Reference.....

4th Draft

DRAFT PAPER FOR REGIONAL TREASURERS
CENTRAL BLOOD LABORATORIES - FINANCIAL ARRANGEMENTS

Background

1. The Blood Products Laboratory at Elstree, its sister laboratory the Plasma Fractionation Laboratory at Oxford (collectively BPL) and the Blood Group Reference Laboratory at Oxford (BGRL) together form the Central Blood Laboratories (CBL's); the main functions of which are to manufacture, from plasma supplied by Regional Blood Transfusion Centres (RTC's), a range of blood products and reagents for use in the NHS. The blood products are returned to RTC's free of charge in proportion to the amount of plasma supplied by each centre.

2. CBL's are at present managed jointly by DHSS and North West Thames RHA though, as Treasurers will know, the Secretary of State has announced his intention to establish a Special Health Authority to manage the Laboratories. They are financed on an agency basis via NW Thames RHA from central funds within the Health and Personal Social Services vote. The CBL's however, rely upon RTC's for their "feedstock", which are financed as part of the RHA managed services.

3. RTC's at present send BPL 150,000 Kg of plasma for processing into a number of therapeutic blood products. A relatively small amount of plasma is sent to BGRL for the manufacture of reagents.

4. This paper suggests a possible revision of the existing funding arrangements for BPL. It does not deal with the BGRL, which, unlike the other Laboratories, is not primarily a factory-type producer though it is continuing to expand its reagent manufacturing side. It is an internationally recognised and WHO supported centre for blood grouping problems and maintains the world register of rare groups.

Present Financial Arrangements

5. The provisional planned revenue and capital expenditure for all 3 Laboratories for the years 1981-82 - 1984-85 is as follows:

£000's	1981-82	1982-83	1983-84	1984-85
current	3544	4266	4615	4881
capital	1688	945	424	295
Total	5232	5211	5039	5176

Capital spending in 1981-82 and 1982-83 provides for a substantial (£2m) short-term upgrading programme at BPL intended to remedy some major deficiencies ~~at BPL, Elstree~~ in order that the Laboratory can meet modern pharmaceutical manufacturing requirements. The cost of upgrading has been more than offset by substantial increases in production levels thereby saving the NHS' purchase of expensive commercial ~~items~~. In the longer term it is intended to redevelop BPL ~~virtually~~ to eliminate the need for the NHS to purchase ~~commercially produced~~ imported blood products. A range of options for the size of the new Laboratory ~~has~~ been considered. ~~and one aiming for self-sufficiency in England and Wales looks the most promising.~~

6. The present funding arrangements were quite suitable for BPL when it was a more R&D orientated unit, which sought to make use of a "waste" material (ie plasma taken from time-expired blood). They are much less suitable for a sizeable production unit which is expanding into a major processing plant. The equivalent commercial value of BPL's output in 1981-82 was about £12m. The present budgeting and funding arrangements concentrate on inputs ie staff and supplies rather than an agreed price for a "contracted"

level of output. It is not possible in these circumstances to be sure that additional increments of resources are producing a maximum return in terms of value for money.

7. Fund ing along present lines is often said to be divorced from the needs of the NHS eg the Department is faced with special pleading for increased resources because some specialists wish to see an extension of the use of certain blood products. It is also arguable that a free issue of any commodity is not conducive to its economic use and there may well be over-ordering and poor oversight on shelf life etc. ~~Linked to this is a possible unnecessarily high demand for plasma leading to wasteful use of resources by RTC's.~~

8. It could be argued that blood products do not differ in nature from other items used or prescribed by clinicians eg drugs, pacemakers, prostheses etc except that these items are all charged against an authority's cash limit and therefore find their natural level in the hierarchy of local priorities. The present requirement for blood products (let alone future estimates) is not a true assessment of economic demand since it is not a consumer responding to a price. This is the only realistic way of deciding how much to produce.

9. Another problem with the present funding arrangements is that whilst the volume of staff and supplies for producing blood products is under direct DHSS control, this is not the case with the BPL's basic raw material ie plasma. Plasma comes to BPL from RTC's. The amount they produce is partly a function of the volume of whole blood collected and partly a function of their level of processing of whole blood into plasma and other derivatives eg red cell concentrate. Decisions on the level of these activities lie with the Regions.

A New Financial Arrangement

10. A possible method of changing the present funding arrangements of BPL would be for BPL to charge the NHS for supplying its products. This would in effect mean that the routine production costs of BPL would no longer be financed from a central sub-head but from the income derived from the sale of its products. Major capital and non-production costs (eg R&D, DGRE) would continue to be provided centrally. [? shouldn't we say which vote?]

Implies the DGRE is part of BPL

by creation of CBLA

11. This proposal would have to be linked with RTC's charging the CBLA for the supply of plasma ~~[to provide the necessary incentive for a continuing and planned increase in production]~~ Since the cost of the products will include the price of the plasma, a net transfer of funds equivalent to the routine production costs of ~~the CBLA~~ DGRE will need to be made to the HCHS revenue. This, together with the income from the sale of plasma to the CBLA, will enable HAs to purchase the blood products they need. The precise accounting arrangements will be a matter for regional and district HAs, though the initial transfer of funds will be on the basis of current supply. In practice a net transaction between the regional health authorities and the CBLA would seem to be the most sensible and economical approach. For purposes of the Appropriation Account, the Department will treat net income from sale of products to the CBLA as Appropriations in Aid.

Expand on RHA/DHA position ie The present arrangements whereby products are supplied only to Regions will continue. It will be for RHAs to consider, with their Districts, the distribution/charging arrangements with the Region.

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Plasma costs

12. ~~While~~ there ~~may be~~ are two ~~grades~~ types of plasma (time expired and fresh frozen plasma) it is intended that prices for these will be set nationally. ~~There are indications that, for particular products (eg Factor VIII),~~ the quality of fresh frozen plasma varies from ~~one~~ Slightly region to another, it would overcomplicate matters at this stage, ~~however~~, to try and devise a weighted cost per kg which varied by region. The position could be reviewed in due course. Meanwhile, the cost per kg will initially be based on ~~very limited~~ information from selected RTCs. Treasurers will be invited to set up adequate costing systems to ensure more representative costings in future.

13. The postion of SHAs/~~BCs~~ HAs will not necessarily be affected, since it is understood that these ~~will~~ do not deal directly with the ~~CBLA~~ Centre. They do not supply plasma and they receive supplies of blood products through RHA's.

14. Future expansion of the NBTS and of the CBLA to the level of planned self-sufficiency has already been agreed in principle by the NHS. Under the proposed financial arrangements this could take place on the revenue side without intervention by DHSS.

Conclusion

15. The Department would welcome Regional Treasurers views on the practicalities of charging the NHS for the supply of BPL products as a means of funding BPL's production costs and transferring funds to Regions to enable them to do so and whether 1 April 1983 is seen as a realistic starting date for the new arrangements.

August 1982 FA2C