and non-pay Inflation)	255
Prescribing	559
Hosted Services Budget Pressures	522
Energy and Business Rates increases	31
Aberdeen City Council (share of £80m)	3,090
Total Budget Pressure	**7,078**

2.4 Budget Savings

The extended management team of Aberdeen City Health and Social Care Partnership have been reviewing their budgets to establish where savings can be made.

It is challenging to identify savings in social care and health given that demand is likely to increase due to demographic movements. Also, a large proportion the budget is either:

- Contractual,
- Subject to Limited Control – Prescribing,
- Hosted – requires all three IJBs to agree to an adjustment.

This combined with some historical efficiency savings which have not been achieved on the health side of the budget makes finding further savings difficult.

However, following this comprehensive process it has been possible to identify budget savings amounting to £4,837,000 which are detailed in Appendix A of this report. These savings will not have a material impact on the delivery of the strategic plan. Should the IJB be minded to agree these budget savings then the level of budget gap will reduce to £2,241,000. It is the view of the Executive Team that any further savings identified at this point would impact on clients, and the delivery of services and the strategic plan and would need to be agreed by the IJB before being implemented.

2.5 Integration and Change Funding

The Integration Joint Board has an ambitious strategic plan which seeks to transform the health and social care services under its remit within Aberdeen City. In order to facilitate this additional funding has been provided by the Government which can be used to help transform services, support integration and reduce delayed discharges. This additional funding is now all mainstreamed and recurring. It is important to note that whilst the allocation of this funding is extremely useful in terms of delivery of the strategic plan, other services are being transformed from within mainstream budgets on a continual basis. A good example of this is the public health and wellbeing team who are now undertaking new duties linked to the delivery of the strategic plan. In reality the whole budget is available to integrate, change and transform.

All transformation projects of this scale require time to implement, as officers want to ensure that the projects will deliver the required benefits before rolling out across the city. This is one of the reasons that the spend accounted for against the integration and change fund has been slow to materialise. The Executive Team have reviewed the spend commitments from the funds and the governance process for agreeing new projects. A report will come forward to an IJB meeting in due course detailing these proposed changes.

The plans for transformation are large and ambitious. Therefore, the Executive Team of the IJB have identified the following key priorities which they will seek to deliver over the financial year 2017/18:

- Develop business case for acute care @ home,
- Establish link workers in city,
- Localities shadow operation\notional budgets,
- Continue work on carers strategy,
- Develop commissioning strategy and more forward market facilitation,
- Testing the buurtzorg model.

Officers recommend that the budget be balanced by using £2,241,000 from the integration and change budget in 2017/18. The basis for this recommendation is as follows:

- The level of integration and change funds available,
- The conditions associated with the grant settlement,
- The fact that mainstream budgets are also being used for transformation purposes,
- That this transfer is on a one off basis,
- The Executive Team continues to work to identify budget efficiencies during 2017/18 which don't impact on service delivery,
- All budgets are now mainstreamed and recurring.

Further information on the level of integration and change funding is contained in Appendix C.

2.6 Reserves

The IJB agreed its reserve strategy earlier this year. It was agreed that the IJB's position on reserves would be considered during the budget and year-end processes. During the budget process it is important to consider the adequacy of the reserves available to the IJB.

Good financial governance would indicate that reserves should be allocated for a specific purpose aligned to the strategic plan. Therefore, it is proposed to earmark £2.5 million of the integration and change fund underspend as a risk fund. The intention of this fund is to cover the IJB should some of the budget risks identified in the setting of the budget change over the financial year. This equates to 1% of the mainstream budget and if necessary will be available to support the health and social care services indicated in the strategic plan.

During the budget process it was identified that some equipment requires to be replaced. Rather than hold a separate budget for this, it is proposed to earmark £500,000 in the general reserve to provide a provision for replacing equipment for health and safety reasons. Equipment includes items that support people to live at home such as specialist beds and mobility aids.

The remainder of the funding would be earmarked in the general reserve for integration and change purposes.

2.7 Budget Assumptions

Setting any budget requires an acceptance of risk and the use of assumptions or estimates. The budget risks are documented in Appendix D of this report. The major budget assumptions are detailed below:

Bon Accord Care:

Bon Accord Care is the IJB's largest service provider. Bon Accord Care is block funded by the IJB and is a wholly owned subsidiary of Aberdeen City Council.

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Senior Officers from Bon Accord Care have been made aware of the financial position of the IJB and the requirement to make budget savings. The IJB is asked to approve the following budget for Bon Accord Care in terms of the block funded element of their contract.

	£'000
2016/17 Contract Level	26,150
Pay Inflation	224
Incremental Drift	161
General Inflation	23
Postages	9
Apprenticeship levy	112
2016/17 Budget Gap	286
Adjustment to Childrens Services	(116)
Savings required	(560)
2017/18 Contract Level	**26,289**

The Senior Officers in Bon Accord Care are currently working on efficiency savings to be delivered and these will be reported to the IJB on 28 March 2017.

Commissioned Care Providers:

Commissioned, external care providers play an important role in providing services to the people of Aberdeen. Work is being undertaken by the Partnership to develop a market facilitation plan and commissioning plan. Both these documents will come before the IJB in due course.

As can be seen throughout this report it is anticipated care providers not covered by the national care home agreement will receive additional funding where applicable for sleepovers, the living wage full year effect and the increase in the living wage. No provision has been made in the budget for a general budget uplift given the financial position of the Partnership. Care providers covered by the National Care Home Contract will receive the nationally agreed uplift once finalised.

Clinical & Care Governance:

The savings options identified are not anticipated to have an impact on clinical or care governance. Should any clinical or care issues arise the Executive Team will attempt to put mitigations in place to reduce these issues. Should this not be possible, then the matter will be reported to the Clinical & Care Governance Committee and then the IJB should they deem appropriate.

Staff Involvement and Engagement:

Budget discussions and proposals have been led by the Executive and Senior Operational Management Team, including lead clinicians and professionals. A

discussion on budget has taken place at the Partnership's staff forum and staff briefings and further discussions are planned. In addition both our partner organisations – NHS Grampian and Aberdeen City Council have developed communication and engagement strategies for staff.

2.8 Future Years Budgets

The most recent grant settlement provides the best indication of future levels of funding likely to be available to the IJB. In order to stand still and cover estimated pay and non-pay inflation, along with the living wage uplift the IJB will have to deliver £6 million savings per annum, unless additional funding is provided by the Scottish Government. Should there be cash cuts in the IJB or partner organisations' funding then the level of savings required may increase.

Attached to this report in Appendix E is a budget protocol for approval which officers have been working on over the last few months. This protocol provides some formality around the budget process and behaviours expected from the IJB, Council and NHS with regard to agreeing future health and social care budgets. The protocol establishes a helpful starting point for future budget discussions and will be reviewed after the 2018/19 budget process. The protocol was agreed by Aberdeen City Council on the 22 February and will also be presented to the NHS Board for approval in due course.

2.9 Budget Process

The process to be followed with regard to setting the budget is detailed below:

- 28 March 2017 – IJB receives seeking approval to distribute funds to providers for the living wage and sleepovers.

3:	Equalities, Financial, Workforce and Other Implications

The equalities implications of the budget and budget savings have been assessed and are believed to have a minimal impact on the protected groups.

There are minimal workforce implications associated with the budget, except that the staff will receive the national agreed pay awards and any increments due. No redundancies have been anticipated or are expected in delivery of the savings. The budget savings do require managers to reduce overtime and training opportunities.

The financial implications are detailed throughout the report.

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4:	Management of Risk

Identified risk(s) and link to risk number on strategic register:

A risk of IJB financial failure with demand outstripping available budgets (risk #2).

How might the content of this report impact or mitigate the known risks:

This report seeks to set a provisional budget for the IJB, which will provide the budget managers with time to start work on delivering savings and services within their allocated budgets.

5:	Recommendations for Action

It is recommended that the Integration Joint Board:

1. Agree the budget savings identified in Appendix A of this report;
2. Agree the use of integration and change funds amounting to £2,241,000 to close the budget gap;
3. Agree the Bon Accord Contract level for 2017/18 of £26,289,000 and budget assumptions noted in section 2.7;
4. Agree the 2017/18 provisional IJB Budget in Appendix B;
5. Agree the earmarking of £2.5 million of 2016/17 underspend into a risk provision and £500,000 for replacement of essential equipment; and
6. Agree the budget protocol in Appendix E;
7. Agree the directions to Aberdeen City Council and NHS Grampian contained in Appendices F and G; and
8. Request that a report be brought back to the IJB on the 28 March with a proposal to distribute additional funding for the living wage and sleepovers.

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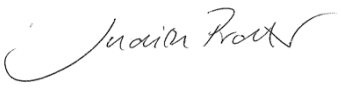
6:	Signatures
	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)

Appendix A

	Budget	Saving £'000	Description	Rationale	Risks
1	Commissioned services inflationary increases	(315)	Care providers would receive no increase in funding other than any increases agreed for sleepovers, living wage and through the National Care Home Contract if applicable.	That providers will receive above inflationary increases for living wage, sleepovers and where applicable the National Care Home Contract.	Providers may not be financial viable without a general inflationary increase and this may result in the number of services provided in the city reducing.
2	Reduce out of authority placements	(125)	Review placements provided by Aberdeen City which should be funded by other councils. A charging protocol is currently being finalised which should provide future financial savings.	Councils have a responsibility to pay for their own clients	The other councils may not fund the care packages and a lengthy negotiation process may be required.
3	Direct payments	(200)	Direct payment clients currently receive a contingency payment amounting to 8 weeks. Change to four weeks contingency.	Reducing the contingency level to four weeks will result in a similar level of contingency as provided by other Councils.	No risks - if clients run out of funding then they will contact the SDS team who will provide support.
4	Care Package Review	(400)	Review care packages to determine whether they are still fit for purpose and meet the eligibility criteria.	Sometimes care packages are in excess of the eligibility criteria and can be reduced as patients' conditions improve. By strictly enforcing the eligibility criteria all clients will receive a consistent level of service. This exercise will be undertaken by an external company.	The review may show areas where the level of service provided is below the eligibility criteria, potentially exposing the partnership to greater costs.

	Budget	Saving £'000	Description	Rationale	Risks
5	Work in collaboration with other Councils to reduce the costs of expensive packages	(50)	Look to reduce the costs of some packages by working in collaboration with other councils.	Some of these packages are expensive and by working together it should be possible to negotiate better rates.	Providers may not accept the lower rates and alternative accommodation and services are scarce.
6	Financial assessment process	(100)	Improve process for calculating financial assessments.	By improving this process clients will know quicker how much contribution, if any, they require to make to their care package. Speeding up this process will give clients more certainty and reduce potential arrears.	The level of additional income that could be generated is difficult to estimate. However, the risk fund would be available to cover any shortfall.
7	Income Generation	(350)	Review charging levels across the Partnership and look for ways to generate more income to support core services - making best use of our assets etc.	Additional income will help to support delivery of core services. There may also be commercial interest in using some of our buildings.	No risks identified at this point, with proposals to come forward at later date.
8	Self Directed Support (SDS)	(59)	Removal of budget for organisation providing support to SDS clients.	Contract has come to an end and has not been renewed. Support now being provided in-house.	No risk
9	Remove historic underspends	(260)	Removal of historic underspends across the partnership.	Funding not required at current level of activity	No risk
10	Outreach team	(280)	These funds were set aside to develop a new team, however, given changes to the structure following integration it is now felt this team should not be established.	Funding and posts are no longer required or fit strategic plan.	No staff are in post so risk of non delivery is low.

	Budget	Saving £'000	Description	Rationale	Risks
11	Training and Overtime	(206)	Managers to consider ways to reduce overtime and training budgets.	These costs can be managed down without having a large impact on service users. Budgets will still exist for overtime and training but at a reduced level.	A reduced level of training may impact on the quality of the service provided by staff. However, this will be mitigated by ensuring that appropriate training opportunities are available and delivered internally.
12	Administration and accommodation review	(100)	Reduce use of administrative bank staff and undertake a review of administrative work undertaken across the Partnership.	There are varying levels of administrative support being provided across the City. The rationale for the review is to establish a consistent level of service and consider how new technology can be used to best effect.	No redundancies will be required as a result of this review and any reduction in posts will be as they become vacant. The majority of this saving will come from bank staff reductions and by having a multi-skilled administrative team.
13	Review of parking across the partnership	(60)	Review number of car parking passes available to staff and rationalise where possible.	It maybe possible to reduce the cost of car parking by having staff claim any allowable costs, rather than being provided with a car parking pass.	Staff can still claim for allowable costs.

