

STATES OF JERSEY

Health, Social Security and Housing Panel SO 306 - Health White Paper Review Hearing with the Minister for Treasury and Resources

FRIDAY, 6th JULY 2012

Panel:

Deputy K.L. Moore of St. Peter (Chairman)
Deputy J.A. Hilton of St. Helier
Deputy J.G. Reed of St. Ouen
Mr. M. Gleeson (Panel Adviser)

Witnesses:

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)
Ms. L. Rowley (Treasurer of the States of Jersey)
Mr. K. Hemmings (Head of Decision Support, States Treasury)

Also present:

Ms. K. Boydens (Scrutiny Officer)

[12:45]

Deputy K.L. Moore of St. Peter (Chairman):

Thank you very much for joining us today. I shall not make my opening remarks to the public as there do not appear to be any members of the public or the media here again, which is a shame, but you have some notes there about political privilege. I am sure you are familiar with those. To start, we will formally introduce ourselves for the record. I am Deputy Moore, the Chairman of the panel.

Deputy J.G. Reed of St. Ouen:

Deputy James Reed, panel member.

Head of Decision Support, States Treasury:

Kevin Hemmings, Treasury.

Treasurer of the States of Jersey:

Laura Rowley, the Treasurer of the States.

The Minister for Treasury and Resources:

Senator Philip Ozouf, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources:

Deputy Eddie Noel, Assistant Minister for Treasury and Resources.

Deputy J.A. Hilton of St. Helier:

Deputy Jackie Hilton, Vice Chair of this panel.

Mr. M. Gleeson (Panel Adviser):

Michael Gleeson, adviser.

Ms. K. Boydens (Scrutiny Officer):

Kellie Boydens, Scrutiny Officer.

The Deputy of St. Peter:

Just to set the scene, let us talk about your involvement with the build-up of the White Paper and previously the Green Paper. What level of involvement did your department have in this work?

The Minister for Treasury and Resources:

From a personal point of view I have been a member of the Ministerial Oversight Group (M.O.G.) right from the start of it. I think it has been a good example whereby there has been a multi-ministerial involvement in developing a policy, challenging that policy and coming out with the Green Paper and then the White Paper. I chaired the M.O.G. in the previous administration quite regularly. So, former Senator Le Sueur, myself, the ongoing Minister for Health, Deputy Pryke, my former Assistant Minister, the Constable of St. Peter, were involved, and Deputy Noel and I have been part of the Ministerial

Oversight Group right from the start. So we have been very involved and certainly we have seen it as our role to challenge, to support the whole financial side of the evolving White Paper and proposals and we expect to be involved all the way through in terms of implementation. From a department point of view there is now a very strong relationship at the official level between the financial officials in the Treasury and Health and Social Services. The Treasurer has even yielded the Deputy Treasurer over to be the Director of Finance in Health. So there is a high level of confidence and really very strong, good working relations, both at a ministerial level and at an officer level, and that is appropriate. Health is the biggest single financial challenge that we have faced and going forward is the biggest recipient of increased resources. There is an awful lot of support needed in the area of, for example, property holdings, which Deputy Noel deals with, in terms of dealing with the Health and Social Services real estate as well, which is another additional factor. So, revenue expenditure, governance advice from a financial point of view, capital planning, property planning at a whole multitude of levels. Is there anything you would add, Treasurer?

Treasurer of the States of Jersey:

I do not think you have left much out, Minister.

The Deputy of St. Peter:

At the Green Paper stage there were 3 outcomes identified. How were the financial implications of those outcomes determined and what assumptions were used to base the figures on?

The Minister for Treasury and Resources:

I think it is worth noting at this stage that the whole crafting of the proposals has been underpinned by the substantial amount of work that has been done by KPMG. It was acknowledged from the start that there were not the metrics of information or a model that was suitable to be planning what the demand could be, given different scenarios for Health and Social Services in the future, given the radical change that is happening in terms of the ageing population that is going to be coming through our community in the next 20

years, and that is why, effectively, KPMG was brought in. I think it is worth noting that KPMG were overseen by a multi-discipline of officials, and the Treasurer and the former Interim Treasurer have been part of the procurement arrangements for KPMG, if I am not mistaken.

