

Item posted: Thu 14 Jan 99 19:13

To: Dr Michael McGovern
HSD1
DHMTA027
Department of Health

Cc: Robert Newton
FPA-FAS
OISIII
Department of Health

Mrs G R Skinner
HSD1
DHMTA027
Department of Health

Steve Hards
HSD-BPU
DHMTA026
Department of Health

Charles Lister
HSD1
DHMTA026
Department of Health

David Hewlett
HSD1
DHMTA027
Department of Health

Subject: Re: Recombinant Factor VIII COSTS

Mike,

Thanks for the quick response.

I was involved with the drafting of the first notice which explained the SoS commitment to meeting the additional costs. I met with Christine as you say and we covered the wording of the second HSC which invited the HA bids. We were both paranoid about HAS ripping us off, ie claiming the cost of everything

not just the additional costs incurred in meeting the SoS pledge. I never saw the second HSC until last week. Now I have seen it, the wording fully and exactly explains what I understood our commitment to be - so no problem there.

The bidding proforma looks as if it would produce a lemon though.

On the budget side I am clear on two things. Firstly the £1.5m pressure on the NBA due to lost plasma sales was signalled at the outset. This came through before the HA figure. My understanding was that NBA were able to market plasma

for use in plasma based Factor VIII. With the switch to recombinant Factor VIII income from plasma reduced by £1.5m and the shortfall was to be met centrally. This was in line with other NBA pressures where we were to avoid NBA making in-year revision to their blood prices to Trusts.

*For whenever we are
filing the RFS papers
Thanks.*

GRO-C

The second thing I can recall being told as a certainty is that you had provided the estimate for the HA impact so I shouldn't worry about the accuracy of the £2.6m bid !

As the two pressures related to the SoS commitment a single £4.1m budget was created. The NBA received their £1.5m cash limit addition (CLA) some time ago.

My problem is that I have to find all this money from thin air. We start the year fully committed and I take the risk of securing underspends to meet additional commitments. My only chance of success is that I know as early as possible who needs what. That's why my principal moan is over timing. To date pressures have exceeded savings by about £40m so that spells out the 'uncommitted funds' aspect.

I can appreciate that this all stems from a SoS commitment and that it had to be based on an estimate at the outset. Such a basis is always difficult for the budget holder as they are usually breaking new ground. To compensate for this I need to know asap when things change. Finally you are not alone in SoS commitments that 'have to be met' stakes. I got one for £3m before Christmas and another for £4m on Tuesday. Yours has been logged as a further potential call for £4.9m. I need to know the value of CLAs to be actioned now (the ones you can assume are correct) and the date when you will issue any balance.

A word of caution. We are well past the point when central budget holders normally issue CLAs. HAS will finalise their cash drawing requirements for 1998/99 on 12 February. If they are not in possession of the CLAs letters at that time they are likely to either underdraw (against a later revised cash limit) or have to draw this as a supplementary requisition in March. Either way this is a lot of additional work for HAS and RAFT 4. I think someone needs to discuss a timetable with me.

John Downer
FPB-RAFT 5