	Budget	Saving £'000	Description	Rationale	Risks
14	Review and assessment of the Partnership overall management model	(710)	The Partnership structure has been discussed and agreed previously at the IJB.	Where staff are employed in transformational roles then they should be charged against the integration and change fund. Where it is possible to reduce the number of posts without making someone redundant then this will be considered and actioned.	A report will be brought back on the whole management structure once finalised.
15	Vacancy Management	(1,100)	Establish a vacancy management process for the Partnership to review and scrutinise vacant posts.	There has traditionally been a high level of staffing turnover in the City.	The clinical risk associated with delays in filling posts will be assessed. Critical posts will continue to be filled and bank staff will be used to cover any gaps in front facing services.
16	Hosted Services	(522)	The hosted services are showing a budget pressures across the whole of Grampian.	This has been removed on basis that it requires all three IJBs to agree to an increase or decrease in funding for hosted services.	A budget process for hosted services is being worked on by the three chief officers.
		(4,837)			

Summary of Budget Movements

	2017/18 Total £'000
Budget Pressures:	
Staff Increments\Pay Award	2,206
Bon Accord Care - in year pay award and increments	255
Energy	22
Apprenticeship Levy	415
Rate revaluation	9
Prescribing	559
Hosted	522
Settlement (cash cut ACC)	3,090
Totals Budget Pressures	**7,078**
Budget Savings Identified in Appendix A	(4,837)
Funding from the Transformation and Integration Fund	(2,241)
	0

Aberdeen City Integration Joint Board Budget - Notional 5 Year Position

	Budget IJB 2017/18 £'000	Budget IJB 2018/19 £'000	Budget IJB 2019/20 £'000	Budget IJB 2020/21 £'000	Budget IJB 2021/22 £'000
Community Health Services	30,554	32,030	33,507	34,983	36,460
Aberdeen City share of Hosted Services (health)	21,620	22,142	22,664	23,186	23,708
Learning Disabilities	21,540	21,744	21,948	22,152	22,356
Mental Health & Addictions	14,783	15,415	16,047	16,679	17,311
Older People & Physical and Sensory Disabilities	64,595	66,004	67,413	68,822	70,231
Head office/Admin	234	293	352	411	470
Central Living Wage/inflation provision etc	2,079	3,224	4,369	5,514	6,659
Criminal Justice	43	177	311	445	579
Housing	1,860	1,860	1,860	1,860	1,860
Primary Care Prescribing	39,869	40,428	40,987	41,546	42,105
Primary Care	36,060	36,060	36,060	36,060	36,060
Out of Area Treatments	1,220	1,220	1,220	1,220	1,220
Resource Transfer	17,640	17,640	17,640	17,640	17,640
Sub Total: Mainstream position	**252,097**	**258,237**	**264,378**	**270,518**	**276,659**

The amount of integration and change funding for 2017/18 is as follows:

	£'000
Integrated Care Fund – baselined	3,750
Delayed Discharge – baselined	1,125
Social Care Transformation Funds (share of £125 million- baselined)	4,750
Social Care Transformation Funds (share of £125 million- baselined)	4,750
Share of £107 million for living wage etc.	4,130
Primary Care share of £72 Million	TBC
Mental Health share of £30 Million	TBC
Total 2017/18 allocation	**18,505**
Plus: 2016/17 Carry Forward based on position at end of December 2016	9,150
Total Funds Available	**27,655**

	£'000
Implications of the £107 million:	
Living Wage – additional 6 months of funding to the providers	1,600
Living Wage – move from £8.25 to £8.45 for 11 months	1,145
Sleepovers (under review)	1,113
National Care Home Contract Inflation (still under negotiation)	912
War Pensions Income	18
Carers Bill preparation costs	78
	4,866
Anticipated Spend 2017/18:	
Transfer to support social care re the 2016/17 settlement	4,750
Projects planned in 2017/18	7,861
Total spend anticipated in 2017/18	**17,477**

The financial implications of the settlement re additional £107 million have been costed on an indicative basis and are likely to reduce following discussions with the providers.

Budget Risks **Appendix D**

Demographics

The projected increases in the older population will continue to place services under pressure. No provision has been made for demographic movements and the services will need to absorb any movements within the current budgets as they are doing in the current financial year.

Complexity of Care

Increasingly the Partnership is required to provide services for individuals requiring a higher level of care than would have been required previously. The Partnership has shown that it can manage the financial consequences of the higher level of care and will continue to do so.

Care Providers

The majority of social care is provided externally and should a provider decide not to deliver care within the city then this will leave a gap in service provision which might be difficult to fill. This risk is on the Board's strategic risk register and will continue to be monitored frequently.

Localities

As localities are developed and budgets are devolved to new budget holders then the risk of under or overspend increases. This will be mitigated by a comprehensive financial training package for all budget holders in Partnership.

Pay Awards

Pay awards are agreed nationally and this might be at a rate greater than the budget provision allocated. The reserves will provide a financial cushion if required, while recurring savings are identified.

Inflation

Inflation rates are rising and whilst the majority of the Partnership's budget are not impacted by inflation, there could be some minor inflationary budget pressures which the Partnership will need to manage during the year.

Staffing levels

High levels of staff turnover are experienced in some services. The provisional budget includes a saving in relation to staff turnover. If the level of turnover changes due to the employment market conditions in Aberdeen then this may impact on delivery of this saving.

Clinical Standards

The delivery of budget savings is not expected to impact on clinical standards. This will be monitored by staff and the clinical and care governance committee.

Future Budget Cuts and Transformation

It is likely that budget savings will need to be found in future years. The view of the Executive Team is these savings should come from integration and transformation activities. If these activities don't generate the required level of savings or funding saved by the IJB in acute sector isn't passed to the IJB, then there is a risk future budgets will not be balanced.

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Appendix E

BUDGET PROTOCOL BETWEEN ACC, NHS GRAMPIAN AND THE ABERDEEN IJB

BACKGROUND

With the inception of the Aberdeen City IJB in February 2016, Aberdeen City and NHS Grampian budget setting approaches will need to be adapted to take cognisance of the IJB. It is important that the IJB is allowed to undertake the duties that have delegated to it by the council and the health board under the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with the spirit of the legislation the council and the health board will no longer decide upon the strategic priorities for the delivery of delegated health and social care services, rather this will be the responsibility of the IJB.

However, the council and the health board will contribute a very substantial sum of money to the IJB and on this basis it is clearly important to give confidence to all elected members of council and board members of NHS Grampian about the types of services and strategic planning that the IJB will be considering. Through an agreed approach, it is hoped that the council and the health board will feel able to agree and support the strategic priorities of the IJB and budget appropriately for the money required for the IJB.

In the spirit of fostering closer pan public working it should however be borne in mind that both parent bodies (the partner organisations) do have significant legal responsibilities. In relation to the Council it has a statutory requirement to set a balanced budget each year and therefore this statutory obligation will take precedent as defined in the Local Government (Scotland) Act 1973 and other subsequent legislation. NHS Grampian is also expected by the Scottish Government Health Department to set a balanced budget each year.

There is a complexity to the IJB role that is important to understand. It identifies its strategic priorities and identifies the resource required to deliver these priorities and in theory then sets a direction to both of its partners (ACC and NHS Grampian) to fully fund these priorities. Of course, in reality, both partner organisations have many calls on their resource and will be unable to simply fund a set of priorities. The reality of this new complexity demands that the executive team of the IJB are fully aware of the financial pressures being faced by both partner organisations and that the articulation of priorities for funding purposes is done in partnership/negotiation with the executives of both partner organisations. Without such an approach, the risk to all parties is that a settled budget cannot be agreed.

In all of the complexity of the model, the key to success is that we maintain the sense of “we” that has been a feature to date i.e. -we are all in this together. Collaboration by definition requires a “we” that encompasses all relevant perspectives to enhance solutions

and decisions. Expanding our sense of "we" involves building cooperative, collaborative, mutual working relationships by linking our ideas together to create something better than any of us could have done individually. It is important to create this sense of collaboration through building a collaborative approach to budgeting.

Stage 1 : EXECUTIVE ENGAGEMENT

i) Principle of Openness , Transparency and Engagement

It is important that an open book approach is taken across all 3 executive teams and that business is conducted on a "no surprises" basis. The ability of the IJB executive team to be sighted and involved in the respective budget processes and work in both organisations is essential.

ii) Approach to savings

There are 2 elements of engagement required. Firstly, the executive team of the IJB needs to manage the integration of thinking about cost savings between delegated NHS services and the city council adult services. Part of the rationale for integration of the systems is that it will drive out financial savings as a result of the elimination of duplication and waste between the 2 systems. Of course, historically, the 2 systems are only familiar with realising single system savings and so the management team will need to be very systematic in the identification of duplication and waste over the 2 systems. Secondly, of course, the IJB does not sit in isolation – it is part of the wider systems of ACC and NHS Grampian as well as being part of the whole Aberdeen "place" system. It is therefore critical that the IJB executive and management teams, engage with the wider systems of the ACC and NHS Grampian to identify scope for synergies and thus savings across these wider systems and also to ensure there are no unintended consequences on these wider systems from the saving decisions of the IJB, or on the IJB from cost reduction decisions taken by the Partners. Unless this wider engagement takes place, we are at risk of having created just another silo through the IJB

iii) Timing of Engagement

Engagement is critical throughout but critically important before the budget papers are formally presented to the council, any NHS forum and the IJB. It's important that the timings of these meetings and the associated disclosure is synchronised. Once the Scottish Government settlements for both partner organisations is known, including the details of any "conditions", it is critical that the 2 CEO's, Chief Officer (Joint Accountable Officer) and 3 CFOs come together in order to navigate the IJB's priorities into a funding award based on the available resource to the parent bodies.

INTEGRATION JOINT BOARD

STAGE 2 MANAGING THE IJB BUDGET REQUEST THROUGH THE GOVERNANCE SYSTEMS OF ACC, NHS GRAMPIAN AND THE IJB

The IJB is essentially 100% funded by its 2 partner organisations, a not dissimilar situation from the ALEOs within ACC's group structure. The levels of savings required by any of the council's ALEOs are identified within the budget option papers presented to council but the exact details of how the target level of savings will be achieved are not identified. This approach has attempted to respect the role of the ALEO board in terms of its responsibilities to scrutinise such proposals and to then be the decision maker in terms of which savings options to accept. This approach has meant that these options have not been transparent to council and ultimately to the public at large. The scale of the IJB is vastly bigger than all the council's ALEOs put together and if we adopted the same approach to the IJB as we currently take to the ALEOs then effectively members would have no oversight of the specific saving options being considered.

In attempting to navigate a way through the complexity of roles and responsibilities in terms of decision making within the landscape of the IJB, it is important to pursue openness and transparency whilst respecting the distinct decision making rights of the IJB.

A suggested way forward is: the executive team of the IJB participate in the council's political engagement with all political groups and this will involve being open and transparent in all the budget options the executive team are considering presenting to the IJB. Members will need to respect that these options are being shared with them for information as opposed to for decision making. This represents the pre-budget setting engagement. At the formal budget setting council meeting, again there will be full disclosure of the proposed IJB budget options along with a reminder that these are being included for information and not debate or decision-making. Council will be required, as part of its overall budget, to determine the funding it can provide to the IJB and to formally agree that. It should be noted that this must be done in the context of the council setting a balanced budget by law and is still accountable for the disbursement of funds.

In light of the funding award from ACC and NHS Grampian, the executive team will then finalise the budget with the IJB who will have already made a decision in principle on which budget options to accept, pending final settlement and funding allocation from the 2 partner organisations. Given the minute of the IJB is now included as part of the CEO's progress report to council on the IJB, members will be informed of which options the board finally accepted.

This recommended approach serves the objective of openness and transparency whilst respecting the new decision making responsibilities of the IJB board.

SPECIFIC TIMESCALES FOR 17/18

Council is statutorily required to set its budget by 11th March each year. Of course, this is subject to having received its grant allocation from Scottish Government

For the 17/18 budget cycle, the following governance meetings are scheduled, with the described business:

- Aberdeen City Council – 22 February 2017 and within that budget will be an allocation for the IJB and will include a presentation of the budget options to be considered by the IJB board
- NHS Grampian - The IJB will receive an allocation from NHS Grampian which will be confirmed following confirmation of the NHS Board health allocations. Indicative allocations have been made in terms of baseline funding and Chief Officers advised accordingly. Details on other allocations will be presented to the Chief Officer when confirmed by Scottish Government. A detailed finance plan showing how the IJB will operate within the resources allocated by the partner organisations will be presented to the NHS Grampian Accountable Officer for review and assurance. Appropriate monitoring arrangements will be implemented to enable the NHS Grampian Accountable Officer to seek assurances on financial performance throughout the financial year.
- The IJB will agree an outline decision in principle on budget options at its meeting of the 31st of January 2017 and make a formal agreement and set a direction at its meeting in March 2017.

