RSL/AH

9th March 1979.

Mr. G. Bayliss,
FB3, Room 124,
Department of Health and Social Security,
14 Russell Square,
London WC1B 5EP.

Dear Mr. Bayliss,

I have now had time to look through the group of documents which you handed to me at your last visit to BPL. I believe you wanted me to comment on the general approach presented by these documents, and this I will do, taking them in order after an initial general comment.

As director of BPL, this collection of papers represents the first opportunity I have had to obtain an overview of the thinking and approach at present adopted by Finance Division in conjunction with other sections: in particular, the papers include the general trend or evolution of thinking that has taken place in the Division since the middle of last year and has been invaluable to me as I hope to explain. The thinking outlined in D73, Harris' paper, reflects a number of conversations and meetings held in conjunction with BPL earlier this year and in 1977 at the origination of the Stop-Gap programme. I believe that the meetings associated with Stop-Gap did a great deal to bring to Finance Division's notice the fact that BPL has emerged, as Harris described, from an R & D unit/cottage industry into an industrial production unit responsible to DHSS. Two other aspects relate to this point: namely, that in future the laboratory specialists and management should be drawn into the planning programme earlier rather than later, and secondly, following from the first point, outputs of the type exemplified in D87 would not occur.

The final general point causes me particular anxiety. The laboratory is in urgent need of financing and redevelopment if it is to do what is abundantly the right thing and use the NBTS and its products to make the NHS self-sufficient in blood products. The laboratory is some five years behind and a decision is needed now to commence forward planning. I accept that DHSS cannot make such a policy decision unless it has confidence that the laboratory is capable of fulfilling this function in a dependable, safe and cost-effective way. I believe the laboratory has shown itself to be capable of producing a first-class product at an advantageous price, also that DHSS share this confidence. There is a real risk, however, that a policy decision will be side-tracked over the issue of cost-effectiveness if this issue is to be resolved at a high level of detail before the general development of this laboratory can proceed. I would have thought that it is abundantly clear that the Transfusion Service as a whole is a highly cost-effective organisation and this includes BPL. I appreciate that as an industrial unit, BPL's financing will need to be put on to a more effective footing.

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In fact I have promoted this ever since I have been involved in the Transfusion Service. Equally, I am well aware that cost accountability has not been a strong feature of NBTS or BPL and that it needs to be radically improved and the service made much more accountable in the future. This will be a lengthy and difficult exercise but one which should not be allowed to cloud the immediate issues at stake; similarly, if the Transfusion Service is to be effectively costed, its professional members must be combined in the study at its outset.

Dealing with the papers separately, there are a number of points:

D72. Harris' paper echoes my thoughts to a considerable degree and it is the views expressed in paragraph 2 that suggest it is important to the Director of BPL to be involved much earlier than heretofore. For example, it is essential for me to know if future strategy may include arrangements in parallel with the private sector; likewise, it is important to know at the earliest opportunity that DHSS is going to back this laboratory as the primary production unit. In paragraph 4 again, there is an incorrect assumption about the controls which act on the supply of products. Before one can criticise the use of factor VIII by clinicians, it must be understood that it will be always cheaper to treat a haemophiliac at home than to treat him in hospital. Hence, full home prophylaxis is likely to be the cheapest aim for the future. The cost of the latter compared with the cost of haemophilia hospitalisation, coupled with the increasing life expectancy, hence the significance of morbidity and functional decompensation due to the disease, need to be carefully weighed. For similar reasons, I would challenge the last sentence of paragraph 5.

Paper D84 contained an inaccuracy in point 6. ASTMS does not have a closed shop at the laboratory. It is the only union representing staff at the laboratory at the wish of the members and the management. The situation is recognised by the RHA but not officially since this is impossible for the RHA within its existing union agreements with other unions. Membership of ASTMS is not a compulsory requirement of employees.

Point 4, D85, I would hope would include the question of BPL's budgetary procedure for the presentation this next summer. Discussion of this matter should include the Finance Sub-Committee of the Joint Management Committee for Central Laboratories.

Paper D87 presented some alarming misconceptions of BPL's affairs as demonstrated in Appendix C. A number of points should be made. First, it is assumed that each product commences with its own discrete units of plasma, when this is in fact not so. For example, 380,000 donations of fresh frozen plasma come into this laboratory and are used for the manufacture of factor VIII, factor IX and then albumin (equally from this material normal human immunoglobulin can be prepared and coagulation factor VII and fibrinogen). Thus one simply cannot take the number of donations and multiply them by the individual donation costs attributable to the RTCs. Second, for albumin production in addition to FFP, 150,000 donations of cryoprecipitate supernatant come here from RTCs, i.e. factor VIII as regional cryoprecipitate has already been obtained as a product from this source material, hence increasing its utilisation and reducing its cost; equally normal human immunoglobulin can be obtained from this

material in addition to albumin. Third, the remaining albumin raw material is time-expired plasma. This cannot be priced at the same level as fresh frozen plasma since it is essentially a waste product of the Transfusion Service. In fact one could argue that its use rates a saving rather than an outgoing form of expenditure. The source material is variable, frequently sub-standard and of considerable age (up to ten weeks post-donation). Even so a first-class albumin product is obtained from it, and normal human immunoglobulin.

Anti-D immunoglobulin is priced using the same plasma cost for plasma obtained from whole blood donation. In fact this is not so. This immunoglobulin has its own individual specified practice which is largely independant of the normal blood donor programme. Hence the costs are quite different and the form of plasma collection is by plasmapheresis, itself a more expensive system of collection than whole blood.

One could continue at length on this list, but I believe the point is made, namely that cost accountancy of our products cannot be done from a distance by people unaware of the process. I hope that we shall not be exposed to this kind of document again since it does little to support our confidence in the central administration.

Finally, I echo George Brechin's comment in D88, since he has clearly grasped the message based even on the rather poor information presented to him and that is that our product is cheap and that BPL is a "good investment". His point about commercial factor VIII requires a little embellishment. In 1979, the haemophilia organisation is likely to use in excess of 60M iu factor VIII and this can be extrapolated over the next five-year period to a level probably in excess of 80M iu. This is a much higher figure than that quoted by George Brechin. Against this usage, the position of BPL's performance must be taken with the gravest consideration since our putput has been stationary since the early part of 1977. As I am sure you are aware following your visit here, this laboratory cannot stay still; either it undergoes expansion and redevelopment or it ceases to function effectively. The commercial cost implications of this state of affairs must be obvious to anyone.

There is more in these papers than I can cover in a letter, and it might be worthwhile for us to have another meeting to deal with other points in greater detail. I suggest that a more frequent dialogue between Finance Branch and BPL would be advantageous. It would be of value if your section detailed its present views in the form of a paper which could be debated by the new Joint Management Committee for Central Laboratories. It seems that different sections of administration planning BPL's future are not adequately aware of each other's views.

Yours sincerely,

R. S. LANE.

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