



Priority setting in health and social care – economics perspective

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Economic Perspective - outline

- The challenge
- Economics based framework
- Economic principles – opportunity cost and ‘the margin’
- Principles into practice
- Examples of pilot work

The challenge

- Resource scarcity is a global phenomenon
- Fixed funding envelope – not enough to meet all needs
- Integration of resources will not solve this basic problem
- Still a need to manage scarcity of resources

The challenge

- How will Health and Social Care Partnerships prioritise investment decisions which will underpin their strategic commissioning plans?
 - And which meet national outcomes?
- What is the process for deciding where resources are allocated?
- What are the key characteristics required by such a priority setting process?

Can economics offer a way out of these dilemmas?

- Economics is generally viewed as the science of *choice*
- Can offer some practical tools to help

Economics framework for priority setting

2 principles

5 questions

7 stages for project management

Principles

Opportunity cost

- Every time we use resources to meet one need, we give up the opportunity to use those resources to meet some other need
- In allocating resources to one option, some benefit will be lost because resources were not allocated to another option – these forgone benefits are opportunity costs

The margin

- Technically, the extra cost/benefit associated with one more unit of production

Marginal analysis

- The “margin” is concerned with change
- Start with a given mix of services
- What are important are costs and benefits of changes in that mix
- If the mix of services can be changed to produce more benefit overall, this should be done – maximise benefit and minimise opportunity costs

Implications of opportunity cost and marginal analysis

- Investigate whether resources could produce more benefit elsewhere
- To do more of some things, we have to take resources from elsewhere:
 - by doing the same things at less cost (technical efficiency)
 - by taking resources from an effective area of care because a new proposal (or proposals) is (are) more effective for the £s at stake (allocative efficiency)
- Measure costs and benefits of care
- Often about how much rather than whether
 - Fits well with changing the balance of care

Economic approach to needs assessment

Prioritisation addressed by asking 5 questions about resources:

1. What resources are available in total?
2. In what ways are these resources currently spent?
3. What are the main candidates for more resources and what would be their effectiveness and cost?
4. Are there any areas of care which could be provided to the same level of effectiveness but with less resources, so releasing those resources to fund candidates from (3)?
5. Are there areas of care which, despite being effective, should have less resources because a proposal from 3. is more effective (for £s spent)?

Questions 1 and 2 pertain to the **PROGRAMME BUDGET**

Questions 3-5 are addressed in **MARGINAL ANALYSIS**

PBMA

Basic premise of programme budgeting:

