



New Funding Arrangements

Budget Growth Estimate 22/23

30-July-2021

This document outlines the findings of the Isle of Man Health and Care Transformation Programme's estimation of an appropriate annual growth rate for Manx Care's budget for 2022/23

Background and Summary



- As part of preparing for the 2022/23 budgeting cycle the Isle of Man Health and Care Transformation Programme has conducted an initial estimate of the potential growth rate to be applied to the 2022/23 Manx Care budget, based on estimated demographic / non-demographic growth as well as the inflation.
- Previously analysis had been performed around the estimated funding growth for Manx Care as part of the Final Report by Sir Jonathan Michael. It resulted in a forecast growth estimate for 2022/23 of 3.03%.
- The methodology used in the Final Report could not be replicated at this time as it was largely based on NHS England's Five Year Forward View in 2015, a refreshed version of which has not yet been issued.
- Therefore, this analysis has sought to refresh the estimate using the latest available NHS England actual data, determining evidence-based activity growth rates and demographic growth.
- Nine possible approaches were identified with a range of potential growth rates of between 2.07% and 4.31%. The approaches that produced the extreme ends of this spectrum are not considered to be as applicable as others.
- The two approaches with the highest confidence (one based on all England and the other based on a sub-set defined as Coastal Ageing) produced a range of 3.03% to 3.56% and were developed in more detail.
- The consensus was that the **Coastal Ageing model (3.03% growth for 2022/23)** is the most appropriate option, given the greater similarities of the populace with this English subgroup.

Summary of all options modelled



The below tables shows the initial outputs of all options modelled prior to the selection of the two options highlighted for further consideration.

Summary of Options Considered					
Option	Summary Description	Weighted Growth Applied			Total Impact
		Activity	Non-demographic Price Growth	Inflation	Total Growth (%)
1	England Growth Rates + Health CPI	1.85%	0.00%	2.29%	4.14%
2	England Growth Rates + CPI	1.85%	0.00%	1.66%	3.50%
3	Coastal Ageing Growth Rates + Health CPI	1.32%	0.00%	2.29%	3.61%
4	Coastal Ageing Growth Rates + CPI	1.32%	0.00%	1.66%	2.97%
5	England Growth Rates + Non-Demographic Price Pressures + Differential CPI	1.85%	0.96%	0.75%	3.56%
6	Coastal Ageing Growth Rates + Non-Demographic Price Pressures + Differential CPI	1.32%	0.96%	0.75%	3.03%
7	Coastal Ageing Growth Rates + Differential CPI	1.32%	0.00%	0.75%	2.07%
8	Indicative Isle Of Man Historic Acute Activity Growth + Non-Demographic Price Pressures + Differential CPI	2.60%	0.96%	0.75%	4.31%
9	Indicative Isle Of Man Historic Acute Activity Growth + Differential CPI	2.60%	0.00%	0.75%	3.35%

Options taken forward

Pros / cons of all options modelled



The below table sets out some high level pros and cons of all options that were initially considered, highlighting the two that were taken forward

Pros and Cons of Options Considered			
Option	Pros +	Cons – (in all cases, there is not a perfect proxy or comparator for the Isle of Man)	Overall Confidence*
1	<ul style="list-style-type: none"> Based on demonstrated historical activity Health CPI is a well recognised ONS metric 	<ul style="list-style-type: none"> Full Health CPI has not historically been the basis for estimating budget growth on the Island 	++
2	<ul style="list-style-type: none"> Based on demonstrated historical activity CPI is a well recognised ONS metric 	<ul style="list-style-type: none"> CPI does not necessarily reflect the actual cost growth in the healthcare sector 	+
3	<ul style="list-style-type: none"> Based on demonstrated historical activity of similar geographies Health CPI is a well recognised ONS metric 	<ul style="list-style-type: none"> Full Health CPI has not historically been the basis for estimating budget growth on the Island 	++
4	<ul style="list-style-type: none"> Based on demonstrated historical activity of similar geographies CPI is a well recognised ONS metric 	<ul style="list-style-type: none"> CPI does not necessarily reflect the actual cost growth in the healthcare sector 	+
5	<ul style="list-style-type: none"> Based on demonstrated historical activity Non-demographic rates are consistent with those used in previous modelling Use of differential CPI rate is consistent with previous modelling approach 	<ul style="list-style-type: none"> Potential for minor double count of activity growth with the non-demographic rate 	+++
6	<ul style="list-style-type: none"> Based on demonstrated historical activity of similar geographies Non-demographic rates are consistent with those used in previous modelling Use of differential CPI rate is consistent with previous modelling approach 	<ul style="list-style-type: none"> Potential for minor double count of activity growth with the non-demographic rate 	+++
7	<ul style="list-style-type: none"> Based on demonstrated historical activity of similar geographies Simplest approach with only activity growth and cost inflation applied 	<ul style="list-style-type: none"> Unlikely to reflect true cost growth for healthcare as only the CPI differential is applied 	+
8	<ul style="list-style-type: none"> Based on local demonstrated historical activity for the acute 	<ul style="list-style-type: none"> Relies on indicative assumptions on unit costs for acute activity only Potential for minor double count of activity growth with the non-demographic rate 	++
9	<ul style="list-style-type: none"> Based on local demonstrated historical activity for the acute 	<ul style="list-style-type: none"> Relies on indicative assumptions on unit costs for acute activity only 	++

 Options taken forward

*Based on agreed position between the Health and Care Transformation Programme and Manx Care

Options taken forward



The two options below were analysed fully from an initial list of nine possible options:

- **Option 5** – All of England Growth Rates, Differential CPI, Non-Demographic Price Pressures
 - Demographic and non-demographic activity growth based on the whole of England NHS data for each care setting where data is available
 - Non-demographic price pressures were applied using the same source for assumptions as the previous modelling
 - The delta between Health CPI and base CPI has been applied to account for the higher costs of healthcare as opposed to ordinary expenditure – same as the previous modelling
- **Option 6** – Coastal Ageing Growth Rates, Differential CPI, Non-Demographic Price Pressures .
 - Demographic and non-demographic activity growth based on the England Coastal Ageing Peer group NHS data for each care setting where data is available (*a sub-set of the data from England which provides a more comparable population to that of the Isle of Man. This sub-set covers coastal regions of England where there is an ageing demographic and the overall population size is comparable to the Isle of Man*)
 - Non-demographic price pressures were applied using the same source for assumptions as the previous modelling
 - The delta between Health CPI and base CPI has been applied to account for the higher costs of healthcare as opposed to ordinary expenditure – same as the previous modelling

In both options, there is the potential that the non-demographic price pressure may include a partial double count with factors driving activity growth. However this cannot be precisely quantified within the 0.96% growth attributed in the model to non-demographic price pressures.

Conclusion

- Both options detailed for estimating budget growth for the year 2022/23 used English NHS data as the starting point to derive demonstrated historical activity growth over a five year period from 2015/16 to 2019/20.
- The difference between the options relate to estimating activity growth:
 1. Use historic activity growth from the entire English NHS
 2. Use historic activity growth from the ONS cluster 'Coastal Ageing' as a proxy for the Isle of Man's population
- The outputs for each option are shown opposite, alongside the equivalent growth rate previously estimated for 2022/23 in the Final Report.
- The Transformation Programme supported by Manx Care recommend the Coastal Ageing model (3.03% growth for 2022/23) as the most appropriate option.

Scenario Comparison	
Scenario	Budget Growth (%)
Coastal Ageing Scenario	3.03%
All England Scenario	3.56%