INTEGRATION JOINT BOARD

Appendix F

INTEGRATION JOINT BOARD

DIRECTION

ISSUED UNDER S26-28 OF THE PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014

The **ABERDEEN CITY COUNCIL** is hereby directed to deliver for the Board, the services noted below in pursuance of the functions noted below and within the associated budget noted below.

Services will be provided in line with the Board's Strategic Plan and existing operational arrangements pending future directions from the Board.

Services:	All services listed in Annex 2, Part 2 of the Aberdeen City Health and Social Care Integration Scheme.
Functions:-	All functions listed in Annex 2, Part 1 of the Aberdeen City Health and Social Care Integration Scheme.
Associated Budget:-	The associated budget for these functions and services is £95.680m.

This direction is effective from 1st April 2017.

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INTEGRATION JOINT BOARD

Appendix G

INTEGRATION JOINT BOARD

DIRECTION

ISSUED UNDER S26-28 OF THE PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014

GRAMPIAN HEALTH BOARD is hereby directed to deliver for the Board, the services noted below in pursuance of the functions noted below and within the associated budget noted below.

Services will be provided in line with the Board's Strategic Plan and existing operational arrangements pending future directions from the Board.

Services:	All services listed in Annex 1, Part 2 and appropriate services listed in Annex 3 of the Aberdeen City Health and Social Care Integration Scheme.
Functions:-	All functions listed in Annex 1, Part 1 of the Aberdeen City Health and Social Care Integration Scheme.
Associated Budget:-	The associated budget for these functions and services is £156.417m, of which £21.620m relates to Aberdeen City's share for services to be hosted. An additional £46.7m is set aside for large hospital services.

This direction is effective from 1st April 2017.

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Aberdeen City Health & Social Care Partnership
A caring partnership

INTEGRATION JOINT BOARD

Report Title	Health and Social Care Partnership Prescribing Budgets
Lead Officer	Judith Proctor
Report Author (Job Title, Organisation)	Judith Proctor Chief Officer (covering paper) David Pfleger Director of Pharmacy & Medicines Management, NHS Grampian (Supporting Information and Data paper)
Date of Report	6th February 2017
Date of Meeting	7th March 2017

1: Purpose of the Report

The Aberdeen City Integration Joint Board (IJB) considered matters relating to its budget for 2017/18 at its meeting of the 31st of January. This session included discussion on the challenges in relation to prescribing budgets for the Health and Social Care Partnership (HSCP) and, in particular, the elements of that over which the IJB has limited control. The Board resolved (among other recommendations relating to the wider budget) to:

(i) to request the Chief Officer to come back to the special budget IJB meeting sharing plans for controlling prescribing costs, including a financial risk assessment; and

(ii) to cease all references to *uncontrollable prescribing* and replace with *limited control of prescribing* in future reports;

This paper provides that information for the IJB and provides information to the Board in relation to actions being taken, or planned by the Executive Team to address the identified risks.

Appendix 1 to this paper (*Health and Social Care Prescribing Budget Supporting Information and Data for 2017-2018)* provides more detailed information and background to the Health and Social Care Prescribing Budget, and also sets out the predicted growth and pressure in the budget arising from increasing volumes and costs of medicines. Agreement in relation to the predicted growth in prescribing budgets is set out in the finance paper – item 2 on the agenda.

INTEGRATION JOINT BOARD

2:	Summary of Key Information

Background

Appendix 1 - *Health and Social Care Prescribing Budget Supporting Information and Data for 2017/18* provides considerable detail on the methods and assumptions that have been used to estimate prescribing needs in the HSCP for the next financial year.

The prediction of future medicines use is extremely complex with multi-factorial drivers and a wide range of external influences over which there is limited control. Spend on this budget is generated by a large number of health interventions for patients which result in a prescription and this is often done under agreed clinical guidelines. Whilst the average cost of a prescription item is around £11.30, the volume of medicines consumed means the overall budget is large.

Managing this budget is challenging as the 'control' sits with a large number of individual prescribers who have to meet the clinical needs of the local population in line with the appropriate clinical and professional standards and guidelines.

The prices paid for medicines used in Primary Care for branded medicines are set by the manufacturers within a UK wide pricing arrangement. The cost of most generic (unbranded) medicines are set in Scotland by the NHS based on the best prices that community pharmacies can purchase them at.

Most of the management of the prescribing budget concentrates on promoting the most cost effective treatment options, identifying and responding to prescriber variation, reviewing patients' treatment regimens to ensure that prescribing is appropriate and cost effective, and minimising waste.

Risk

The spend on prescription drugs is one of the single biggest budget lines after staffing. Predicted outturn for primary care prescribing for 2016/17 is £40,194,000. Key financial risks associated with the 2017/18 prescribing budget predictions are:

1. Prescription volume grows greater than the 0.79% used in the prediction (versus 0.83% in year)
2. Generic costs overshoot or undershoot prediction. The cost of generic medicines in 2017/18 is extremely hard to predict with the potential impact

of currency fluctuation and supply chain issues providing an upward driver for cost and some intelligence indicating that recent short term reductions in community pharmacy purchase prices may operate to supress tariff prices in year (updated information on this is anticipated in April this year)

3. The ability to extract the maximal savings associated with generic medicines, particularly pregabalin. Delivery of this saving will require a more assertive method than has previously been adopted within the HSCP. The IJB are asked to support this in principle at this stage and will be provided with some further detail later in the year (the patent expires in July 2017).

Actions – Agreed and Planned

The issues of risk in relation to Primary Care Prescribing have been well understood for a number of years and as such work to mitigate and manage this is either already in place, or being planned within the health and social care partnership. The following sets out work in place within the partnership, followed by a summary of work being considered by the Executive Team (and which may be subject to formal agreement by the IJB at a future meeting)

The following activities are already in place within the HSCP:

- A local Enhanced Service (LES) was agreed by the IJB at its November meeting. This sets out an enhancement to the GP contract in Aberdeen City that encourages practices to maximise the use of generic medicines. This is now in the process of being agreed by the enhanced services group;
- The HSCP already employs a number of pharmacy advisers whose role is it to support management of the contract with independent pharmacy contractors (local pharmacy businesses) and advise the HSCP in matters relating to good practice and efficiency in medicines management. These professionals already support a targeted approach to management of polypharmacy in GP practices;
- Some local GP practices directly employ pharmacists to support best practice and efficiency;
- The Transformation Programme has a number of workstreams which we anticipate will have a positive impact on people and communities and, potentially on prescribing costs. This includes the work agreed by the IJB to

roll out Link Workers in Primary Care and the development of Primary Care Mental Health Workers and Psychological Therapies in Primary Care

The following are areas of work being considered by the Executive Team. Given the potential use of HSCP resources to develop some of these models there may be a need to take more detailed proposals to a future IJB for approval:

- Management of GP prescribing budgets notionally devolved and monitored at a Practice level by Localities. This will enable the closer monitoring of outliers in prescribing practice and pharmacist support where required to understand and offer potential, local actions to bring in line with average prescribing costs (it should be noted however that some outliers result from deprivation/demographic characteristics of a practice's population);
- Investment in further pharmacy capacity across the HSCP to enable a more targeted support to medicines reviews in all practices (case in development);
- Ongoing management and financial monitoring and engagement with the NHS Director of Pharmacy to ensure the benefits from moves to generics or new Tariff charges can be implemented timeously;
- Creation of a pan-Grampian HSCP Primary Care Prescribing Group to take forward areas of work that can be shared or are more efficient if done across all three North East HSCPs i.e. agreement on handling of cost pressures relation to secondary care prescribing decisions and impact in primary care.

3:	**Equalities, Financial, Workforce and Other Implications**

There are no equalities or workforce implications arising from this report.

The financial implications are a predicted overspend on primary care prescribing at the end of the financial year of £1,029,000. This is a reduction from the figure of £1,201,000 overspend reported to the IJB in January. At the last IJB meeting a budget pressure of £1,500,000 was included in the 2017/18 provisional budget. Following receipt of a report from the Director of Pharmacy & Medicines Management this budget pressure has been reduced to £559,000.

INTEGRATION JOINT BOARD

4:	Management of Risk

Identified risk(s):

2 There is a risk of financial failure , that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.

How might the content of this report impact or mitigate the known risks:

Risk will be mitigated by the actions set out in the paper to manage the budget and regular reporting through finance reports to the IJB and Audit and Performance Systems. The Executive Team and Clinical Leadership Team will review these budgets, and the impact of the agreed actions, regularly and will escalate risk appropriately.

5:	Recommendations

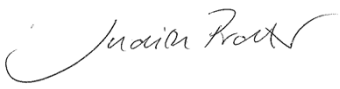
It is recommended that the Integration Joint Board:

1. Note the IJB will be following an assertive approach in pursuing medicines efficiencies including maximising the use of generic medication.

2. Note the level of financial risk associated with the assumptions of achieving the maximal savings used in the budget assessment, especially relating to Pregabalin for the 2017/18 financial year which presents the biggest savings opportunity and therefore risk to the Aberdeen City IJB prescribing budget; and

3. Endorse the approach set out in relation to local measures being put in place to maximise efficiency and local control on the prescribing budget.

INTEGRATION JOINT BOARD

6:	Signatures
	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)

NHS Grampian
Pharmacy & Medicines Directorate,
Grampian Medicines Management Group
&
Finance Directorate

Health and Social Care Prescribing Budget Supporting Information and Data

For 2017-2018

Version 7
January 2017

Health and Social Care Prescribing Budget 2017-2018
Supporting Information and Data

Contents **Page number**

Health and Social Care Prescribing Budget 2017-2018
Supporting Information and Data

Executive Summary

The Health and Social Care Partnerships (HSCPs) now have responsibility for primary care prescribing budgets within their own areas. This paper seeks to describe the need for prescribing resources in 2017/18 along with the key drivers of growth and risks that HSCPs will need to consider to allow Integrated Joint Boards (IJBs) to make an estimation of the prescribing budget requirements for the financial year 2017-18. The paper also provides information for NHS Grampian and other stakeholders to use when considering the appropriateness of final budgets within primary care in meeting the identified need for prescribing resource and the achievement of corporate objectives.

Predicted Year Out Turn 2016-2017 and proposed budgets

The following table summarises predicted year out turn for drugs expenditure for each of the different sectors in NHS Grampian for the year 2016-2017 and the recommended increased requirements for 2017-2018.

Summary of suggested budget requirements

Sector	*Full Year Budget 2016-17* *£'000*	*Estimated Out-turn 2016-17* *£'000*	*Proposed Budget 2017-18* *£'000*	*Budget Pressure Full Year 2016-17 Budget* *£'000*	*Budget Pressure on 2016-17 Out-turn* *£'000*	*Budget Pressure on 2016-17 Budget* *%*	*Budget Pressure on 2016-17 Out-turn* *%*
City GP Prescribing (Net)	*39326*	*40095*	39869	543	-226	1.4%	-0.6%
Shire GP Prescribing (Net)	*42793*	*43896*	43649	856	-247	2.0%	-0.6%
Moray GP Prescribing (Net)	*16939*	*17386*	17288	349	-98	2.1%	-0.6%
Aberdeen City HSCP	*1016*	*1096*	1096	80	0	7.8%	0.0%
Aberdeenshire HSCP	*770*	*760*	770	0	9	0.0%	1.2%
Moray HSCP	*292*	*307*	307	15	0	2.5%	0.1%
HMP Grampian	*213*	*252*	253	40	1	18.5%	0.4%
Police custody	*9*	*7*	14	5	7	60.0%	108.7%
Overall Total	***101359***	***103798***	***103245***	***1886***	***-554***		

Analysis suggests that increased medicines expenditure is a combination of 'product mix', the prescribing of newer, more expensive medicines, followed by the 'volume effect',

comprising growth in the number of prescription items and in the number of tablets per prescription.

