

NHSBT Board
September 2016

NHSBT Pricing Proposals for 2017-18

- 1. Status – Public**
- 2. Executive Summary**

This paper provides a summary of the pricing proposals for NHSBT's blood components and specialist services for 2017-18. Following approval by the Board, these will be discussed with the National Commissioning Group in November 2016 with a view to implementation in 2017-18. Hospitals and the National Blood Transfusion Committee were consulted on these proposals in mid-2016. In overall terms the cost of providing blood to the NHS will decrease by -1.7% in 2017/18. Taking Specialist Services into account (and associated demand increases) the total change in cost to the NHS will be -0.4%.

- 3. Action Requested**

The Board is asked to approve the pricing proposals prior to the NCG meeting.

- 4. Purpose**

4.1 Background: red blood cell and platelet demand

Demand for red cells has declined steadily over the last 5 years, driven by a combination of medical advances such as laparoscopic surgery, pharmacological developments and educational initiatives such as NHSBT's "patient blood management" programme which encourages the safe and appropriate use of blood. Publications in medical journals have also demonstrated that patients can have a better outcome when less blood is used. Despite an increase in the population over 60 years old (i.e. the age group which uses most blood), blood usage continues to decline.

Since the end of 2011/12, NHSBT has seen a 17% reduction in the demand for blood (vs forecast demand for 2016/17). In the same period, the NHS's expenditure on blood (and hence NHSBT's income) has reduced from £300m in 2011/12 to a forecasted £261m in 2016/17, while the unit price of red cells has reduced from £125 to £120 despite increasing levels of safety and availability.

Demand for red cells continues to be volatile and is proving challenging to predict, with for example the recent NHS “reset” being seen as a contributory factor to this ongoing uncertainty. The latest figures are suggesting a demand forecast for 2017/18 of 1.461m units. This is 4.3% lower than the plan agreed for this year with the NCG (1.527m units) and lower than the forecast of 1.517m units for 2016/17. Demand for platelets is now also declining, for the first time, driven by factors such as the use platelet-sparing drugs in oncology. The platelet demand forecast for 2017/18 is 0.256m units compared with a plan of 0.275m agreed with the NCG for the current year.

NHSBT has implemented substantial cost reduction programmes (approximately £80m since 2011/12) and has an ongoing cost improvement plan of c£16m in 2016/17. The cost reductions have included the rationalisation of manufacturing and testing facilities and a reduction in blood collection capacity leading to substantial decreases in headcount. However, NHSBT currently has a need for significant investment to replace an ageing IT infrastructure and to replace the critical operational application underpinning the blood supply chain. The ongoing provision of critical products and services is highly dependent on its successful replacement. The overall cost of this change will be substantial and is estimated to be in the range of £30m-£40m over 5 years.

The plan for 2017/18 has generated a cost improvement target of c£15m, which combines cost pressures (those costs over which NHSBT has no control, e.g. staff grade increment increases; apprenticeship levy; capital charge adjustments etc.), inflation (prospective pay award 1% and Treasury GDP Deflator 1.8%) and also the lost contribution to our costs from the demand reductions described above (£10.0m). Prices for 2017/18 have been set on the basis of planned cost improvements which will address c£9.8m of the overall target with the balance being made up from a price increase for red cells to NHS and private hospitals (£3.6m) and platelets (£1.6m).

The cost improvement plan will be derived from the following:

- Demand reduction and productivity improvements of £3.5m
- Operational and support function efficiencies of £4.7m
- Estate Management and Optimisation £1.2m
- Procurement £0.4m.

Category	Blood (£m's)	SpS (£m's)	Total (£m's)
Opening position (closing NCG position 2016/17)	265.3	56.2	321.5
2017/18 Product and Service Demand Impact	-0.1	1.8	1.7
2017/18 Cost Reduction Programme	-9.8	-0.2	-10.0
2017/18 Cost Pressures and Developments	1.9	0.4	2.3
2017/18 Inflation funding increase (Pay 1%; Non-pay 1.8%)	3.5	1.1	4.6
Total Impact	-4.5	3.1	-1.4
2017/18 Revised Position	260.8	59.3	320.1
Percentage increase / (decrease)	-1.7%	5.5%	-0.4%

4.2 Pricing: Red Cells

The proposed cost improvement plan for 2017/18 (c£9.8m) has been extensively reviewed by the Executive Team and represents a balanced approach in the context of the significant organisational challenges facing NHSBT next year, in particular the ongoing level of resource and investment which is currently being focused on core systems. It is in this context that the most realistic approach would be to recommend an increase in the price of blood for 2017/18. It should be noted that a further increase to our prices in 2018/19 can not be ruled out at this stage and would be largely dependent on the level of demand seen.