Treasurer of the States of Jersey:

We did not help with the selection of KPMG, but KPMG did a very thorough job on the development of the Green Paper proposals and you will know that there was a great deal of involvement right from the outset. I do not know if Jackie attended but there was a big event called You Collaborate at the very start of the process, which Treasury supported. So right from the very start I think from memory there were about 80 different organisations that were involved in a big event which KPMG helped to organise, which was the genesis for all the ideas which then went into the Green Paper. From the Treasury point of view, you asked specifically, Chairman, about how did we support the costing of the proposals and 2 of my colleagues within Treasury, one with a lot of expertise in modelling and the other with a lot of expertise in project management, went over full time to support Health in the drafting of those initial outline business cases. We do not use names, do we, but 2 of my team, in addition to the Deputy Treasurer and another one of my staff, went over to work specifically on the KPMG model. In addition to that, all the way through the Ministerial Oversight Group we have attended diligently all those meetings and supported the work in between. My impression from the work that KPMG have done, the professional work that they have done on the health side, was that it was very broad ranging, very comprehensive and very professional. The way in which they generated different options for colleagues in the health service to consider was very fruitful but at the same time they did not waste time pursuing options which were not going to fit the local environment. So I thought they struck the right balance between considering all the different options that were available but at the same time not pursuing things which just were not going to fit the local circumstances.

The Minister for Treasury and Resources:

I think it is probably just worth saying that we feared that without substantial change in the structure and the delivery of health and social services, because of the ageing population and - Mr. Gleeson will be far more able to explain this than I would - the changing way of medical specialisation, the way that the N.H.S. (National Health Service) has moved on massively in the U.K. (United Kingdom) in the last 10 years, if we carried on trying to provide Health and Social Services in the structure that we have got at the moment it was going to become completely unaffordable. So our role almost has been to ensure that the growth is limited but at the same delivering excellent healthcare in the long term. I have to say also I think we recognise that there has been a lack of investment in appropriate areas in Health and Social Services. In infrastructure, I think we have all been round to see some of the estate that is, frankly, in a lamentable state of repair. We have made a lot of changes at Rosewood House at St. Saviour. There is obviously a big capital programme ongoing. I think that we regard Health and Social Services as almost an area - and James will know this from his time at the Council of Ministers - of real challenge for the Council of Ministers to get a grasp of just what was the scale of change and problem that we were dealing with. We needed to have confidence in the management structure, based upon good advice and on good analysis, in order to have the confidence to put the money in. It has not happened by accident but there has been a lot of work done by Treasury in supporting, strengthening the management and the financial management structure of Health and Social Services. We need to be confident that it is not just about spending more money. It is about spending money wisely, with good systems, with good analysis, and that is why, giving a very potted history ... Interrupt me when you think I have gone on from answering your question.

The Deputy of St. Ouen:

I would like to bring you back to the question, which is how were the financial implications of each of the scenarios determined. Are you suggesting that it is KPMG that determined the financial implications of scenarios 1, 2 and 3?

Treasurer of the States of Jersey:

No, there was a progressive development of the financial implications. So, first of all, as the Minister for Treasury has advised, there was a shortage of data and information in Health to be able to produce costings of all the current services on a structured and sensible basis so this was why we used the KPMG model. We had some information, which we were able to provide to KPMG, but we also needed their assistance to try to fill some gaps to help with the initial analysis. For example, what you might ideally like is a perfect costing model for different specialisms, even down to the level of an individual operation. You really like to know how much does a hip replacement cost, how much does a bypass cost and so on. Health did not have anything like the level of detail available to them to be able to carry out that sort of analysis. So we needed a model to be created which would enable us to at least have a reasonable projection for what the implications would be of changing the service from where it is to where we want it to be. So the way in which that was approached was to take the existing base budget for Health and supplement that with expenditure that we know goes through the Social Security Department and to build up the base costs in that sort of way. All that information was fed into the KPMG model and then used as a basis for projections but all it could do ... it could not tell us precisely what the implications would be of changing the approach to delivering different services but it could give us a general direction. So the next thing that was done was we sent a couple of my team over, first of all, to help with that model and to try to get a broad direction of travel and then Health began to work on 8 outline business cases. One of my staff, who is now part of our audit team and is presently seconded into Procurement doing a piece of work there, went full time to help to develop the financial implications for each of what were initially 8 outline business cases.

