

NOEL J STAUNTON (BSc, MRPharmS, MBA, Dip H.Econ)

- Pharmaceutical Consultant-3i consultancy ltd
- Work with Pharma companies (Pfizer, GSK, BI, Novartis, Shire, Galderma, Stiefel, Takeda, Lundbeck etc, etc)
- Mob 07980 148711. E mail noel@3iconsultancy.com



TODAY

- Why change the NHS?
- Payment By Results (PBR)/implications for pharma
- Practice Based Commissioning (PBC)/implications for pharma

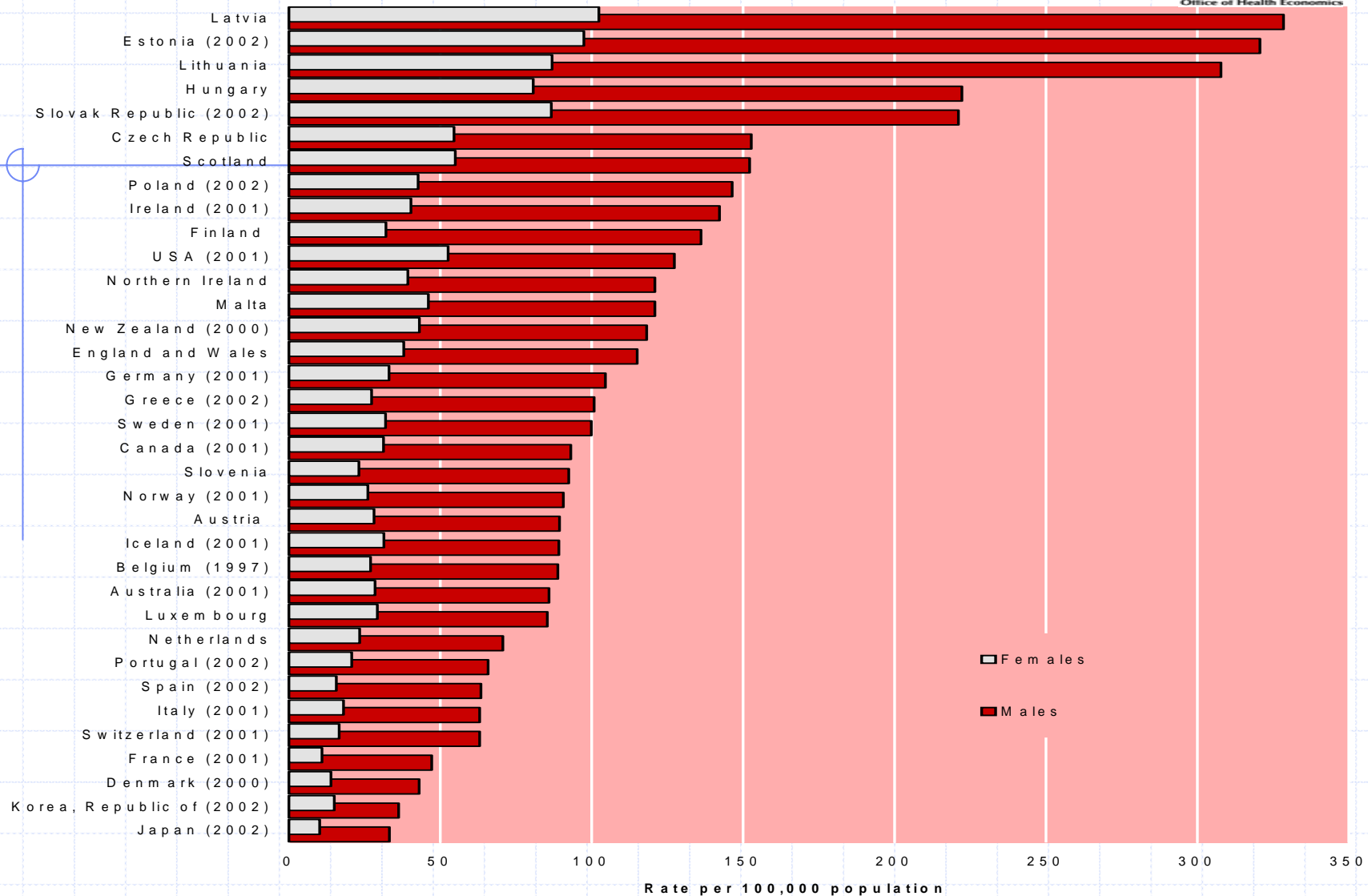
Why change the NHS?