It is therefore recommended that the price of red blood cells for 2017/18 should increase by 2% / £2.35 per unit, i.e. an increase from £120 to £122.35 per unit. NHSBT is mindful of the difficult financial status of many NHS hospitals, and it should be noted that despite this increase, NHS expenditure on blood will nevertheless reduce by around 1.7% next year.

4.3 Provision of Hepatitis E virus (HEV) negative components

In 2015, SaBTO recommended that HEV negative blood components should be provided for organ and stem cell transplant recipients. NHSBT implemented the change in early 2016. For blood components that were HEV negative as part of their standard manufacture (i.e. neonatal and paediatric packs), the costs were included in the price of red cells. For those units which ordered as HEV negative for adult solid organ or stem cell transplant recipients, an added value charge of £17.18 per unit was made.

Demand for HEV-negative components is now stabilising. This allows a more accurate picture of the cost of testing, and the added-value charge will be reduced from £17.18 to £9.37 for 2017-18. In due course, should SaBTO recommend the universal screening of blood components, NHSBT would need to amend the price to cover the cost of the additional testing.

4.4 Platelets collected by apheresis

There are a number of hospitals which only order platelets collected by apheresis. Clinical guidance indicates that apheresis and pooled platelets are functionally equivalent and should be used interchangeably, with the caveat that those recipients born on or after 1st January 1996 should, when available, receive apheresis platelets. We will therefore introduce individual prices for platelets produced by apheresis and for platelets produced by pooling in 2017/18 to reflect the differential cost of manufacture. It is proposed that the price of apheresis-derived platelets will increase be set at £219.30 compared with £178.19 for a pooled unit.

4.5 Diagnostic and Therapeutic Services Pricing

Prices will be held flat for all specialist business units in 2017/18, with the exception being Red Cell Reference services, which will increase by £1m (9%) next year. The additional income will be recovered through an increase to the fixed cost recharge element (a charge made to each hospital to secure the ongoing provision of a national reference service). This service is currently in deficit and will move the service to a balanced income and expenditure position next year. However, the charge per reference referral from hospitals will remain flat.

In line with our strategic aim of continuous growth, DTS will see an increase of £2.2m in additional sales activity during 2017/18 of which Tissue and Eye Services will contribute £1.2m. In overall terms DTS income will rise by £3.1m (5.5%) and generate an improved contribution of £1.9m in 2017/18.

4.6 Changes to NHSBT Transport Arrangements

Hospitals are requesting that NHSBT develops its logistics services to reflect changing working patterns, e.g. weekend working. However, the increasing trend for the self-collection of blood by hospitals is significantly impacting our ability to manage the supply chain in an efficient manner and has markedly reduced NHSBT's income from ad hoc delivery charges, which since 2011/12 has now resulted in a reduction to service income of c£0.8m per annum.

NHSBT is therefore recommending a revision to its existing logistics model in 2017/18 which will result in a fixed charge of £11 per order for the self-collection of blood by hospitals from NHSBT blood centres. This charge reflects the costs of preparing the order for collection and it is estimated that this will generate additional income of c£0.7m, depending on hospitals' future ordering behaviour.

Ad-hoc and blue-light/emergency deliveries are currently charged at £52.15 per order, regardless of distance from the supplying blood centre and will remain unchanged for 2017-18. The future provision and pricing of this service remains under review and we aim to submit further proposals for the commissioning round in 2018/19.

4.7 Impact on hospitals and customer feedback

In mid-2016 NHSBT undertook an extensive consultation exercise with hospitals to assess the impact of a range of potential pricing changes. These included the differential pricing of apheresis platelets, differential pricing of rare groups such as O negative red cells and A negative platelets, and changes in transport arrangements. A substantial response was received to the online survey from haematology, finance and operational staff in 116 Trusts. Feedback from the survey was supplemented by face-to-face meetings.

In general, hospitals were not supportive of differential pricing of blood components or in the alternative prices for transport arrangements. One

particular area of concern was the differential pricing of O negative blood, where the concept of a 50% increase in price was tested in an attempt to reduce the demand for this rare blood group, which represents 13% of demand but only 8% of the donor base. NHS hospitals were particularly vocal in their opposition to the latter proposal (despite a compensatory reduction in the price of other blood groups) and this is not being recommended for 2017/18.