The Deputy of St. Ouen:

Can I just stop you there. We are talking about the overall costs and financial implications as identified in the Green Paper. We are not yet at the point of looking at the individual business cases used and identified to deliver proposals contained in the White Paper.

Treasurer of the States of Jersey:

Those initial costings in the Green Paper were a combination of information that was being driven through the KPMG model plus some further work done with Health and Social Services finance.

The Deputy of St. Ouen:

So the assumptions were in the Green Paper that the decision to deliver the preferred option of Health, which is now identified in the White Paper and supported by the 8 business cases, that information was fed into the Green Paper which allowed you to determine the different costs for scenarios 1, 2 and 3?

Treasurer of the States of Jersey:

The work that was done with KPMG on the financial model helped inform what went into the Green Paper and we have built on that as we have moved towards the White Paper, but because the data and the information in the KPMG model was not sufficiently granular and not sufficiently detailed what we have then gone on to do ... that has given us a general direction of travel and then for the White Paper we have developed much more detailed costings for each of the initially 8 business cases. I know they have now been reorganised.

The Deputy of St. Ouen:

Can we stick to the Green Paper for the minute?

The Minister for Treasury and Resources:

If you have not had a briefing on the KPMG work, it probably would be good to get literally an hour on explaining what happened through the process because we are not going to do it justice by giving ...

[13:00]

The Deputy of St. Ouen:

We have been provided with the KPMG report and we are going to be looking at the work that they have undertaken. Basically what we want to know, and you just said earlier that there has been multi-ministerial involvement right from the start, a Green Paper has been presented to the public with financial implications to encourage them to make some choices about particularly the directions that they would wish Health to go. You have identified some overall figures and basically what we are saying, and asking you to tell us, is how the financial implications of each scenario were determined. I think we have sort of got that explanation now. The other part is what assumptions were made to base the figures upon, because obviously we appreciate it is over a 30-year period, so we just want to get a flavour from you briefly about how ...

Assistant Minister for Treasury and Resources:

I was involved both from the Treasury point of view and at the time as Assistant Minister for Health and Social Services. There were 2 core base assumptions. One was the demographics of the ageing population, so that was a major driver to the outcomes, and the second major driver to the outcomes was the substantial changes that are happening year on year in the medical profession. There is specialism and sub-specialism whereby we have a number of general surgeons currently at the general hospital and we know that we cannot replace them like for like going forward and it will take maybe 2 or 3 specialist surgeons to replace what was determined, for want of a better phrase, as an old school style of a general specialist.

The Minister for Treasury and Resources:

The reason why I mentioned the KPMG model, there are 3 elements of the KPMG work. There was the unpacking of the problem and the populating of data which formed the analysis. That was a discursive position. We met on a monthly basis. The Ministerial Oversight Group had briefings over a period of 12 months, probably, where we tackled an issue at each meeting. For example, we tackled the very high level issue of how much was Jersey spending on healthcare compared to 5 other jurisdictions, what had been the evolution of that spend in revenue expenditure, where we think co-payments are, what is Jersey spending. So we did really macro stuff from the start and

then we guided KPMG and Health and we concluded that we needed a model. The actual bailiwick model is this computer program that has been built. It is a spreadsheet-driven computer program which plugs in assumptions on population and literally predicts on the basis of the longevity of people how many hip operations you are going to need in 2020, 2030, 2040, how many cataract operations. It would be really worth you seeing the level of detail. I do not understand it all but after having spent a few hours seeing it and the numbers that were popping out at the bottom of the estimates of doing various different or not doing various different things, I have a high degree of confidence in the forward projections. Obviously going out to 2040 is a long time but certainly you have got the key trends and for the first time ... I had been part of the Council of Ministers on New Directions. New Direction was well intentioned and was very good at describing the new world of healthcare but it was not underpinned with any analysis, any data, and this time we were determined to underpin it with good base data, which we did not have. It is not a criticism of Health and Social Services but there was not the metrics, there was not the data to populate a model, so we wanted a model built and then plugged into that model were scenarios. The population numbers were based upon the previous census as updated. A piece of work that has got to happen now in the first phase in the next 2 years is populating that model with the new census numbers, because they will change. I do not think it changes anything in terms of the scenarios of which one you pick.