- Because the money's going in but the results aren't coming out; is this because we spend too much in secondary care?

	04/05	05/06	06/07	07/08
UK public sector health spend £ billions	81.1	88.6	97.4	107.20
Total health spend as % of GDP	8.3	8.6	8.9	9.2

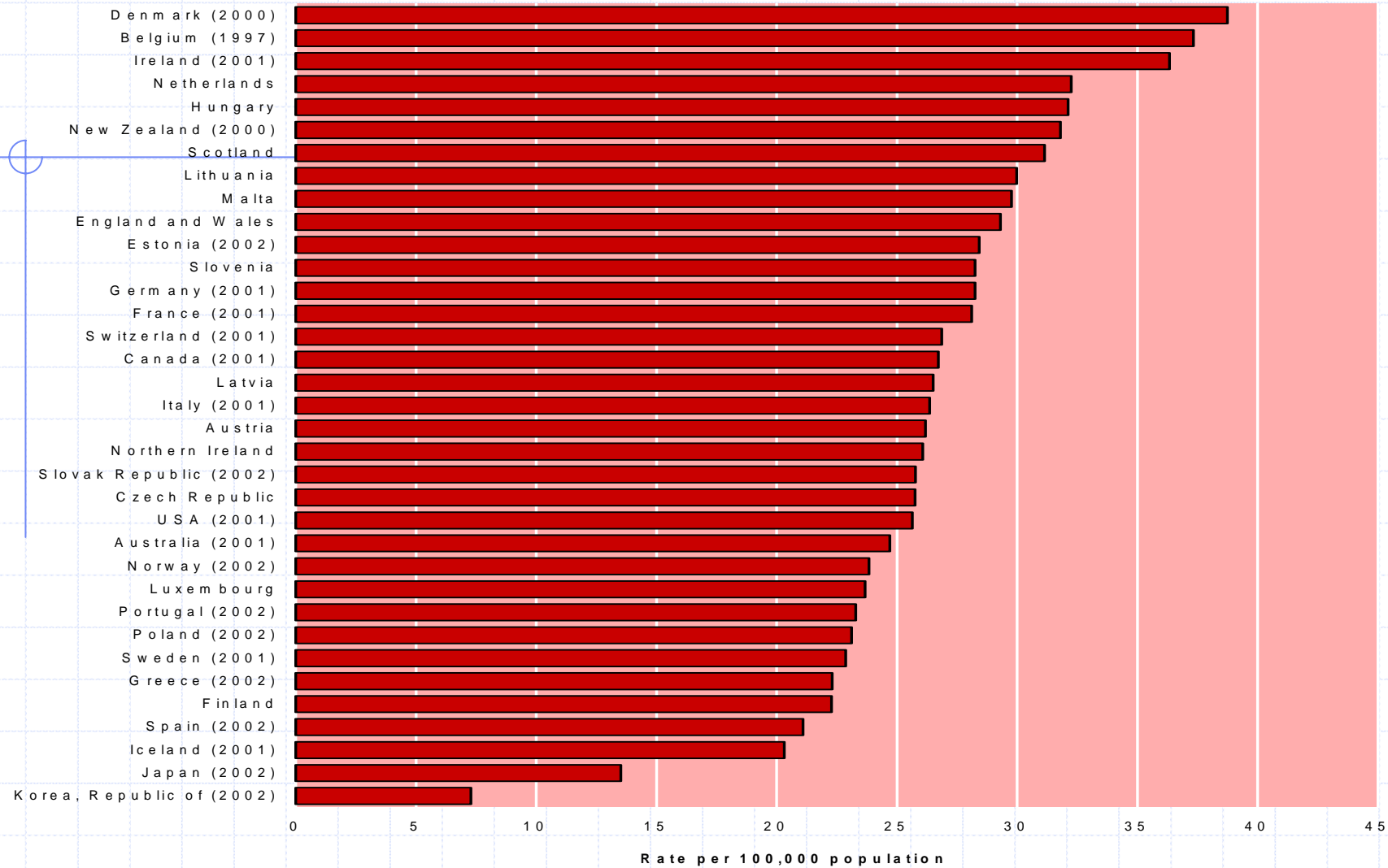
Ref: OHE, Compendium of Health Statistics, 17th Edition, 2005-06, September 2005

Figure 1.13 Age standardised mortality rates from coronary heart disease, men and women aged under 75, in selected OECD and EU countries, circa 2003