Financial risk areas

The following are the main financial risks which are not included in the above summary:

- The risk that the future prices for generic medicines, and associated reimbursement levels set within the Scottish Drug tariff, remain difficult to predict. Recent rises in prices have been related to the changes to the EU rules governing the importation of active pharmaceutical ingredients and worsening drug shortages; both of which may continue to bring upward pressure. However, there is also a general view that community pharmacy purchasing in the last year has delivered stronger discounts than have been allowed for under the margin sharing agreement. This view suggests that in addition to the clawback of this excess margin, to address any historical overpayment, there will need to be a drug tariff correction across prices paid for generic medicines. At the time of writing this report the negotiations for the 2017/18 community pharmacy contract and the associated discount and clawback arrangements are yet to be completed. Indications are that the net effect on generic prices will be to reduce costs but it is difficult to provide a robust estimate of the level of benefit to Grampian.
- The timing and ability of NHS Grampian to maximise the savings from generic medicines, particularly pregabalin which will form the vast majority of any savings in 2017/18.
- The risk that item volume rises greater than currently predicted.
- Further discount or rebate changes or removal of current rebate /PAS schemes.
- The introduction of new medicines/new treatment modalities has resource implications above and beyond the costs of just the medicine. While some medicines may replace existing treatments and be easier to manage, the overall effect of new medicines introduction may increase the resource requirements in order to treat patients safely and effectively.
- Unmanaged movement of prescribing from secondary care to primary care without appropriate financial resources moving to support such change.
- A diminution in the new GMS contract support for medicines management activities focussed on the cost effective use of medicines.
- Macroeconomic effects related to currency fluctuation and broader impacts of Brexit preparations.

Recommendation

HSCPs and their IJBs are asked to consider the recommendations made in this paper with regard to volume, costs, risks and the net predicted need for budget resource as part of the overall HSCP budget setting process for 2017/18.

NHS Grampian
Health and Social Care Prescribing Budget 2017-2018
Supporting Information and Data
Primary Care

1. Introduction

For a number of years the NHS Grampian Pharmacy and Finance departments have undertaken a modelling exercise to predict the budgetary requirements for prescribing in the following year. The analysis and predications produced are subjected to professional scrutiny within both the pharmacy and finance departments prior to validation by the Grampian Medicines Management Group. This process is broadly well respected and has been the subject of positive external audit scrutiny in 2014.

However, predicting future medicines use is extremely complex with multifactorial drivers and a wide range of external influences over which there is little local control. In considering the analysis and recommendations within this paper the reader should consider that predictions within this field are as much art as science and should firmly note the risks to the overall prediction's accuracy.

In past years, in predicting the primary care prescribing budget, consideration has been given to:

- The rate of growth in volume and cost of the drugs prescribed in both in primary and community hospital care.
- National changes in respect of remuneration prices/re-imbursement for branded medicines as a consequence of the current Pharmaceutical Price Regulation Scheme (PPRS) agreement.
- Acquisition costs of existing generic medicines.
- National procurement initiatives.
- New drugs coming to market that had the potential to impact significantly on clinical care and resources
- Significant changes to the licensing of drugs
- Changes in drug use locally driven by national / international research or new evidence-based guidelines / protocols.
- Changes in local services that had the potential affect the pattern of medicine use
- Increases in non-medical prescribing.
- Prescribing initiatives aimed at reducing costs.
- Opportunities to reduce waste in prescribing and to maximise procurement efficiencies.

With the establishment of the HSCPs, the responsibility for determining the prescribing allocation for the 2017-2018 financial year, and funding that allocation, falls to the IJBs. This paper seeks to highlight the many variables driving prescribing cost, providing information to support IJBs in their decision making.

2. Prescribing Budgets - 2017-2018

2.1. Primary care prescribing budget for 2017-2018

2.1.1. Prescribing trends

The primary care prescribing budget for 2016/17 was set at £99,058K. Primary Care Prescribing has in 2016/17 increased in both items dispensed and overall cost of items for each of the HSCPs. This increase in volume and cost has resulted in an overspend position as shown in the table below to October.

Table 1 Overspend to Month 8 2016/17 Prescribing budget (£000's)

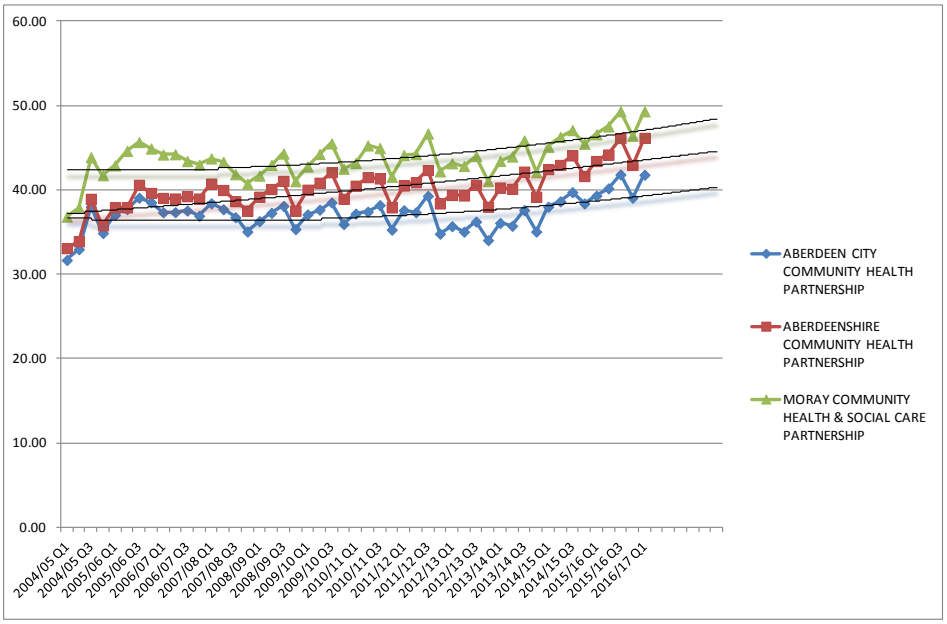
Area	Overspend to M8	Forecast overspend
Aberdeenshire	-946	-1319
Aberdeen City	-795	-1108
Moray	-378	-527
Total	-2,119	-2,954

This overspend includes the impact of an increase in both prescription volume and cost (G IC) from April. Using PRISMS data compared to the same timeframe in 2015, this is shown in the table below for each individual HSCP. (This excludes Hospital prescriptions dispensed in primary care).

Charts 1, 2, and 3 show the quarterly trend in cost per patient, items per patient and cost per item for each HSCP.
A polynomial trend line has been applied to the current data for Charts 1, 2 and 3. This trend line was considered the best fit as it provides a curved line which is used when data fluctuates, as in the case of the prescribing data. It is useful for analysing gains and losses over a large data set.

The patient denominator used in these graphs represents the total HSCP populations.

Chart 1 - Cost per patient (GIC)
Excludes hospital prescriptions



As can be seen in Chart 1 the cost per patient in Grampian has been rising significantly since Q1 2014. The rate of rise is broadly the same for each HSCP and a continuation of this trend is expected.

Chart 2 - Items per patient
Excludes hospital prescriptions

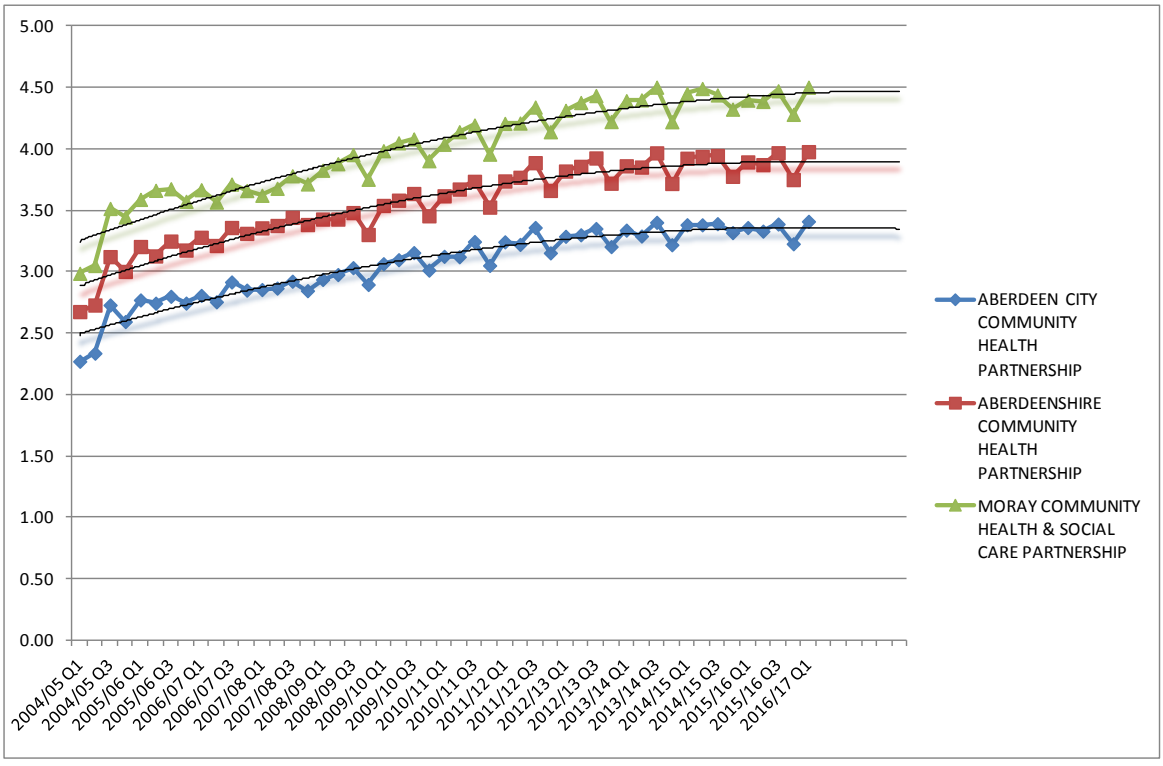


Chart 2 shows the number of prescription items prescribed per patient. Again the volume has been increasing over the years. More recently the volume growth has been slowing down and may be expected to stabilise with only slight ongoing increases. Polypharmacy reviews and application of realistic medicine principles may support deprescribing (removing medicines from a patient's regimen where they are no longer appropriate, not contributing to the goals of treatment or do not provide an appropriate balance of benefit and risk for the patient) where this is clinically appropriate.

Chart 3 - Cost per item
Excludes hospital prescriptions

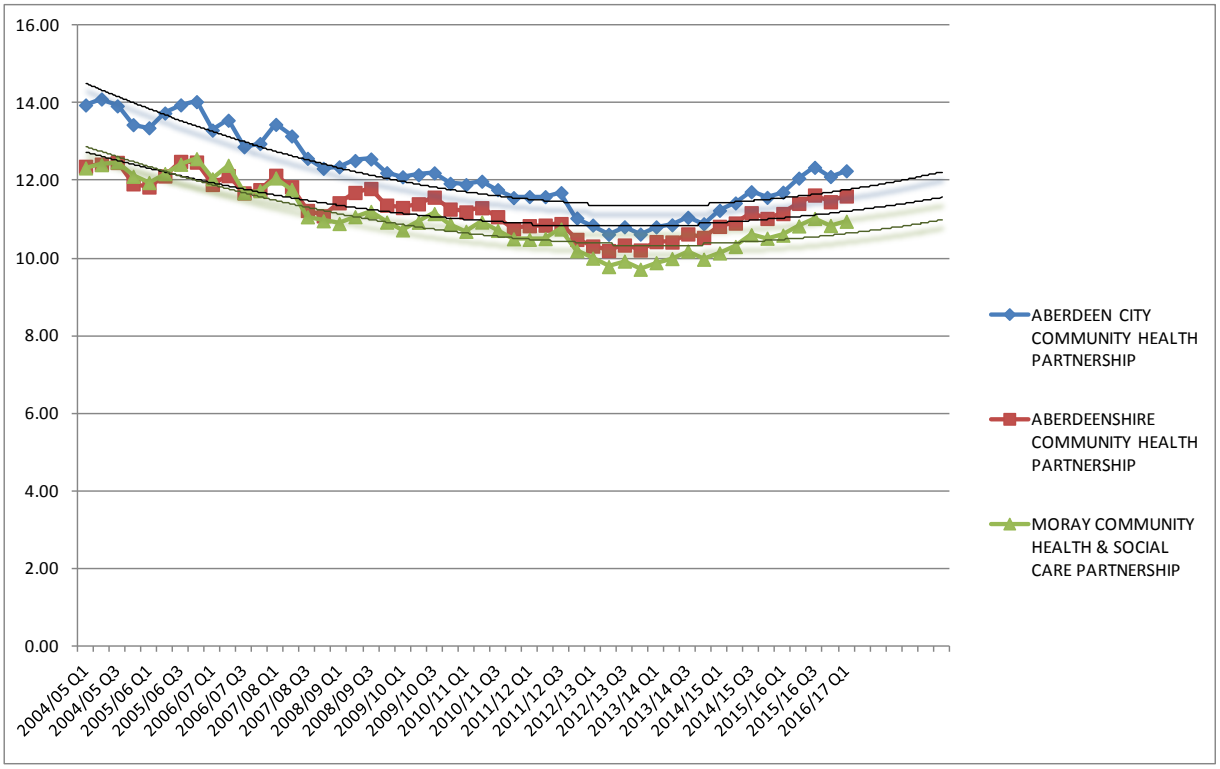


Chart 3 above show the cost per item in Grampian over the last decade. Previously years have seen a reduction in cost per item as a number of significant medicines lost patent protection and generic equivalents became available. Competition in the generic market also helped to drive costs down. Latterly generic prices have started to rise again, frequently as a function of supply shortages. Use of new branded medicines has also started to drive up the cost per item.