Treasurer of the States of Jersey:

It will change the long-term costs.

The Minister for Treasury and Resources:

It will change the long-term costs. So we have got a model that we can plug assumptions in and that gives us confidence in terms of costings.

The Deputy of St. Peter:

Would you feel differently if we told you that this area of sub-specialisation, consultants, is changing already and they are moving back to more general surgery so there will be a more generalist pool of recruits in the future?

The Minister for Treasury and Resources:

That is great, that is going to help, but we are not health professionals. Our role is to make sure that there is data and analysis and a model which can respond to the inevitable changes either one way or the other in terms of medical science. We have now split the White Paper into 3 clear phases. This is a massive job of effectively completely rewiring and re-plumbing our Health and Social Services infrastructure from G.P. (general practitioner) levels to consultants to the buildings. This is a huge piece of work and has got many multiple components in it. You ask me some questions. I will stop talking.

The Deputy of St. Peter:

But briefly, I think it is a yes or no answer, you are happy that you have had the right data, enough data and you are heading in the right direction?

Treasurer of the States of Jersey:

Yes, we are. We have got more information from Health in support of their proposed direction of travel than we have from any other department in relation to their growth bids. We have been a bit hard on them in terms of the amount of information that we have asked for and the speed with which we have asked for it. The new Council of Ministers met, as you know, in December to consider its new range of priorities and in preparation for that we wanted clear sight of the biggest potential area of growth in the coming 3 years, which was very clearly going to be Health. So I asked Health to prepare their outline business cases by November so that we could have some sort of feel when we went to the Council of Ministers and give them an initial assessment of our forward projections for their new term. This was going to be our biggest new area of spend and I needed them to give me some idea, in millions would do, or half millions, not down to the last penny, so that we knew the sort of problem that we were going to have to try to grapple

with. At the same time we knew that we needed sight and in the Medium-Term Financial Plan (M.T.F.P.) towards the back there is our first attempt at a long-term capital plan. So, alongside our work with them on the outline business cases on the revenue side we have been looking at the future requirements in terms of health investment in the infrastructure as well. Again, working in parallel and working alongside them we have been investigating ways in which we can fund those future requirements and we have looked at a range of different options for how we might fund the infrastructure investment that is going to be very necessary for Health and also one of the biggest areas of new investment that the Island has probably had, I would suspect, a new hospital.

The Deputy of St. Peter:

Thank you. Briefly I would like to touch on why we are where we are. Over the last couple of years you have allocated some additional sums for specific projects within the health service to upgrade infrastructure, which you earlier alluded to were in a lamentable state of repair. Really what we want to know is your feel for why there has been such a lack of investment in Health and Social Services over the past 10, 15 or more years.

The Minister for Treasury and Resources:

I think there are a number of reasons for it and it is true to say, and I am sure I would have expected the Minister for Health to say this, that we are playing a catch-up game. In an ideal world Jersey's health and social services systems and models would have been modernised earlier. New Directions was prophetic in many ways. It was highlighting exactly the same problems that the Green Paper and the White Paper are addressing today, but it did not get any political traction. My own view is that there was a need for a new structure of management in the hospital. The former chief executive was dealing with policy and strategy as well as governance issues. I think there needed to be a much clearer management structure in the hospital where there is a chief executive who is clearly in overall control but an individual was responsible for managing the hospital. The hospital is an organisation spending in excess of £100 million a year. It needed its own chief executive

and dedicated time and that is why we strongly supported the appointment of Mr. McLaughlin or that post being created, and that has made a big difference in terms of management. People need to be focusing on the day job but they also need other people. You cannot deal with strategy at the side of your desk alongside an already very hard pressed and very over demanded health service. So the management structure, in my personal view, was not organised in a manner which could have delivered a change programme. Now you have clear responsibility. You have got a chief executive in overall control who clearly understands the healthcare world, you have got a managing director of the hospital, and we have now got a change director. If you are going to do change properly it must be project managed. You have got to properly resource it, you have got to properly plan it, quite apart from the fact that it is fair to say that from a financial management point of view for the last 10 years we have had issues with Health not being clear about their year end positions, being overspent, being underspent, not being particularly clear. The financial management structure that is now being put in, with the oversight of the Treasurer, is now much stronger. My own view is that for a long period of time there was a period of political isolation by the Minister for Health and that did not serve the interests of our community in terms of their healthcare. You need a really good, strong relationship between big spending departments. They need to be able to be involved in terms of planning and strategic planning, and it was not, it was isolated. We are certainly there to challenge Health in terms of funding but we are also there to help.

