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31st October 2002

Charles Lister
Department of Health
Room 633B
Skipton House
80 London Road
London SE1 6LH

Dear Charles,

Re: Provision of Recombinant Factor 8 for Adults

I am sorry that you couldn't make it to our Strategy Sub Group meeting on Monday.

You will remember that when we last met at Skipton House we discussed amongst other things the pending Ministerial decision on the provision of recombinant based products for adults.

I expressed some concern that a distribution of funds on a capitation as opposed to a usage basis would further exacerbate the financial pressures on commissioners within the London and SE Consortium because of the disproportionately high number of registered patients living in this part of England.

You asked me to father some information to quantify the longer term financial pressures that would confront purchasers and I enclose for your consideration, a set of financial projections prepared by Professor Savidge from St Thomas'.

He would be very happy to explain to you the methodology he has used to arrive at these estimates.

Our group felt that this is an extremely important analysis that needed to be brought to your attention as a matter of urgency. Evan allowing for differences of view about the relative impact of the various assumptions that have been made, it is crystal clear that by year five the recurring revenue consequences will be far in excess of the current estimate of circa £50m. Indeed, this rate of increase is in line with the Consortium's experience to date whereby total cost has risen by 1/3rd over 3 years.

I know from our discussion that you are anxious to shield PCTs from any financial impact of the decision by the Minister and it seems clear to be that,

effectively, the only way in which this can be guaranteed is permanent usage based control funding of future costs over and above the 2002/3 baseline.

You will have noted the particularly severe effect of the projected third generation product price increase.

Please let me know if we can be of further help with this.

Two other issues:

Firstly, a question from the group about why clotting factory products do not fall within the remit of the PPRS. Secondly, to advise you that our collaborative purchasing project, being led by PASA, is now gathering momentum and we anticipate a substantive progress report at our meeting on 27th January.

Best wishes.

Yours sincerely,

GRO-C

David Kemsley
Deputy Director of Commissioning.

c.c: J. Stallibrass – DoH
B. Gill – LRSCG
S. Heiser – Croydon PCT
Professor Savidge – STH