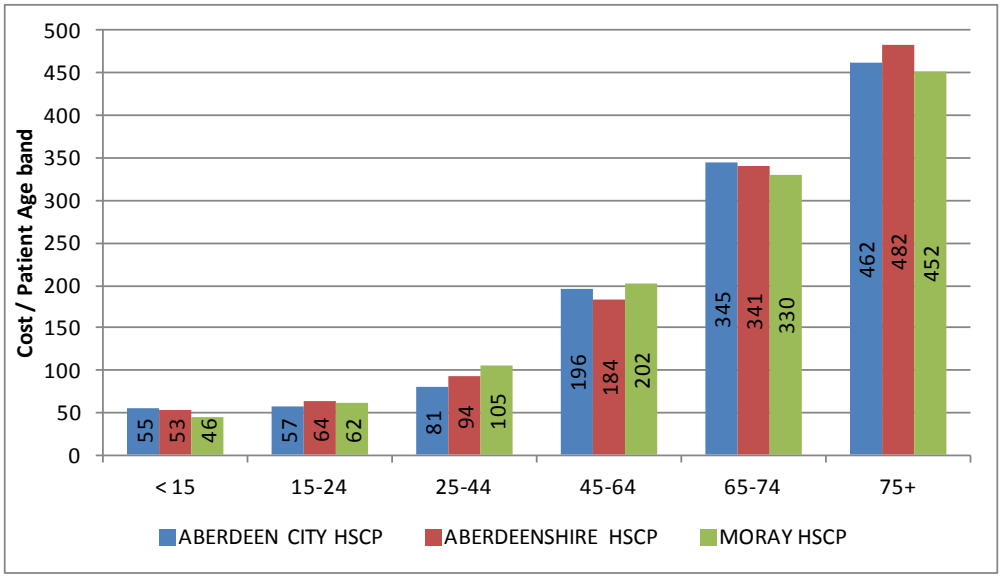
Comparison and interpretation of prescribing data between Grampian HSCPs, like comparison between Grampian and other Scottish Health Boards, is dependent on knowledge of the variables that exist between HSCPs that drive prescribing costs, key amongst which are patient demographics and how services are delivered.

The upward trend in cost per patient is largely a function of the increasing cost per item/cost per DDD imposed on a gradually increasing volume growth driven by population demographics.

2.1.2. Demographics

Underpinning much of the growth is the effect of population change, both in absolute numbers and also the increasing numbers of older people. Increasing multi-morbidity is also associated with obesity and other factors that can contribute to increase medicine costs.

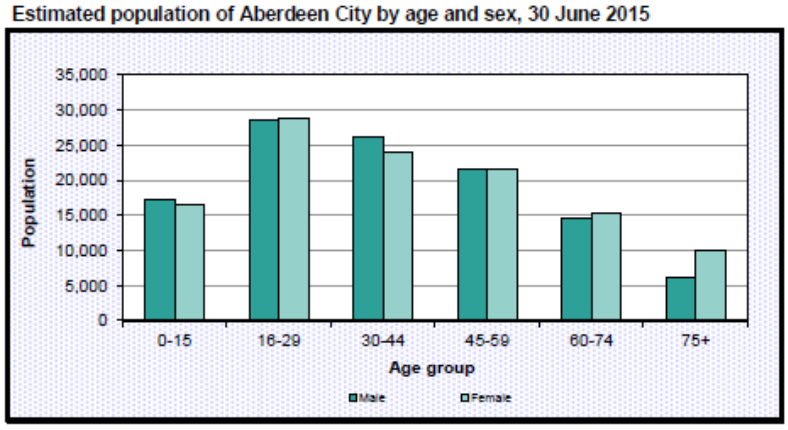
Chart 4 – HSCP average prescription spend by age group (2015/16)



A growing and aging population will continue to put pressure on the drug budget over the coming years if current needs and prescribing behaviours remain unchanged. Chart 4 above shows the average annual HSCP medicine costs per patient by age grouping. As can be seen costs significantly increase with increasing age. As the older population grows this will inevitably put pressure on medicines budgets.

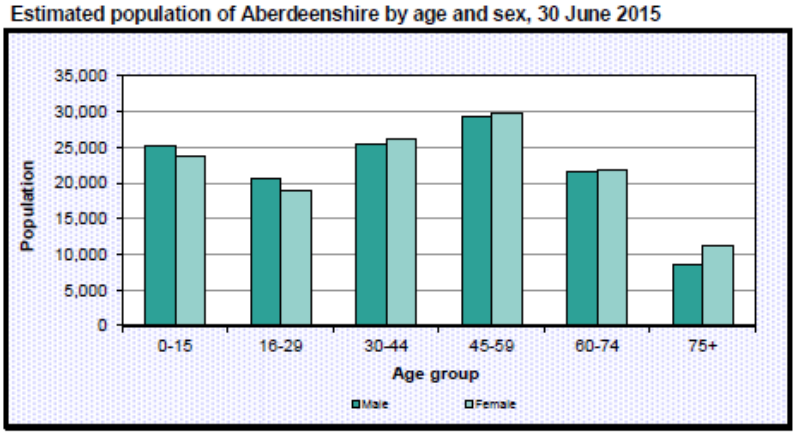
Population age and sex profiles (Charts 5-7) are not the same across each of the HSCPs. This variation in population profile across the HSCPs accounts for some of the variation in medicines expenditure, particularly as age is the most significant driver of medicine need and use.

Chart 5 – National Records for Scotland estimated populations Aberdeen City



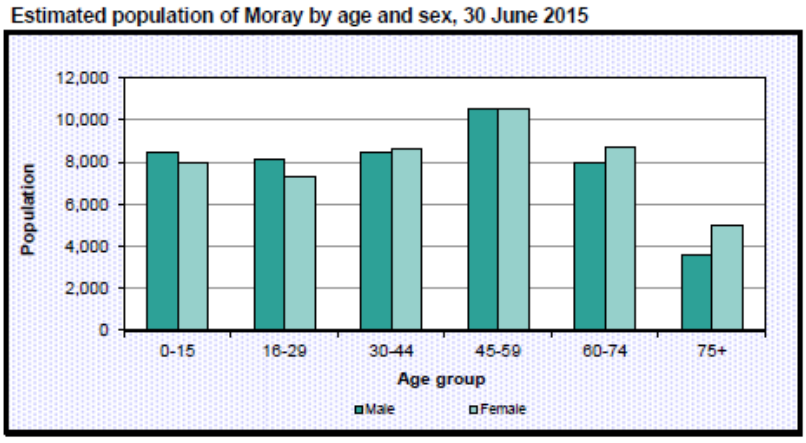
1. Population estimates for mid-2002 to mid-2012 are based on 2011 Census.

Chart 6 – National Records for Scotland estimated populations Aberdeenshire



1. Population estimates for mid-2002 to mid-2012 are based on 2011 Census.

Chart 7 – National Records for Scotland estimated populations Moray



1. Population estimates for mid-2002 to mid-2012 are based on 2011 Census.

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2.1.3. New medicines affecting primary care

The Scottish Medicines Consortium (SMC) reviews all new medicines and new indications for existing medicines. The Scottish Government directs that Health Boards implement the recommendations of the SMC, unless clear alternative products are available. The SMC and UKMI produce horizon scanning documents that attempt to predict how new medicines, currently in development, will affect prescribing costs in future years.

Table 2 highlights those drugs likely to impact in 2017/18 on prescribing within primary care based on SMC Forward Look 12 (October 2016), supplemented by additional information from the UKMI Prescribing Outlook, September 2016. SMC Forward look only provides estimated costs for those new medicines likely to have a significant financial impact. Other new medicines will be licensed in 2017/18 which SMC have deemed will have a low budget impact which are not individually identified in this budget paper but collectively could still present a financial risk to HSCP. Some new medicines, such as new inhaler choices may introduce further competition to the market and result in reduced costs. New medicines already licensed and accepted by SMC, or still to be assessed by SMC in 2016/17 may have yet to reach their full potential financial impact. Licensed medicines previously "not recommended" by SMC may be accepted on a resubmission with the consequent financial implications. These factors contribute to a fluid landscape where delays in launch or SMC submission and advice may have significant impacts on the timing of costs to H&SCPs.

Table 2: New Medicines (Additional Spend) **NB costs and launch dates redacted as commercial in confidence**

New medicine	Expected launch date	Predicted additional expenditure 2017-18 (£000s)*
Eluxadoline (Truberzi®) Adults for the treatment of irritable bowel syndrome with diarrhoea.		
Liraglutide (Saxenda®) subcutaneous injection Indicated as an adjunct to a reduced calorie diet and increased physical activity for weight management in adult patients with an initial body mass index of ≥30kg/m² (obese), or ≥27kg/m² to <30kg/m² (overweight) in the presence of at least one weight related comorbidity.		
Sacubitril/valsartan (Entresto®) Indicated for adult patients for treatment of symptomatic chronic heart failure with reduced ejection fraction. Initiated in secondary care, maintenance in primary care		

Nicotine electronic inhaler (e-Voke®) e-Voke is indicated to aid smokers wishing to quit or reduce prior to quitting, to assist smokers who are unwilling or unable to smoke, and as a safer alternative to smoking for smokers and those around them		

*Estimates are taken from SMC's horizon scanning spreadsheet, NICE impact resources and other prescribing centre publications. NB The SMC horizon scanning publication only includes financial details for new medicines, including new applications of existing medicines, estimated to have an incremental net drug budget impact of more than £0.5m per annum for Scotland, at steady state

Some of the new medicines listed above may not reach the UK market within the predicted timeframe or at all. Of those that are marketed, some may not be accepted by SMC for use in NHS Scotland. Historically 61% of medicines were accepted by SMC for use or restricted use on first submission, this rose to 70% taking account of re-submissions, some of which came with a Patient Access Scheme. In some cases, therefore, costs will be reduced or will not be incurred or will be minimal. However, it is clear that SMC acceptance rates are rising, especially for medicines for use in rare conditions and those used at the end of life. Where a medicine is not accepted for use by SMC then the predicted cost impact will not be realised. Medicines previously identified as primary care could end up being prescribed only via secondary care and for some medicines prescribing starts in the specialist secondary care service and is moved to primary care prescribing in later months / years.

Due to the very large uncertainties around new medicines in terms of launch date, estimated price and positioning it is not possible to accurately estimate the likely financial effect in primary care of new medicines launched in 2017/18 or the ongoing effects of new medicines launched in earlier years and still to appear in primary care prescribing.

An element of the increase in cost per item predicted for the coming year will reflect the uptake of newly introduced medicines in previous years i.e. there is an element of new drug adoption built in to the year on year prediction.

The use of direct acting anti-thrombotic drugs (DOACs) has been highlighted in each budget prediction paper since 2008 and the growth of these medicines will still continue in 2017/18. Growth to date has been much slower than first anticipated mainly due to cautious adoption of these medicines and some early concerns regarding safety and reversibility. Prescribing of DOACs in Grampian is slightly behind the Scottish average with 25.4% of oral anticoagulant prescribing being of the newer agents versus 26.9% across Scotland.