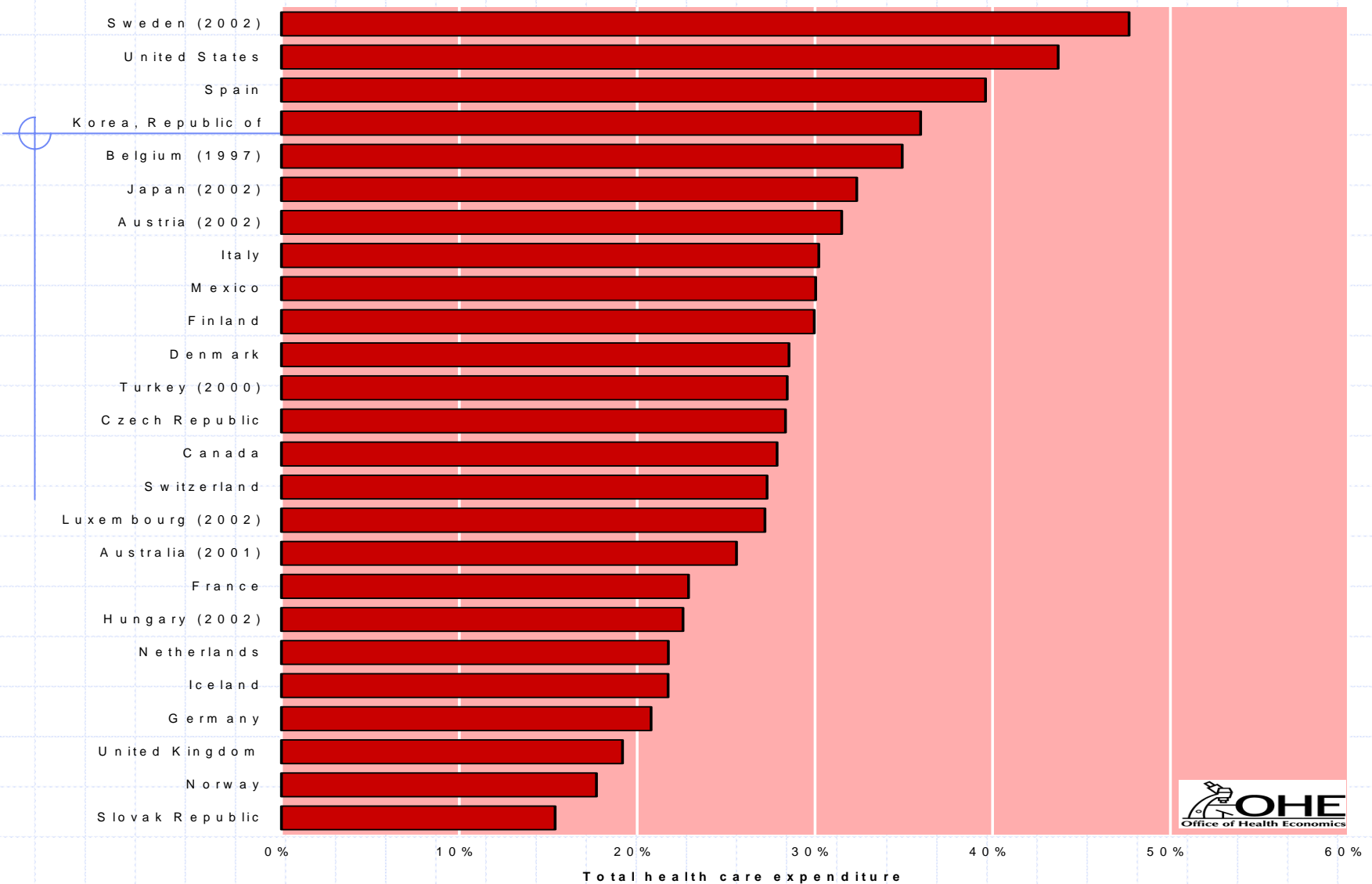
Note: Year is 2003 unless stated otherwise.
Sources: See Table 1.34.

