Appendix 1: HfL affordability assumptions

Commissioners need to deliver the affordability analysis shifts over a five-year period. Further details are available from sector Heads of Finance at NHS London (see Appendix 9).

	Assumptions built into pan-London Affordability modeling: Aggressive scenario
Funding allocation	▪ Until 2010/11: announced allocations ▪ From 2011/12: base case 0% real growth; upside 0.75% real growth; downside -2.5% real growth until 2013/14, then 0.5% (see note 1)
Underlying activity growth	▪ Base case activity growth of 4% (GLA low plus adjusted residual growth); upper end growth of 5.5%; lower end growth of 1.4%
Tariff changes in the acute sector	▪ NHS London financial planning assumptions until 2010/11 ▪ From 2011/12, net tariff uplift of -2.2% (Cost inflation 1.45% and tariff reduction of 3.65%. Both figures are compound average growth rates)
Reduced unit cost of non-acute sector	▪ Radical measures in staff utilisation (66%), appointment times (33% reduction in PC) and prescribing costs (10%-15%) ▪ GPs are paid on a fee for service basis of £50 per consultation to cover extended hours and out-of-hours
Shift of acute to lower cost setting	▪ Higher outpatient (55%) and A&E activity (60%) shifts to polysystem (see note 2) ▪ Activity shifted delivered at lower unit cost enabled by polysystem
Long term conditions and case management	▪ Of non-elective medicine activity, 10% of complex, 30% of non-complex and 40% of LTC cases prevented
Prevention	▪ 10% of non-elective medicine costs prevented through early detection and counselling in polysystem
Decommissioning	▪ 7% of all elective procedures ▪ 30% of outpatient, 10% of A&E ▪ 10-15% of diagnostics
Capital and transition costs	▪ Space efficiency increases to 80% (leading to total space of 1516m2) ▪ Set up costs transition from ~ £1.0m to ~0.5m per polysystem ▪ Transition costs reduce to 20% efficiency loss for 6 months plus 15% residual acute activity for 6 months for all activity shifting to hub/ polysystem

Source: GLA demographic forecast; HfL growth assumptions; HfL feasibility; interviews with clinicians and NHSL; clinical consultations including at SMPCT and NEL; Monitor tariff guidance; team analysis.

Note 1: Funding Allocation: Base Case – 2.5% uplift less 2.5% inflation = 0% real growth;
Upside – 3.25% uplift less 2.5% inflation = 0.75% real growth;
Downside – 0% uplift less 2.5% inflation = (2.5)% real growth

Note 2: Activity shifts are from a baseline of 2007/8 activity levels