Across the North of Scotland NHS Tayside is currently sitting at 41.4% and NHS Highland at 36.5% whilst Lothian is currently at 28.9%. Chart 8 shows the rising costs of these new medicines compared to warfarin. With warfarin being such a low cost medicine the rising use of DOACs comes at largely additional costs to NHS Grampian. An updated national consensus statement on the place of DOACs in treatment is expected in 2017 but this is unlikely to significantly impact on the cost trajectory. As can be seen from Chart 8 spend in NHS Grampian on DOACs is now rising quickly. It would appear sensible to assume a further rise in percentage use in the coming year. At the lower end of expectations this may see use at 40% in line with Tayside for this year but given that most new patients are being initiated on DOACs, some practices are now beginning to switch patients in large numbers and the likely normalisation of use expected in the national guidance it would be prudent to budget for around 50%. At 50% DOAC usage the additional budget impact will be approximately £550k. Chart 9 displays the number of patients on each treatment and Chart 10 the changes in the percentage of anticoagulants in Grampian which are DOACs over time.

Chart 8 – NHS Grampian, Cost of Direct Acting Anti-Coagulants vs Warfarin

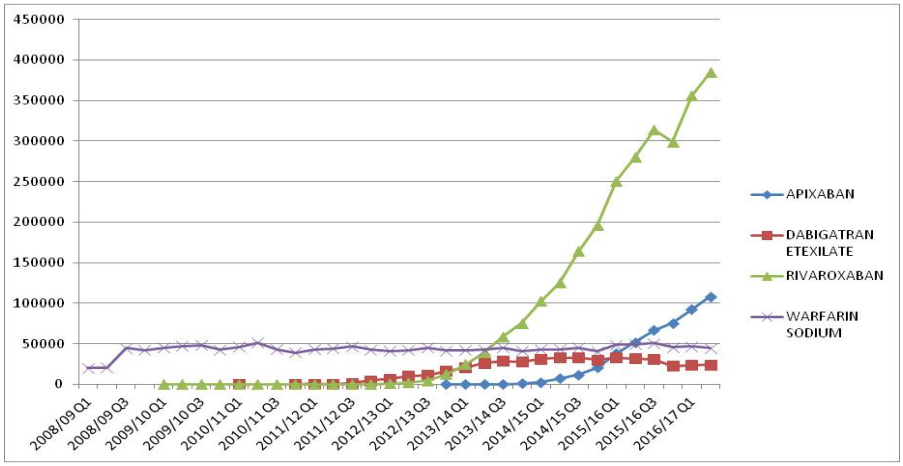


Chart 9 – NHS Grampian, Numbers of distinct patients taking Direct Acting Anti-Coagulants vs Warfarin

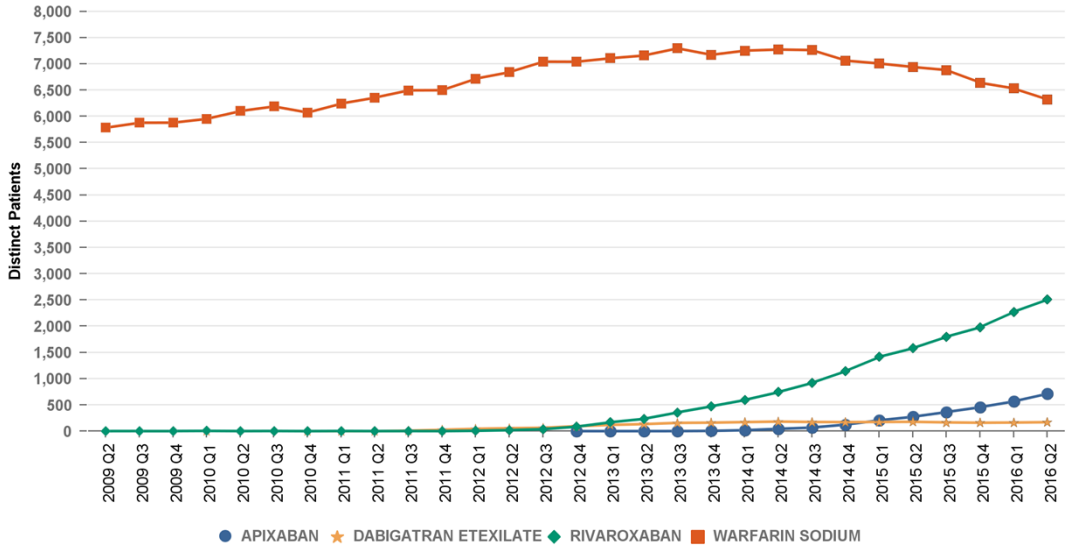
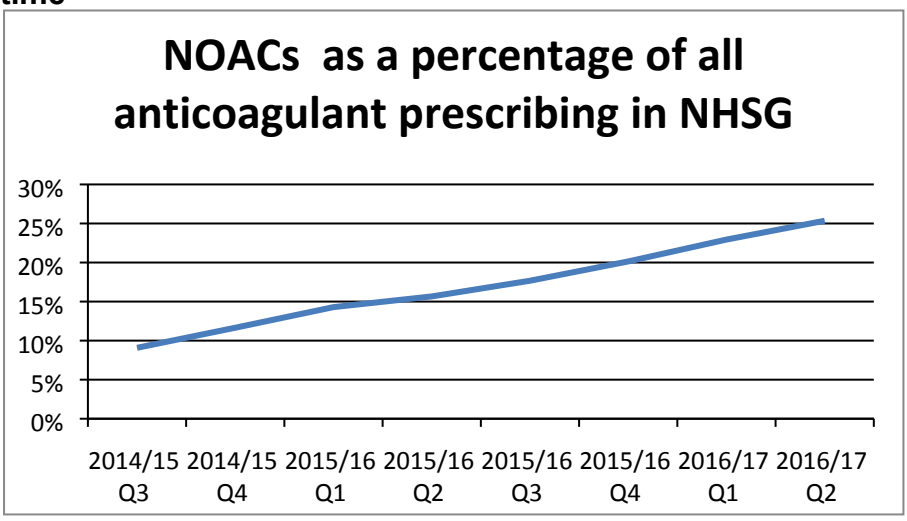
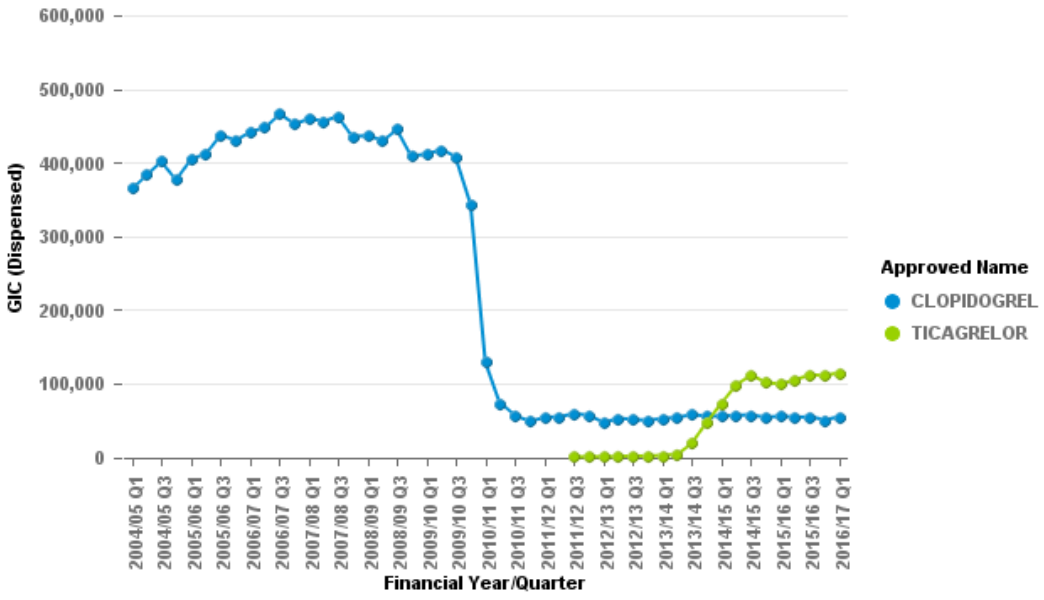


Chart 10 NOACs as a percentage of all anticoagulant prescribing in Grampian over time



The European Society of Cardiology Guideline for Acute Coronary Syndromes in patients presenting without persistent ST-segment elevation (2011) recommended that ticagrelor be used in preference to clopidogrel. This change was then reflected in our local Grampian guideline, updated in September 2015, with a subsequent a rise in the use of branded ticagrelor instead of generic clopidogrel (see Chart 12 below). This switch appears to have reached steady state. However, in Q1 SMC is expected to comment on the license extension for ticagrelor as an option for preventing atherothrombotic events in adults who have had a myocardial infarction and who are at high risk of a further event. This will extend treatment beyond the current 12 months for new and existing patients. This will potentially mean around 235 patients being eligible to take ticagrelor in Grampian for their second year of treatment. Budget impact likely to be around £170K.

Chart 11 NHS Grampian – clopidogrel and ticagrelor costs per quarter



2.1.4. New clinical guidance and local protocols

New guidance documents can impact on diagnostic criteria as well as treatment pathways. This may result in additional patients being identified as suitable for treatment or recommending newer medicines to replace existing cheaper therapy in treatment pathways.

An example of changing diagnostic criteria is the NICE Guideline (CG181) "*Cardiovascular disease: risk assessment and reduction, including lipid modification"* updated in 2014 in which there was a recommended change in patients who should be prioritised for a full formal 10 year cardiovascular disease risk assessment. The threshold for treatment was changed from 20% to 10% following the publication of new health economics data. While applicable to Scotland, this guidance has yet to be fully supported and implemented in Grampian. Full additional costs of using atorvastatin for these additional patients are modelled to be £89,000 per 100,000 population with an assumption of linear growth to steady state over 5 years i.e. around £100,000 per year.

2.1.5. Generic Prescribing Costs

Charts 12 and 13 below show the difference in items and expenditure for generic vs branded (proprietary) medicines for NHS Grampian. In terms of growth in items, both generic (G) and proprietary (P) (branded) medicines show a steady growth in volume with generic medicines accounting for 2-3 times the volume of branded products. Chart 8 shows a different picture with significant changes in total costs especially the increasing costs for branded products. Additionally, the previous historic trend of reducing generic prices, which in the past has offset some of the branded price increases, has now reversed and increasing volume and cost of generic medicines have been impacting significantly on total expenditure.

While branded medicines are regulated by the Pharmaceutical Price Regulation Scheme (PPRS) generic prices are set on NHS Tariffs using the average market prices for each drug. This will be sensitive to competition and the prices charged by the manufacturer. When there is a shortage of generic medicines prices can increase significantly and the Tariff payments adjusted accordingly. Additionally, a small number of pharmaceutical manufacturers with minimal competition for their products, usually low sales volumes with competitors deciding it is not worth entering the market, have significantly increased the prices charged for their products. Chart 14 shows how the cost per item as increased over the recent years.

Chart 12 NHS Grampian Items per Quarter Branded vs Generic Medicines

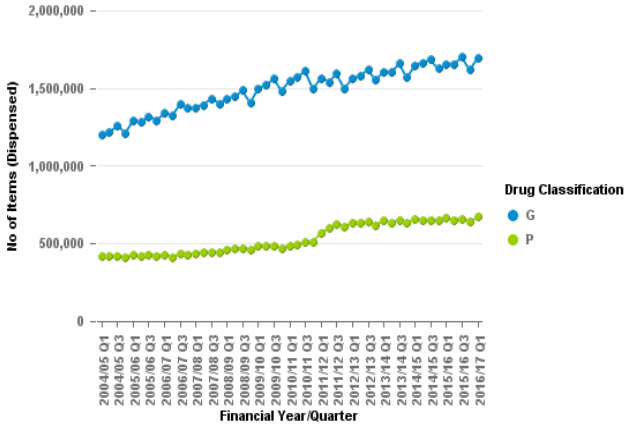


Chart 13 NHS Grampian Cost (GIC) per Quarter Branded vs Generic Medicines

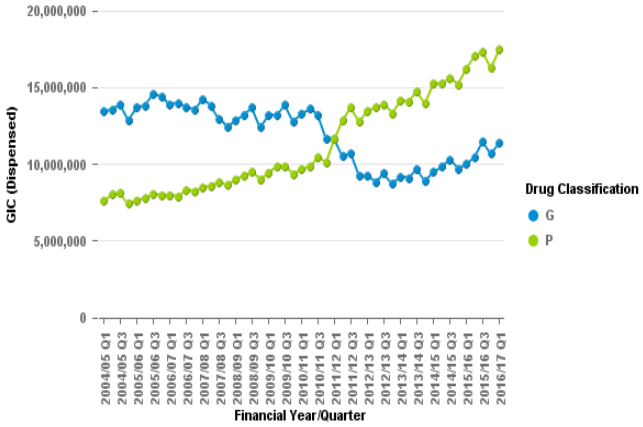
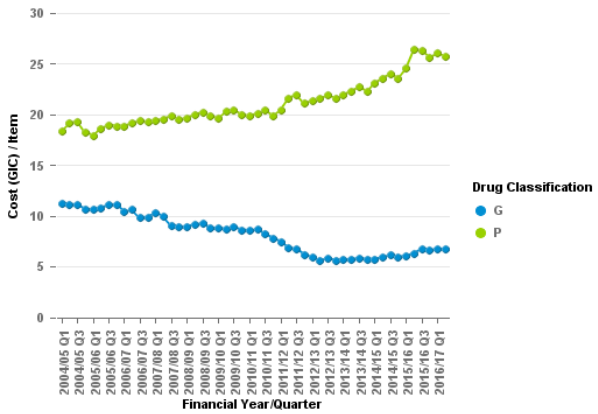


Chart 14 NHS Grampian Cost per Item per Quarter Branded vs Generic Medicines



Changes Category M prices

Category M refers to a section of the Scottish Drug tariff that is used for generics drugs only. The reimbursement price of a drug in Category M is based on average selling price supplied by different generics manufacturers and the volume of the drugs dispensed recently.

