

Resource Allocation and Health Inequality: the Past and the Future

Since the London Health Forum launched, there have been significant swings in the resource allocation targets generated for London's PCTs. Often, these targets are hard to relate to the requirements asked of London healthcare providers and largely divorced from the actual cash allocations awarded. With the NHS Commissioning Board set to assume responsibility for resource allocation from 2013/14, the gaps between target and cash allocations may assume greater significance.

PCT funding allocations for 2011-12 saw an average 3% increase in cash allocations across the board. Kensington and Chelsea PCT, for example, was awarded a 3.7% increase, while Richmond and Twickenham PCT fell below the mean figure, at 2.2%. Despite this narrow differential these PCTs moved sharply against their revised target funding levels. With a similar cash increase, Kensington and Chelsea's Distance from Target (DFT) increased by 0.2%, while Richmond and Twickenham's DFT fell by 9.4% closer to its funding target, leaving both PCTs 20.6% and 14% ahead of target respectively.

The vastly different effect of cash allocations on distances from target reflects a worrying unpredictability in the setting of targets themselves. Areas such as Tower Hamlets, with its 9.3% DFT, are now judged to be almost as over-funded as leafy Richmond. The cash position shows Tower Hamlets receiving £57,000 or 36% more per 100,000 of population than Richmond.

As the tide of change sweeps through the NHS, ten London PCTs are running a surplus DFT in double figures. This potentially makes emerging Clinical Commissioning Groups vulnerable. [As emphasised previously by the Forum](#), any moves to bring London funding allocations closer to targets must be made gradually, over a number of years to allow adjustment, especially at a time of funding restraint. This is especially true for those areas of higher deprivation.

[Labour's shadow ministers have cast this issue into the spotlight in recent weeks](#). They highlighted a reduction in the weighting of the disability free life expectancy (DFLE) measure – formerly the health inequality measure – in how weighted capitation targets for PCT funding are calculated. Labour warned that funding would be diverted from poorer boroughs to richer ones, highlighting Tower Hamlets as a particular victim. Indeed, [the Forum has previously noted](#) that some parts of London would suffer if less of a premium were placed upon health inequality when generating PCT funding targets.

In truth, this balancing act pre-dates the coalition government. The importance placed upon health inequality or the age composition of each population is a decision reserved by ACRA for ministers. While Labour has picked up on the current government's decision to reduce the weighting of the DFLE formula from 15% to 10%, the funding decisions for 2009/10 and 2010/11, under Labour control, also tipped the balance towards concentrating more resources for older populations.

This political dimension of resource allocation is set to change under the Health and Social Care bill. From 2013/14, responsibility for resource allocation will pass to the new NHS Commissioning Board (NHSCB). ACRA is to be retained to advise on allocations throughout the transition period, before the NHSCB decides on whether to retain the advisory body. In moving such decisions outside direct ministerial control, scope for political interference should be reduced.

The NHSCB will, however, inherit two distinct problems in resource allocation. First, the problem of balancing the needs of the old and the deprived will pass unresolved to the NHSCB. Secondly, the NHSCB may wish to grasp the nettle of the large DFTs that persist in numerous PCTs, with a particular concentration in London.

Finally, further reforms may also contribute to a changing approach to tackling healthcare inequality. Andrew Lansley has put emphasis on [plans to devolve ring-fenced funding to Local Directors of Public Health](#), emphasising localism in the battle against public health inequality. In doing so, Lansley is taking an older idea, that the NHS cannot be the sole vehicle for rectifying health inequalities, and enshrining it in a 'two stream' system of funding that sits outside direct ministerial control, with the NHSCB and local government.

The impact of these reforms on both healthcare inequality and DFTs across the 31 London PCTs and their successor CCGs remains to be seen. This issue remains very much live, however. Sir David Nicholson recently asked for funding returns to be submitted by PCTs in order to estimate CCG funding levels for 'shadow' allocations in 2012/13. The concerns raised around this by PCT Network director David Stout, amongst others, suggest primary care funding will remain a hot topic.