

Simon Stevens,
Chief Executive,
NHS England,
Skipton House,
80 London Road,
London,
SE1 6LH

By email

10 March 2016

Dear Simon,

Advisory Committee on Resource Allocation

I wrote to you on 15 December to set out ACRA's recommendations from last two years' work programme on the formulae for NHS allocations. The formulae inform target shares for local areas of the national funding available for allocations.

We are pleased that ACRA's recommendations on the refreshed formulae for CCG core allocations and primary medical care allocations were fully accepted and used for allocations for 2016-17 to 2020-21 announced in January.

In my letter in December, we expressed concerns about the new formula for specialised services. While we believed the new formula showed promise, we had at that stage only been able to review preliminary findings and recognised that further work was required. We raised concerns about the limited coverage of some specialised services within the Secondary Uses Service (SUS) data used for the modelling, and about the robustness of the models at CCG level for very specialised services.

We therefore recommended in December that the initial formula for specialised services would have to be used cautiously: it should be restricted to those services for which the model has significant coverage, and it should not be a major driver of pace of change at CCG level. We recommended also that NHS England should give careful consideration to appropriate risk sharing arrangements for specialised services and that further work should be undertaken to develop further the specialised services formula.

We were informed at our February meeting that in setting allocations from 2016-17, the specialised services formula had not been used for the very specialised services or for services where there was poor coverage in the SUS dataset. We learnt also that the specialised services formula had a very limited role in pace of change policy.

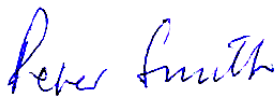
We are aware that at its meeting last December the NHS England Board specifically discussed the fact ACRA had not fully endorsed the new specialised services formula. I therefore felt that I should write to let you know that at our February 2016 meeting ACRA recognised that the Board needed to set allocations at that particular time and supported the approach it took on allocations for specialised services.

ACRA believes that further work is needed on the specialised services formula and we would welcome this being a priority in our commission for the next phase of work. I will send our proposals for future work shortly to support your considerations for the next phase our work programme.

I would be happy to discuss further with you if you would find this helpful.

I am copying this letter to Paul Baumann.

Yours sincerely,



Professor Peter Smith

Emeritus Professor of Health Policy
Imperial College London

Chair of the Advisory Committee on Resource Allocation