Deputy J.A. Hilton:

Can you give us an idea of the level of underspend compared to a comparable place to Jersey?

The Minister for Treasury and Resources:

I have not got the statistics. That is a very good question. G.D.P. (gross domestic product) spend, per capita spend, we can pull out ... we had a meeting last March on the subject of the macro spend of healthcare.

Treasurer of the States of Jersey:

That sort of analysis is not very helpful because Jersey's G.V.A. (gross value added) is so high so when you are looking at Jersey G.V.A. if you look at a percentage of G.V.A. it does not work. If G.V.A. is 100 for Jersey and it is 50 for another jurisdiction, if we are spending 20 per cent we are spending 20, if they are spending 20 per cent they are only spending 10.

Deputy J.A. Hilton:

What about per head of population?

Assistant Minister for Treasury and Resources:

One of the dilemmas that we had at my time on the Health ministerial team is we were almost looking at 2 ends of the same telescope. One end was G.V.A. where you would say just looking at that figure we were underspending compared to other jurisdictions. That is because our G.V.A. was highly inflated. If you look at the other end, we were spending per capita a lot more than other jurisdictions, and there were these 2 contradictory views. The result is somewhere in the middle.

The Minister for Treasury and Resources:

We are not a slave to those numbers but certainly they were instructive in terms of there being a particular spend, acute services spend per capita, G.P. primary healthcare, all of those. There is an interesting dataset which formed part of our initial considerations and certainly gave an indication to me that we were going to have to spend more money. I would probably just say one other thing at this point that when we described 2 years ago the fact that Jersey would have a deficit of £100 million by 2013 that was not just because our income had fallen because of the crisis in the financial world. It was because we knew and we forecast that we were going to have to spend a lot more money on healthcare. So an important part of the emerging deficit was the fact we knew we were going to have to spend more and thank goodness we did that because we have now got the resources. Many people are saying to us: "Well, how come you have got the resources to apply in the Medium-Term Financial Plan the figures that you have got in the White Paper?" The answer is simply that is what we forecast was going to happen.

[13:15]

Treasurer of the States of Jersey:

This question is something that we really grappled with with KPMG when they first started doing their work and the position we need to get to is a position where we do have the data and the analysis of the costs of our own system in a structured way and that is the direction of travel that Health are trying to go in so that they can produce detailed analysis of the cost of carrying out particular procedures or the cost of running particular types of service. That will put us in a much better position to drive better value when we are looking at negotiating contracts with U.K. hospitals and other healthcare providers but we are not at that point yet. We do not have that sort of level of analysis but it is where we want to get to and I think with a stronger team in Health finance we have a better chance of getting to that point.

Deputy J.A. Hilton:

Can I just ask you a question about how you both, because you have both served on this ministerial overview, have been involved from the beginning?

The Minister for Treasury and Resources:

Deputy Noel and I have. Obviously Laura came ...

Treasurer of the States of Jersey:

No, I was at the first meeting.

The Minister for Treasury and Resources:

You were from the start. Yes, forgive me.

Deputy J.A. Hilton:

Are you satisfied that there was enough attention paid to other jurisdictions besides the United Kingdom when working up these proposals? Questions we have asked before is about looking at other European models, because anecdotally I hear that France has got a fantastic health system but it costs an

enormous amount of money. I just want to be convinced that you have looked at this issue.

Assistant Minister for Treasury and Resources:

KPMG did. They looked at a vast number of different jurisdictions, including France, including Singapore, including some of the other Crown dependencies, the U.K., Canada.

The Minister for Treasury and Resources:

Guernsey, Malta, Bermuda.

Assistant Minister for Treasury and Resources:

It was very wide ranging.

Deputy J.A. Hilton:

So you are all content that that recent work was well researched?