Figure 1.16 Age standardised mortality rates from breast cancer, women aged under 75, in selected OECD and EU countries, circa 2003



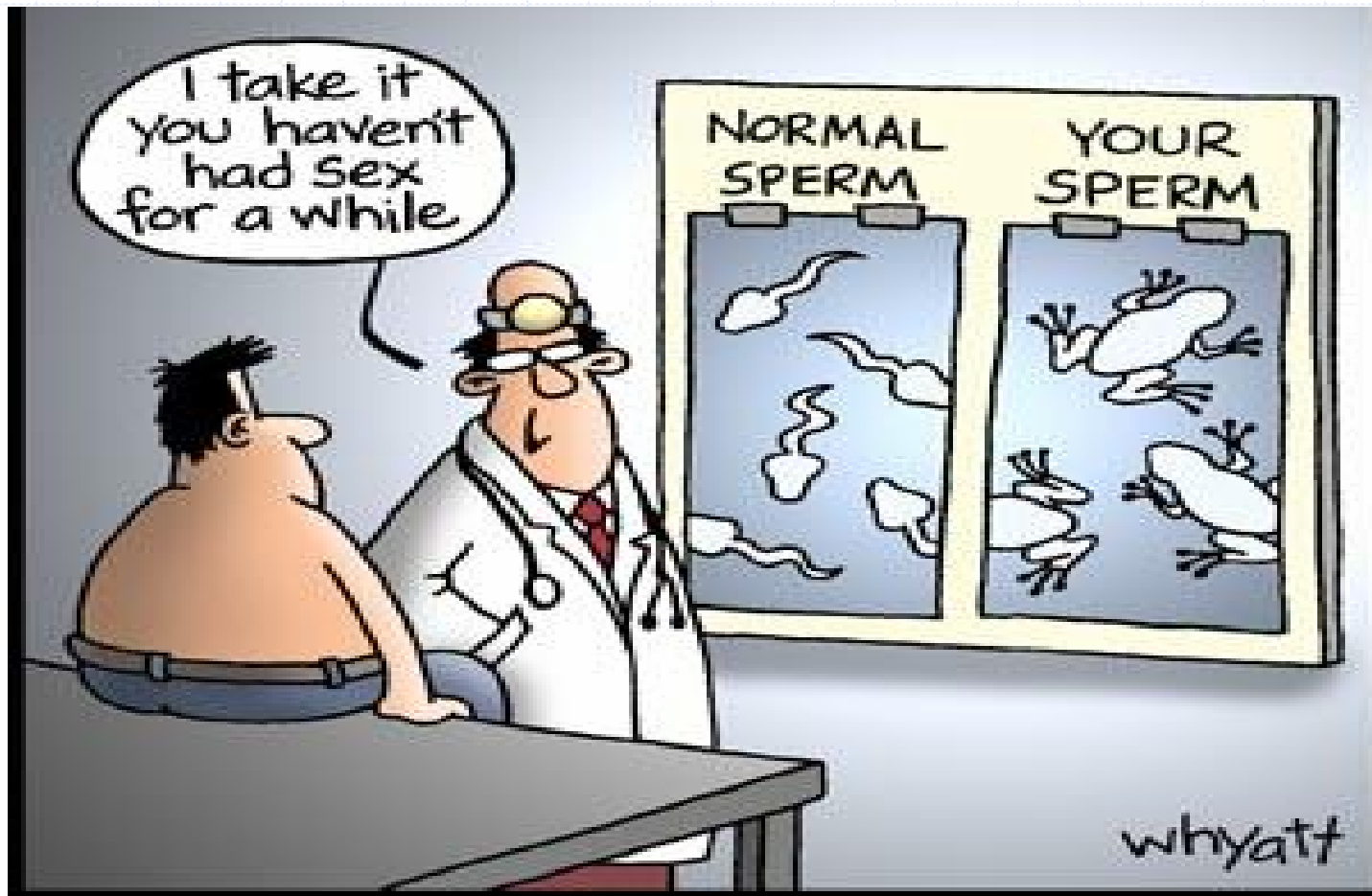
Note: Year is 2003 unless stated otherwise.
Sources: See Table 1.34.

Figure 4.2 Primary health care as a percentage of total health expenditure* in selected OECD countries, circa 2003



Notes: Year is 2003 unless stated otherwise.
 For UK figures, see Tables 2.1 and 4.1.
 *Figures relate to both public and private health expenditure.
 Source: OECD Health Database.