The average cost per item of Drug Tariff Part 7 medicines has increased by 8.9% during the period April to July 2016 when compared to the same time frame in 2015 (£4.96 vs £5.4). Increases in cost per item are the same for both Aberdeen City and Aberdeenshire at 8.3% however Moray has displayed an increase of 11.9%.

Any primary care drug which comes off patent during the year is likely to impact on prescribing costs as increasing competition once the patent is lost drives down market prices. The Information Services Division (ISD) Scotland used to find that on average costs reduce by about 15% in the first year after patent expiry, however since the introduction of category M pricing this has changed and it has become more difficult to predict the exact level of fall. It usually takes 3 months after the loss of patent for drugs to appear on the

Drug Tariff. Some drugs, however, may take longer to appear in the Tariff and some may never be included. Patent date expiry information is taken from the UK Medicines Information network and ISD; patent expiry can change, for example if a Pharmaceutical company requests an extension to the patent.

Table 3 shows the likely cost savings for the 2017/18 financial year based on the patent expiry date and a best guess percentage price reduction in the first year post-patent loss. However, the prices for some drugs may drop much lower than this, or where no generic equivalent is available, the price may remain the same. Price changes may also occur for example, if a major company sells on the marketing authorisation of a patent loss product to a smaller supplier the costs may increase even though the product is now essentially generic.

It is difficult to accurately estimate the savings still to accrue from medicines that became available as generic in 2015/16. However the main potential benefit for 2017/18 will be pregabalin.

Generic versions of the original brand of pregabalin (Lyrica) became available in 2016. However, very limited savings have been accrued for pregabalin in NHS Grampian due to two reasons:

- The manufacturer of Lyrica, Warner-Lambert owned by Pfizer, has aggressively defended its remaining patent for neuropathic pain. This has in effect meant little change in the dispensing of the branded product even where the drug has been prescribed generically. The legal process is coming to an end with a final appeal to the supreme court anticipated in Q1 2017. Regardless of the outcome of this appeal the remaining patent expires in July 2017.
- The tariff price for generic pregabalin is currently lagging behind the wholesale price. Whilst the impact of this is limited at the moment there is a need for responsive tariff pricing to maximise the benefit for NHS Scotland.

NB if Pfizer lose their appeal it is likely that action will be taken by the NHS across the UK to recover the costs associated with Lyrica prescribing in 2016/17. It is not anticipated that any benefit will accrue within 2017/18 but it may be as much as a single recovery of £3M in future years.

Assumptions for 2017/18 are made in Table 3 based on estimated Drug Tariff Part 7 inclusion dates and medicines likely to impact in primary care. Medicines with an existing low market share may not be targeted as new generics if returns on sales are likely to be low. Potential savings shown are maximal i.e. they assume all prescribing is moved to the generic product immediately the product is available and assumes that all patients accept the change to a generic version of their medicine. The level of discount applied depends on the appetite, commitment and organisational leadership that might be mustered to deliver these savings. Pregabalin in particular should be a case where maximal, collective effort is applied to change all prescribing to generic from the first available opportunity. Such changes do not happen without engagement of clinicians and patients with appropriate direction, support and resources where necessary. Without a significant clinical leadership and management commitment to deliver these savings IJBs should consider discounting the maximal savings including in budget predictions.

Table 3: New Generics impacting Grampian in 2017/18

Approved Name	GIC (Dispensed) August 2015 - July 2016	Patent expiry date	Comments	Generic or biosimilar available/ in development	Best guess % initial price reduction*	Potential savings 2017/18**
PREGABALIN	3626077.38	Initial expiry already passed. 2nd patent expiry July 2017	Subject to court appeal	Yes	80%#	£1,933,907.94
ROSUVASTATIN	1094337.7	2017 Dec		Yes	50%	£136,792.21
TADALAFIL	490568.1	2017 Nov	Depends on indication	Yes	50%	£100,566.46
MYCOPHENOLATE	450782.56	2017 Nov	Depends on indication		20%	£36,964.17
ETORICOXIB	137482.81	2017 Jul*	UK patent only, not SPC	Yes	20%	£20,622.42
VALGANCICLOVIR	137341.4	2017 Mar		Yes	20%	£27,468.28
TRAVOPROST	66576	2017 May		Yes	20%	£11,983.68
BIMATOPROST	65003.3	2017 Mar		Yes	20%	£13,000.66
DUTASTERIDE	63150.72	2017 Jul	for prostatic hyperplasia	Yes	20%	£9,472.61
PRASUGREL	15504.56	2017 Sep			20%	£2,046.60
TOTAL	**6146824.53**					**£2,292,825.03**

*This is only a very rough estimate and could be significantly different at time of launch
**This is based on best the guess initial price reduction and number of months in 2017/18 when benefit might occur
Based on assumption Supreme Court appeal not finding in favour of the Pharmaceuctical company

Table 4 below identifies the relative expenditure by HSCP, for the period August 2015 to July 2016, on those medicines where potential generic savings may be realised in 2017/18.

Table 4: HSCP Expenditure on Potential New Generics (Aug 2015 - July 2016)

	ABERDEEN CITY COMMUNITY HEALTH PARTNERSHIP	ABERDEENSHIRE COMMUNITY HEALTH PARTNERSHIP	MORAY COMMUNITY HEALTH & SOCIAL CARE PARTNERSHIP
BIMATOPROST	£29,262.35	£29,650.93	£5,722.50
DUTASTERIDE	£8,391.14	£22,090.18	£32,580.34
ETORICOXIB	£32,348.05	£85,523.96	£19,145.28
MYCOPHENOLATE	£187,694.31	£197,095.69	£65,161.38
PRASUGREL	£2,948.72	£7,371.80	£5,136.48
PREGABALIN	£1,330,151.75	£1,487,494.61	£787,808.18
ROSUVASTATIN	£373,128.24	£585,067.28	£133,009.46
TADALAFIL	£190,100.98	£197,093.56	£102,894.76
TRAVOPROST	£34,886.70	£29,159.85	£2,255.70
VALGANCICLOVIR	£55,276.62	£73,232.87	£8,723.76
TOTAL	**£2,244,188.86**	**£2,713,780.73**	**£1,162,437.84**

Generic savings still to be realised from pre 2017

There is also still scope to improve on generic prescribing to maximise efficiencies. The Grampian generic savings report for August 2015 to July 2016 suggests that for all

proprietary prescribed items with generic equivalent (excluding modified release preparations, antiepileptic drugs, items in short supply) there is the potential to save around £828K (0.74 % GIC). However it is prudent to exclude mycophenilate which is counted in this standard PRISMs report leaving a net figure of £380k. Grampian has a generic prescribing rate of 80.19% for items which are prescribed and dispensed as generic for this period. This rate is historically slightly lower than other areas of Scotland.

Note: Mycophenolate is used in organ transplantation rejection and any changes to brand would need to be under the recommendation of the hospital specialist with close monitoring required. The risk of possible organ rejection is a mitigating factor when deciding if a patient can switch to generic alternatives.

Not all of these generic savings could be realised as there will be some patients from whom branded prescribing has been deemed clinically appropriate. Given the maturity of the push to use generic over branded medicines it is likely that any further improvement will require a significant effort from both GPs and their staff and to be supported by a corporate communications strategy to engage the local population. Patients who have 'chosen' to remain on branded products may well see any change as not being patient centred.

2.1.6. Formulary Support (incorporating Scriptswitch, formulary communication / publicity campaigns, stakeholder engagement).

NHS Grampian has utilised the ScriptSwitch system for a number of years and as such is a mature deployment. Scriptswitch is focussed on providing real time electronic message advice to the prescriber at the point of prescribing to encourage cost effective choices. The system requires ongoing local maintenance of messages i.e. development and deployment of localised messages to support local cost effective prescribing. This local management continues to produce significant savings. In the year 2016/17 annualised gross savings will be £514K per annum (based on actual savings of £257K April to September 2016). Actual HSCP savings from April to September 2016 are £104.9K for Aberdeen City, £98.6K for Aberdeenshire and £53.7K for Moray. These savings do not take into account cost savings resulting from changes in prescribing behaviours influenced by ScriptSwitch messages but not actually triggered by the system i.e. prescribers learn from the messages and change their prescribing behaviour for future prescribing.

ScriptSwitch is the tool which underpins, and delivers, on many of the cost saving initiatives being taken forward as part of HSCP medicines management work plans. In order to continue to achieve this level of savings the underpinning data base must be updated on a monthly basis to optimise the savings potential. These savings are realised as a reduction in the overall prescribing expenditure.

This element of the prescribing budget also underpins funding of:

- Independent contractor practitioners to attend GMMG, MGPG and FG
- publication / communication of the Grampian Joint Formulary and cost effective prescribing prompts via web, APP and GP systems
- annual waste campaigns to support prescription medicine waste reduction
- antimicrobial prescribing campaigns.

The budget impact for this element remains unchanged from 2016-17.

2.1.7. Areas for further prescribing efficiencies

National Therapeutic Indicators

NHS Scotland is now working with the fifth set of National Therapeutic Indicators (NTI) which have been developed and maintained by the Therapeutics Branch of the Scottish Government Pharmacy and Medicines department. The aim of the NTIs is to help continue to improve the quality, safety and efficiency of primary care prescribing. The Prescribing Information System for Scotland (PRISMS) provides all of the data used for the NTIs.

The NTIs for the coming year are being developed with on-going, detailed consultation with medicines management experts from all of the Scottish NHS Boards. Some elements of the national NTIs have been incorporated into the GP Medicines Management Locally Enhanced Service (LES)

GP Medicines Management Locally Enhanced Service

A GP enhanced services contract for Medicine Management Interventions has been developed for HSCPs to adopt and utilise. It comprises two parts. Part one defines an enhanced role for practice support staff in undertaking a Level 1 technical prescription review of a list of patients' medicines to help improve the management of repeat prescriptions. It provides an opportunity for such support practice staff to be trained and the practice resourced to use these staff to help enhance practice performance and the care of patients. This activity is not covered by the General Medical Services Contract Quality or existing Enhanced Services. It is well documented that the prescribing of multiple medications to any given individual increases their risk of drug-related hospital admissions and adverse events.

Part two supports GP practices to undertake a pre-defined set of cost effective and quality prescribing switches and initiatives which are intended to generate prescribing savings as well as improving the quality of patient care.

It is not possible to accurately predict the savings associated with this initiative at present as savings will be predicated on the numbers of practices that sign up to the LES, the topics they choose to focus on and the numbers of interventions they are able to make.

Patient Access Schemes and Rebates in Primary Care

In primary care, rebates and Patient Access Schemes (PAS) are required to be simple finance based schemes whereby the company provides a rebate to NHS Boards based on the volume dispensed in the community. Details of the process for each PAS are outlined in the PAS Implementation Pack which is distributed to NHS Boards by the Patient Access Scheme Assessment Group (PASAG) through SMC. For 2016/17 NHS Grampian is estimating -£697k of income from rebate and assumed PAS income. Income received from medicines rebates and PAS rebates is off set against prescribing expenditure at a HSCP level. Whilst it is likely the value of this rebate will increase in 2017/18 it is not possible to

accurately predict the value and therefore for budget setting purposes a rebate at the same level as 2016/17 should be assumed.