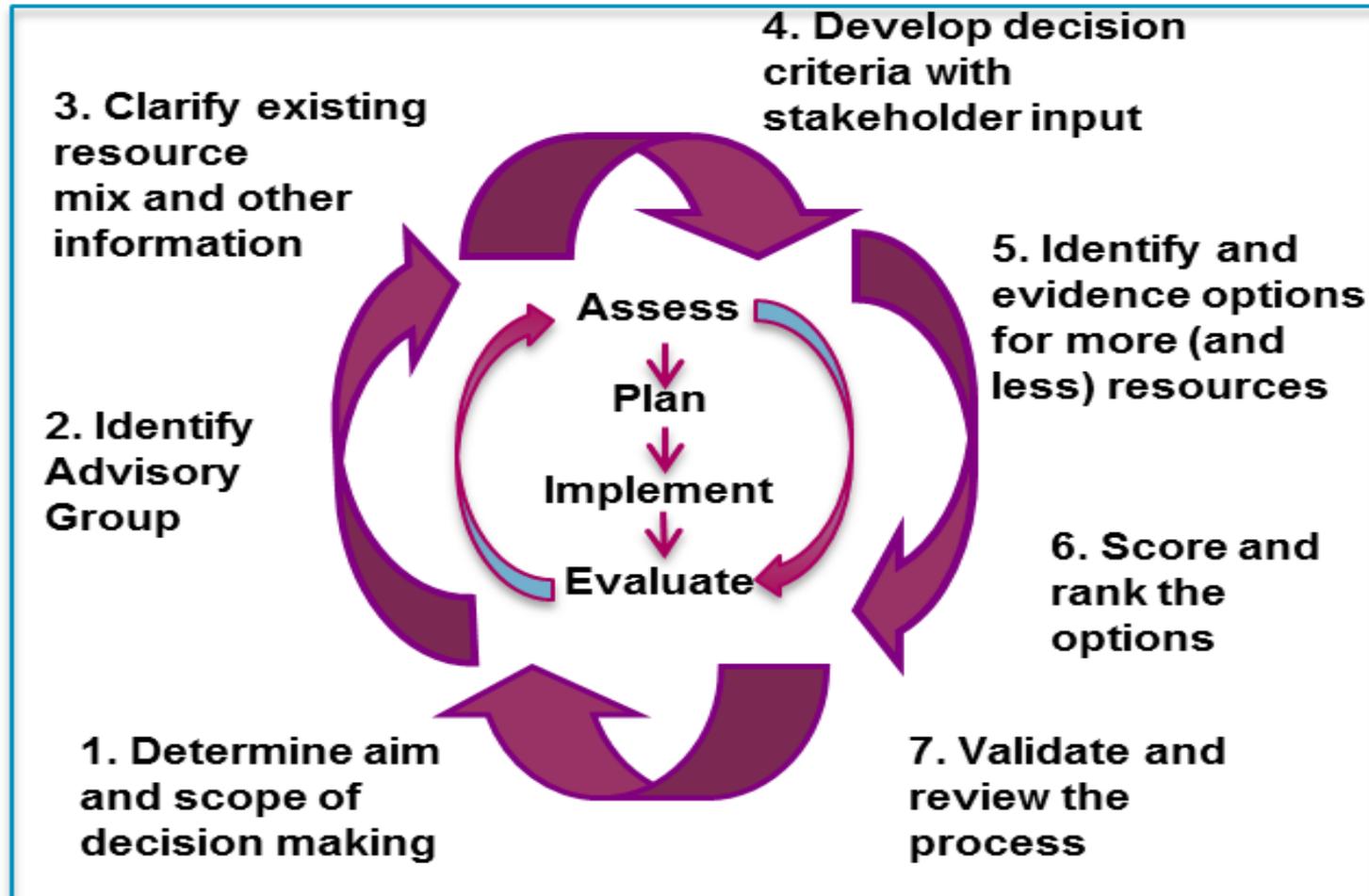
- *It is important to know how resources are currently used before recommending changes*
 - helps to define what the programme consists of and to identify 'boundaries' or 'margins'
 - leads to questions of whether the boundaries are in the right places and points to areas where more detailed analysis is required through techniques such as marginal analysis

PBMA

Basic premise of marginal analysis:

- *To have more of some services it is necessary to get resources from elsewhere*
 - The framework involves assessing the costs and benefits of proposed changes in the delivery of health care
 - On the basis of this information, recommendations for changes in the way services are delivered can be made, if it is thought that benefits to the community overall will be increased

7 stages for project management



In practice

- Within programmes of care: 'micro'-PBMA
- Across programmes of care: 'macro'-PBMA
- Does not take place in isolation from other managerial activities
 - carried out alongside needs assessment and often includes published evidence, the views of the public and the local knowledge of managers and providers

Pilot work - Highland

- To inform the development of guidance to help Partnerships prioritise investment decisions effectively, the Scottish Government commissioned work in pilot sites to investigate the use of PBMA
- Work with Highland on reshaping care for older people
- Focus on moving away from hospital care to community provision

Options included:

- Shifting from In-house provision of Care at Home to the majority provided by the Third Sector
- Investing in dementia care in the community

Full report can be found here:

<http://www.scotphn.net/wp-content/uploads/2015/11/Priority-setting-in-Health-and-Social-Care-Partnerships.pdf>

And finally.....

- Challenges with using framework and making resource allocation decisions
- But:
 - Idea has been around for some while
 - The framework has been used here in Scotland and in over 150 health organisations worldwide
 - It can be used alongside other perspectives (e.g. ethics) and management activities (e.g. needs assessments, gap analyses)
 - Framework which can bring research in to practice
- How, if at all, might this apply to you?
Let's discuss!

Thank you.

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