That said, an increase in the price of O negative blood to £180 per unit for private hospitals will be implemented in late 2016/17, focusing on those which order predominantly O negative blood, do not have a transfusion laboratory partnership with a local NHS hospital, and often consequently have high wastage levels. Significant Patient Blood Management activity will continue in an attempt to reduce the demand for O negative blood, and a price rise to NHS hospitals cannot be ruled out in the future if usage patterns do not change.

NHSBT estimates that the impact of the proposed pricing changes on NHS hospitals for 2017/18 is as follows:

NHS Trust	Blood £k's	DTS £k's	Total £k's
Large Trusts (blood usage >£3m per annum)	-73	51	-22
Medium Trusts (blood usage £1-3m per annum)	-32	10	-22
Small Trusts (blood usage <£1m per annum)	-7	4	-3
All Trusts	-25	13	-12

4.8 Summary

Currently, NHSBT faces a difficult financial situation, with declining demand, substantial cost reduction programmes and a parallel need for investment in core systems. For this reason, an increase in the price of red cells is being recommended although the overall cost of blood to the NHS will continue to decline. NHSBT is also recommending the introduction of separate prices for pooled and apheresis platelets (reflecting the different cost of production) and the introduction of a “self-collect” charge. An increase in the price of O negative red cells and A negative platelets is currently not being recommended (despite rapidly increasing demand in the case of A negative platelets) but may need to be considered again in 2018/19.

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Appendix 1 – National Prices For the Financial Year 2017/18

Blood Components	Baseline National Price 2016/17	National Price 2017/18	Price Movement Post Inflation
Red Cell Components			
Standard Red Cells Other Groups	120.00	122.35	2.35
Standard Red Cell O Rh D negative (Private Hospitals only)	120.00	180.00	60.00
Neonatal Red Cells	51.68	52.33	0.65
Frozen Red Cells, Thawed & Washed	792.53	806.49	13.96
Red Cells for Exchange Transfusion	199.00	200.64	1.64
Large Volume Neonates & Infants	158.80	159.60	0.80
Red Cells for Intra-Uterine Transfusion	182.26	183.56	1.30
Red Cell Added Value Services			
Premium for CMV -ve Red Cells	8.80	8.98	0.18
Premium for Irradiated Red Cells	8.78	8.96	0.18
Premium for Cell Washing	121.75	124.28	2.53
Premium HLA selected red cells	126.98	129.61	2.63
Platelet Components			
Platelets (1.0 ATD) Pooled	193.15	178.19	-14.96
Platelets (1.0 ATD) CD	193.15	219.30	26.15
Platelets (1.0 ATD) Rh A neg Pooled	193.15	178.19	-14.96
Platelets (1.0 ATD) Rh A neg CD	193.15	219.30	26.15
Neonatal Platelets	90.16	91.04	0.88
Platelets for Intra-Uterine Transfusion	317.93	320.52	2.59
Platelet Added Value Services			
Premium for CMV -ve Platelets	8.80	8.98	0.18
Premium for Irradiated Platelets	8.78	8.96	0.18
Premium for Cell Washing	33.37	34.06	0.69
Premium for HLA Selected Platelets	239.90	244.88	4.98
Premium for HPA Selected Platelets	239.90	244.88	4.98
Plasma Components			
Clinical FFP (UK sourced)	28.46	28.46	0.00
Paediatric MBFFP (non-UK Sourced)	178.03	183.53	5.50
Neonatal MBFFP (non-UK Sourced)	50.02	51.40	1.38
Cryoprecipitate			
Cryoprecipitate (UK Sourced)	31.63	31.63	0.00
Pooled cryoprecipitate (UK Sourced)	177.57	177.55	-0.02
MB Cryoprecipitate-Neonatal (non-UK Sourced)	187.50	192.99	5.49
MB Cryoprecipitate-Pooled (non-UK Sourced)	1080.48	1113.45	32.97
Other Components and Services			
Optimised Pooled Granulocyte	1104.65	1127.58	22.93
Buffy Coats	82.05	83.75	1.70
Premium for HEV neg	17.18	9.37	-7.81
Total (£m's) [price x volume issued]	265.29	260.78	-4.51