The Minister for Treasury and Resources:

We had these monthly meetings where we had a presentation by various individuals, KPMG, on different topic areas and the working of the minutes of those meetings will clearly show you that there were many hours of discussion and debate and challenge at every stage of unpacking the Green Paper. In 13 years in Jersey politics, apart from our fiscal planning and our fiscal strategy group, I think this has been the most robust, most challenging and the most professionally run piece of work in developing a White Paper. If I may say, I think the fiscal planning that we have done in recent years helped Health to plan this, to do it in the way that we have. We are never satisfied because we always want more information but this has been a very robust process with good people, with bright people, with the appropriate amount of challenge. Having Deputy Noel and myself, the former Chief Minister, Senator Le Sueur, Constable Refault, the current Chief Minister as well - of course that is right, the Minister for Social Security was involved right from the start - we did challenge.

Deputy J.A. Hilton:

Would you be content for us to have the minutes of the Ministerial Overview Group?

The Minister for Treasury and Resources:

Absolutely. Obviously they are all held by Health, but you will see the building blocks that we ended up to with the Green Paper. Answering Deputy Reed's point, the foundations and the stepping stones that we took were secure, well researched and really challenged. I think people will be quite surprised at the scale of work that went into it.

Treasurer of the States of Jersey:

Can I say something in support of that, Deputy Hilton. I know that the work that we see at the Ministerial Oversight Group is only really the tip of the iceberg. There is a senior officer group that sits underneath that but then underneath that is where all the really hard work gets done by teams which have been led by the appropriate specialist. Those teams have been supported by the H.R. (human resources) team in Health, they have been supported by the finance team in Health and they have been well structured, well organised and they have worked really hard to get those outline business cases right. They have had the right people in there. The G.P.s have been involved, the consultants have been involved. There really is a lot of work that has gone in to try to develop the right kind of approach for the Island.

Deputy J.A. Hilton:

Thank you for that.

Mr. M. Gleeson:

Just talking about evaluation and research, in the White Paper telehealth and telecare are mentioned as firm sort of proposals that will come in. I am just concerned that on 22nd June the *British Medical Journal* published the first results of one of the world's most complex and controlled files on the evaluation of telehealth and the data that is now emerging seems to be in conflict with the original data which suggested, for instance, a 45 per cent

decrease in mortality, which strikes one as being an extraordinary impact from such a development. In fact, when you look in detail at the paper a lot of the differences and advantages of telehealth could be explained on the basis of insufficient data, insufficient length of time looking at it. For instance, the people who did not have telehealth at the start of this project seem to be having many more hospital admissions than those who did have telehealth. It may have been the way they set up the trial and so on but people without telehealth were getting anxious: "I have not got telehealth", this type of problem and assessment. What I am worried about is that we are going ahead with a service which is really still at the stage of a pilot study. It has not been fully evaluated yet and it may be another year before we can evaluate it. This type of premature development could take place in the rush to get things going and better the service.

The Minister for Treasury and Resources:

I am not a medical professional and I think none of us would suggest that we are experts in any way of how you deliver. It is the politicians' job to set the policy. It is for the professionals, the officials in the Health and Social Services Department and their clinicians, et cetera, to say how and what. Ministers do not set policy at that level. Intuitively one feels that access to more modern information technology and remote assessment of people is clearly going to be something of the future. Indeed, one Member of the States has been representing that we should have been doing a lot more in telehealth a lot earlier. The Chairman of the Corporate Services Panel has admonished me on numerous occasions for not pushing Health to move into telehealthcare earlier. I do not know the answer to the question, Mr. Gleeson. All I know is that we have got people in Health who do know the future of it and I would encourage you to interview the change director on this subject because I understand that she has a particular expertise in that. I think a lot of this is not just about consultants having kit in people's homes but it is about reorganising our health and social services system so that a lot more is done at the primary healthcare level. Clearly prevention, identification of conditions earlier, getting the G.P. network to identify problems before they happen. Diabetes is one of them, is it not? It is the fact that people are living with type

2 diabetes for far too long and then they present at the hospital with major problems, which is very distressing for them, life limiting, very expensive. I am not the expert but all I know is there is an unshakeable destiny in us providing more early intervention at the primary healthcare level. I think that is quite a lot of the things to do with telemedicine but I am not the expert.

Treasurer of the States of Jersey:

I feel sure the Chief Officer for Health and Social Services would take full account of the recent evaluation to which you refer before making a final decision.