2.2. Community Hospitals and Community Services

In recent years, community hospitals have received an increase in budget consistent with previous years spend. This has been sufficient to deal with the GP acute patients and those transferred from acute services. While the general principles as described above also apply, Community Services and Community Hospitals are now being asked to deliver more complex care with increasingly more expensive medicines. Consideration needs to be given to the budgetary implications of any service change resulting in a shift of provision of medicines from acute services to community hospital/primary care. An agreement between the acute sector and relevant H&SCP needs to be in place to provide responsive movement of medicines budget to support shifts in medicine supply from acute to community hospital settings.

Additional factors to be considered when setting community hospital drugs budgets:

- Current level of expenditure.
- Current level of growth in volume of drugs prescribed.
- New developments coming from acute services but also within Primary Care e.g. Patients attending as out-patients for treatment traditionally administered at ARI clinics and increasing numbers of patients being admitted by GPs directly from home rather than transfers from Acute.
- Effect of NHS Grampian prescribing policy decisions.
- The potential for early discharge from ARI where courses of specialist treatment need to be continued in particular IV treatments given to both in-patients and out-patients.
- Transfer of services from acute to primary care – each new project needs to have appropriate budget transfer and allocated budget needs reviewed once the service is established.
- GMED - there is costs incurred by the casualty /minor injury units to support the out of hours service providing medicines to refurbish their bags and also to treat patients seen in the departments. Any change in supply requirement must be discussed with the H&SCP.

Table 6: Community Hospitals and Community Services prescribing allocation

Sector	Full year budget 2016/17 £000's	Estimated Out-Turn 2016/17 £000's	Suggested Budget 2017/18 £000's	Growth on 2016/17 Budget %	Growth on 2016/17 Out-turn %
Aberdeen City	1016	1096	1096	7.8%	0.0
Aberdeenshire	769	760	769	0.0%	1.2%
Moray	292	307	307	2.5%	0.0%

2.2.1. Grampian Community – Prison Service

In Nov 2012 budgets were transferred to each Health Board when they took over the responsibility of providing health care for prisoners in place of the Scottish Prison Service. The two prisons in Grampian closed and in April 2014 the new HMP & YOI Grampian was

opened. The prisoner population when the prison is at full capacity will exceed the total of the two previous prisons. Healthcare in the new prison is now being provided by NHS Grampian services so changes in prescribing have been seen as a result.
The budget will need increased to accommodate:-

- Increased prisoner population in 2017/18 as the prison is at capacity.
- Provision of take home naloxone for appropriate prisoners at liberation. This was previously funded nationally but must now be funded locally.
- Increased dispensing fee charges if numbers of in-possession medicines increases.
- Prescribing of Suboxone® for opiate dependency (expensive compared to methadone).
- Penalty charges in management fees if volume increases above the allocated level allowed for in the national pharmacy contract this should be off-set by a significant reduction in the monthly Management Fee paid by Grampian when the new pharmacy contract started in April 2015.
- Increasing costs for NRT as the Prison estate moves to becoming "smoke free".

In recognition of this a suggested budget for 2017/18 is undernoted:

Table 7: Prison Service Prescribing allocation

Sector	Full year budget 2016/17 £000's	Estimated Out-Turn 2016/17 £000's	Suggested Budget 2017/18 £000's	Growth on 2016/17 Budget %	Growth on 2016/17 Out-turn %
HMP Grampian	213	252	253	18.5%	0.4%

2.2.2. Police Custody – Kittybrewster

In April 2014 NHS Grampian took over responsibility for the healthcare of persons in police custody. A new Custody Unit in Aberdeen was opened in July 2014 and whilst no changes are planned to either the choice or volume of stock drugs there will be a need to monitor any impact on changes to usage as cell numbers have doubled.

A suggested 2017/18 budget is undernoted:

Table 8: Police Custody prescribing allocation

Sector	Full year budget 2016/17 £000's	Estimated Out-Turn 2016/17 £000's	Suggested Budget 2017/18 £000's	Growth on 2016/17 Budget %	Growth on 2016/17 Out-turn %
Custody	9	7	14	60.1%	108.7%

Summary of position for 2017/18

Having considered the general trend in increasing cost per item and the growth in volume along with changes to patent status, organisational and development commitments, closer working, new medicines coming to market and other key factors, predictions for the primary care prescribing budget needs for 2017/18, for individual HSCPs, are given in Appendices 1,2, & 3.

The following risks have been identified as being significant and HSCPs and NHS Grampian Board are asked to consider the significant risk of growth outside the predictions made.

- The risk that the future prices for generic medicines, and associated reimbursement level set within the Scottish Drug tariff, remain difficult to predict. Recent rises in prices have been related to the changes to the EU rules governing the importation of active pharmaceutical ingredients and worsening drug shortages; both of which may continue to bring upward pressure. However, there is also a general view that community pharmacy purchasing in the last year has delivered stronger discounts than have been allowed for under the margin sharing agreement. This view suggests that in addition to the clawback of this excess margin, to address any historical overpayment, there will need to be a drug tariff correction across prices paid for generic medicines. At the time of writing this report the negotiations for the 2017/18 community pharmacy contract and the associated discount and clawback arrangements are yet to be completed. Indications are that the net effect on generic prices will be to reduce costs but it is difficult to provide a robust estimate of the level of benefit to Grampian.
- The timing and ability of NHS Grampian to maximise the savings from generic medicines, particularly pregabalin, which will form the vast majority of any savings in 2017/18.
- The risk that item volume rises greater than currently predicted.
- Further discount or rebate changes or removal of current rebate /PAS schemes.
- The introduction of new medicines/new treatment modalities has resource implications above and beyond the costs of just the medicine. While some medicines may replace existing treatments and be easier to manage, the overall effect of new medicines introduction may increase the resource requirements in order to treat patients safely and effectively.
- Unmanaged movement of prescribing from secondary care to primary care without appropriate financial resources moving to support such change.
- A diminution in the new GMS contract support for medicines management activities focussed on the cost effective use of medicines.
- Macroeconomic effects related to currency fluctuation and broader impacts of Brexit preparations.

The appendices on the following pages set out the predicted prescribing budgetary requirements for 2017-18 for each of the HSCPs and Mental Health.

These predictions are based on a simplistic model taking into account some of the factors described above. However, each year there is always a significant level of prescribing efficiencies work being undertaken which has always impacted on the budget out-turns.

Equally the predications cannot accurately take account of the effect of new medicine launches within the coming financial year which at present cannot be predicted. Although many companies co-operate by providing information about their products before launch, likely price ranges are not provided.

Given the numerous uncertainties of the predicted model at this point in time it is only possible to give a best guess as to the likely out-turn for 2017-2018, for each of the individual Health and Social Care Partnerships.

It is suggested that HSCPs utilise the intelligence provided in this report to assist them in their prescribing budget allocations for 2017/18.

Appendices

Appendix 1 - Aberdeen City Health and Social Care Partnership

Appendix 2 - Aberdeenshire Health and Social Care Partnership

Appendix 3 - Moray Health and Social Care Partnership

Appendix 1 - Aberdeen City Health and Social Care Partnership

Tables A, B & C: Estimates for Prescribing

Table a – Growth, Expenditure and Savings – Primary Care Prescribing

Factor	Best case £000's		Best guess £000's		Worst case £000's	
	Level of		Level of		Level of	
Less under accrual impact from 2015/16	0		0		0	
Contribution for Organisational and development provision	101		101		101	
Partnership working contribution	39		39		39	
Volume growth estimate	161		317		401	
Price movement estimate	366		494		586	
ScriptSwitch allocation and communications	113		113		113	
Discount income	45		40		36	
New Medicines affecting Primary care	274		274		274	
New generic, Tariff Changes	-906		-906		-906	
New Clinical Guidance	107		107		107	
Margin Sharing Arrangements (recovery from 16/17)	-356		-356		-356	
Tariff Changes from 2016/17	-285		-285		-285	
Prescribing Efficiencies	-164		-164		-164	
Total Movements	-504		-226		-54	

Table B - Overall Aberdeen City HSCP Suggested Primary Care Prescribing Budget Requirement 2017/18

Factor	Best case £000's		Best guess £000's		Worst case £000's	
Full year Budget 2017-18	**39326**		**39326**		**39326**	
Predicted Year End Out-turn 2016-17	40095		**40095**		**40095**	
Total Movements	-504		**-226**		**-54**	
Suggested Total budget 2017-18	39591		39869		40041	
% increase on 2016-2017 budget	0.7%		1.4%		1.8%	
% increase on predicted 2016-2017 expenditure	-1.3%		-0.6%		-0.1%	

Table C: Aberdeen City HSCP Community Prescribing (inc Elderly Services at Woodend)

Sector	Full Year Budget 2016-17 £000's	Predicted Out-turn 2016-17 £000's	Suggested Budget 2017-18 £000's	Growth on 2016-17 Budget %	Growth on 2016-17 Out-turn %
City HSCP Total	1016	1096	1096	7.8%	0.0%

Appendix 2 - Aberdeenshire Health and Social Care Partnership

Tables A, B & C: Estimates for Prescribing

Table a – Growth, Expenditure and Savings – Primary Care Prescribing

Factor	Best case		Best guess		Worst case	
	£000's		£000's		£000's	
	Level of		Level of		Level of	
Less under accrual impact from 2015/16	0		0		0	
Contribution for Organisational and development provision	111		111		111	
Partnership working contribution	43		43		43	
Volume growth estimate	176		347		439	
Price movement estimate	401		541		641	
ScriptSwitch allocation and communications	124		124		124	
Discount income	50		43		39	
New Medicines affecting Primary care	300		300		300	
New generic, Tariff Changes	-992		-992		-992	
New Clinical Guidance	117		117		117	
Margin Sharing Arrangements (recovery from 16/17)	-390		-390		-390	
Tariff Changes from 2016/17	-312		-312		-312	
Prescribing Efficiencies	-179		-179		-179	
Total Movements	-552		-247		-59	

Table B - Overall Aberdeenshire HSCP Suggested Primary Care Prescribing Budget Requirement 2017/18

Factor	Best case		Best guess		Worst case	
	£000's		£000's		£000's	
Full year Budget 2017-18	**42793**		**42793**		**42793**	
Predicted Year End Out-turn 2016-17	43896		**43896**		**43896**	
Total Movements	-552		**-247**		**-59**	
Suggested Total budget 2017-18	43444		43649		43837	
% increase on 2016-2017 budget	1.3%		2.0%		2.4%	
% increase on predicted 2016-2017 expenditure	-1.3%		-0.6%		-0.1%	

Table C: Aberdeenshire HSCP Community Prescribing

Sector	Full Year Budget 2016-17 £000's	Predicted Out-turn 2016-17 £000's	Suggested Budget 2017-18 £000's	Growth on 2016-17 Budget %	Growth on 2016-17 Out-turn %
Aberdeenshire HSCP Total	770	760	770	0.0%	1.2%

Appendix 3 - Moray Health and Social Care Partnership

Tables A, B & C: Estimates for Prescribing

Table a – Growth, Expenditure and Savings – Primary Care Prescribing

Factor	Best case £000's		Best guess £000's		Worst case £000's	
	Level of		Level of		Level of	
Less under accrual impact from 2015/16	0		0		0	
Contribution for Organisational and development provision	44		44		44	
Partnership working contribution	17		17		17	
Volume growth estimate	70		137		174	
Price movement estimate	159		214		254	
ScriptSwitch allocation and communications	49		49		49	
Discount income	20		17		16	
New Medicines affecting Primary care	119		119		119	
New generic, Tariff Changes	-393		-393		-393	
New Clinical Guidance	46		46		46	
Margin Sharing Arrangements (recovery from 16/17)	-154		-154		-154	
Tariff changes from 16/17	-123		-123		-123	
Prescribing Efficiencies	-71		-71		-71	
Total Movements	-219		-98		-23	

Table B - Overall Moray HSCP Suggested Primary Care Prescribing Budget Requirement 2017/18

Factor	Best case £000's		Best guess £000's		Worst case £000's	
Full year Budget 2017-18	**16939**		**16939**		**16939**	
Predicted Year End Out-turn 2016-17	17386		**17386**		**17386**	
Total Movements	-219		**-98**		**-23**	
Suggested Total budget 2017-18	17167		17288		17363	
% increase on 2016-2017 budget	1.3%		2.1%		2.5%	
% increase on predicted 2016-2017 expenditure	-1.3%		-0.6%		-0.1%	

Table C: Moray HSCP Community Prescribing

Sector	Full Year Budget 2016-17 £000's	Predicted Out-turn 2016-17 £000's	Suggested Budget 2017-18 £000's	Growth on 2016-17 Budget %	Growth on 2016-17 Out-turn %
Moray HSCP Total	292	307	307	2.5%	0.1%

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