PBR – it's been a long time arriving



PBR

❖ Old system - block contracts

- Don't want to do more
- Don't want to do difficult patients
- Don't know how much hospital care costs
- Can't disinvest from secondary care

❖ New system - PBR

- Want to do more
- Want difficult patients
- National tariff
- **CAN DISINVEST FROM HOSPITALS**

PBR

- England only (but Celtic nations eventually)
- Copy of US system which DOES reduce hospital stay (Ref HSJ, 9th Dec 04, P 16)

	FOUNDATION TRUSTS				NON-FOUNDATION TRUSTS			
	In patients (IP) elective	IP non-elective	A&E	Out patients (OP)	IP elective	IP non-elective	A&E	OP
2004/05	✓	✓						
2005/06	✓	✓	✓	✓	✓			
2006/07	✓	✓	✓	✓	✓	✓	✓	✓

PBR

- International phenomenon DRGs first in the USA - Medicare
- France uses US DRGs
- Italy uses modified version of US DRG system
- Germany & Netherlands from 2003
- England, Australia, Norway, Austria, Finland, Sweden and Canada have own case mix tools

PBR Example – CHF

A 65 year old woman is admitted to the coronary care unit. Her recovery is slow, hindered by pneumonia. She is in hospital for 35 days before being discharged.

PBR Coding

- ◆ Patient is discharged from hospital.
- ◆ Hospital finance clerk reads patient's notes and types into her computer:
 - Primary diagnosis - CHF
 - Secondary diagnosis - Pneumonia unspecified
- ◆ PBR software spews out a code – HRG E18

PBR Tariff

HRG code	HRG name	Elective spell tariff (£)	Elective long stay tripoint (days)	Non-elective spell tariff (£)	Non-elective long stay tripoint (days)	Per day long stay payment (for days exceeding tripoint)	Short stay (less than 2 days) emergency tariff (£)
E18	Heart failure or shock >69 or w cc	2161	25	2619	30	163	524

- ◆ E18 – Non-elective tariff £2,619
- ◆ Trim points – 5 days @ £163 per day £815
- ◆ **Total tariff paid by PCT** **£3,434**

PBR activity info

- ◆ Where ever there's a tariff there's tremendous free activity data.
- ◆ E18 Heart failure or shock >69 or w cc:
 - ✓ FCEs = 57,908;
 - ✓ Bed days = 721,789;
 - ✓ Average LOS = 12.46.

PBR

- The tariff covers EVERYTHING that happens to the patient whilst in hospital (drugs, tests etc)
- **OPPORTUNITY FOR PRIMARY CARE DRUGS** (use our drug and prevent expensive hospital tariffs)
- **THREAT FOR SECONDARY CARE DRUGS** (the hospital earns the same amount regardless of which drug they use) UNLESS the drug reduces length of stay
- Real pharmaco economics in UK

PBC

- Born in England only (April '05) and voluntary
- Resuscitated in April '06 through the GMS contract
- In 3 years practices will hold budgets covering almost entire scope of health care provision.
- PCTs confident that most practices will participate this year (HSJ 4th May '06 P 19)
- NHS Alliance says GPs are "totally lost" (HSJ 11th May '06, P 12)

PBC currently

- Practices involved **MUST** hold the budget for
 - All services covered by national tariff
 - Prescribing
- Overspends will be met by the PCT
- PCTs must balance books yearly,
commissioning localities 3 yearly

PBC currently

- Fund holding DID change how many patients went into hospital (unlike HAs, PCTs, and other NHS changes) (Ref Health Foundation, Oct 04)
- Supposedly all practices by end of 2006 (no chance of that then)

PBC

- **3 INCOME STREAMS FOR GPs INVOLVED:**

- Can keep 70% + of efficiency gains (savings) although PCT needs to agree this
 - Savings must be used for patient benefits:
 - Equipment;
 - Training;
 - Premises (with PCT approval);
- 95p per patient under new GMS contract to write a plan and 95 p to do it
- Pay themselves to run outpatient clinics (PBR hospital tariff less a bit)

PBC

- **BOTTOMLINE**

- PBC + PBR = tremendous financial incentives for GPs to keep patients out of hospital and increase use of proven medicines
- BUT an opposing financial incentive to control prescribing spend

PBR+PBC-implications for pharma

- ? Do your primary care drugs have evidence of reduced hospitalisations (in patients or out patients)?
- ? Do your secondary care drugs have evidence of reduced length of stay?
- ✓ Include PBR tariffs on PCO/Commission group detail aids for primary care drugs
- ✓ Train field reps in PBR + PBC basics so they can use these to sell product
- ✓ Replace non UK costs and hospital admission data in PE models with the English tariffs
- ✓ Work with DOH PBR team to add expensive hospital drugs into exclusion list

NOEL J STAUNTON (BSc, MRPharmS, MBA, Dip H.Econ)

- Pharmaceutical Consultant-3i consultancy ltd
- Work with Pharma companies (Pfizer, GSK, BI, Novartis, Shire, Galderma, Stiefel, Takeda, Lundbeck etc, etc)
- Mob 07980 148711. E mail noel@3iconsultancy.com