Mr. M. Gleeson:

It seems to me important to not overestimate the impact of telehealth, which you could easily do if you read the White Paper; a 45 per cent drop in mortality. That has gone out to the general public. That is what they are expecting now.

The Minister for Treasury and Resources:

Well, I am much more cautious than that and we need this phased approach of redesigning our healthcare services. It is not redesigned today. There is an awful lot more work to be done and no doubt the world will change again beyond all recognition. Is it not that the speed of change halves every 5 years? We know that the pace of change is going to accelerate massively in the next 15 years and we need a political infrastructure, we need a governance structure, we need a hospital and a system that is going to be able to respond to an ever changing world.

The Deputy of St. Peter:

That is one issue with projecting for the long term or planning for the long term within government structures. The other problem, I guess, is that we may have a certain government now and there have been certain promises made that there will not be any increase in taxes or social security in this 3-year period, but what happens in the next phase? How confident can we be that the next government will take on this policy and keep it going, because it all

connects to each other so inextricably that you do have to have a certain political will to continue? Also, how can you assure the public that you are able to continue funding it for the next phase and what intentions are there regarding taxes and social security payments in that phase?

The Minister for Treasury and Resources:

I understand the Minister for Health may have told you that she spends it and we have to find it.

The Deputy of St. Peter:

I was going to quote from her.

The Minister for Treasury and Resources:

Certainly we accept that responsibility. A few brief things. We have changed the way the financial budget setting is carried out. We are now, for the first time, going to be giving departments 3-year budgets. This is a huge step forward in terms of efficiency, in terms of planning. The time that we are going to release in the next 2 years of dealing with another year business plan, that time is going to be able to be invested in planning for the longer term. Because we made the difficult decisions, those of us that were in the Assembly at the time, to deal and plan for that deficit of £100 million by 2013, we can fund the numbers in the White Paper. Yes, the growth figures have been reduced by 10 per cent in order to get everything in but we are still confident that that is going to deliver the vast majority of what is aspired to in the White Paper. So we are very confident that we can have balanced budgets and put this investment in the next 3 years. After that then we are obviously in much more uncertain territory as to what the income line for the States is going to be. Another part of Treasury and another relationship is obviously spending a lot of time investing in growing the economy. If we can grow the economy, if we can grow our revenue line, if we can continue to secure a place for financial services growth, that is going to produce the revenue and when interest rates return to some normality our corporate tax will revert to the levels that it did previously and we will get a 10 per cent tax on that. It is a very uncertain world. Who knows what is going to happen to

the euro next week let alone in 3 years time, but our planning assumptions are cautious and we accept that there is an ongoing need for increased spending in the manner in which the KPMG model has indicated in the next 3 years and in phase 3. We also have got to do the work about planning how, where and where from the infrastructure investment is going to come. Deputy Noel and I and the Treasurer do not know whether it is £150 million or £250 million. We do not know yet where the location is going to be. Depending on the location decisions, there could be significant disposals of property in the longer term that may well accrue to the States which would reduce that net capital expenditure. We are going to be working over the next 18 months to explain where we are going to find the resources for the capital infrastructure spend and the Treasurer is already doing an awful lot of work at looking at the different options. We are looking at bonds, we are looking at private finance, private placements, we are looking at potentially using some of our existing reserves, all sorts of things.

[13:30]

We are already doing the scenario planning to prepare for how we are going to invest in the hospital. From a revenue expenditure point of view we are clearly saying phase 2 is going to require a further level of step change investment. The optimistic assumption is that that is going to be able to be met by economic growth, increasing our revenue line. Obviously if economic growth does not continue then we will have to look at whether or not those implementation plans would be delayed, alternatively we would find a model of taxation, and we have done a lot of work on potentially a form of charge for revenue raising. The long-term care scheme is a really important part of this whole redesigning of our system. I regret the fact that in some ways the long-term care scheme has been deferred for a year. The deferring of the year is going to ensure that we better align the resources that the long-term care will provide, the benefit to the delivery mechanism within the health service, and we are going to be much more able to collect the long-term care money because we are going to base it on total income rather than just earned income. We see no case that there should be an exemption for unearned

income along the collection side. That data only exists in income tax in terms of people's whole income so we are going to be working to aligning that together. We are not going to spend it but we are going to collect the long-term care money and we are going to then push it into the long-term care scheme. It will be a separate standalone scheme. We do have, of course, a menu of options that are in reserve should economic growth not be able to fund the healthcare. So we will be very clearly presenting in advance of the next Assembly what our latest projections of income are going to be and then how we would fund it. Hopefully with economic growth but similarly it could be some additional charging mechanism, but we have maintained the no increases for the next 3 years.

Treasurer of the States of Jersey:

You make the point very clearly, Chairman, that we cannot guarantee the political commitment in the future but what we can more easily guarantee is that we will provide the right kind of information and professional advice to help inform those decisions and that we will provide that information and advice on a consistent basis. So, if there were to be different political choices made in 3 years time, 4 years time with a new administration then we would be able to describe the impact of those changes, we would be able to describe what we could not do if there were to be a reduction in future funding for Health. That kind of advice and technical analysis will be there to support the decision making so we can at least guarantee that much. Just to say that what we are trying to do is develop a financial planning process which makes clear the implications for all services. We heard earlier about how health was underfunded for a substantial period of time. If we are providing better context and better financial analysis and information it will be harder for those sorts of disparities in the quality of different parts of the States service to develop in future because it will be clearer that one area of service was being very under-invested in, another was perhaps being more favourably invested in. So I think with better information, better financial planning we should be able to help smooth the transition between one administration and another and explain the potential impact of changes halfway through a substantial change in direction for a particular service area.

The Minister for Treasury and Resources:

Just very briefly, in 2 years time ...

The Deputy of St. Ouen:

Sorry, can I just interrupt. It is all very interesting to hear these comments but the time is very short and we have got a number of significant matters that we would like to cover, mainly around the financial implications of the proposals. So, if you do not mind we will try to keep our questions as short as possible and to the point and I would ask ...

The Minister for Treasury and Resources:

Okay, but there is something I want to say. In 2 years time we will be ending this administration. I regard success as having delivered the phase 1 but also presenting options for the new Council of Ministers in terms of how they are going to fund the capital and how they are going to fund the revenue expenditure. This time in 2 years time that work will be well underway. We start planning immediately after we get the States to agree the M.T.F.P. and whatever amendments are made; we then start planning on the M.T.F.P. 2. That is critical.

The Deputy of St. Ouen:

Picking up on that, we talk about, using your words, the biggest area of spend that this Government is going to embark upon. You have sought the advice and views of the public. I suppose the question I want to ask you is do you believe that the public have a right to know how the new services will be funded before the States agree to a new health and social care system?

The Minister for Treasury and Resources:

We are putting £32 million worth of growth by 2015 into Health and Social Services. I know that you have been briefed on the M.T.F.P. We are delivering that growth. It is going to be slightly less now but not far off that. We are delivering that on the basis of a balanced budget and we are meeting some of the other growth requests from departments. So we are going to be

publishing on the 23rd, 2 weeks today, the M.T.F.P. which has those numbers in and shows how they are going to be funded. With the best will in the world I cannot guarantee the world in 3 years time. What we can do is we can prepare as much information as necessary in order to guide it. There is a lot more work to be done. As Mr. Gleeson has clearly said, there are going to be some changes in the way that healthcare is going to be delivered.

The Deputy of St. Ouen:

But the reality is, Minister, that in the Green Paper you correctly identify that to fund the significant changes 3 areas where the funding might be provided. It was either through a social insurance scheme, by increasing general taxation or sales tax, or direct contributions from people, and that is quite appropriate because it is a significant change. Currently you are suggesting that in the short term we can use some funds to start and introduce the overall scheme but there is no assurance or guarantee how that will be funded later. Before we embark on the significant change I would suggest it would be worthwhile to provide some clear indication of how we are going to fund the major costs. Bear in mind we are not necessarily talking at the moment about the significant capital programme which is not only limited to the hospital but other facilities that are required. So I think that that is the question that I would like you to answer.

Assistant Minister for Treasury and Resources:

What I would just like to pick up on, Deputy Reed, is that if I have picked up what you are saying it is that should we be embarking on this change programme now or should we be delaying it until we know how it is going to be funded in the future. My answer to that is that we have got no choice. Do nothing is not an option. That clearly came out from the work of the Green Paper and we are better to start along the road now and maybe veer our course somewhat in the future as circumstances dictate, but to do nothing now and just wait to see what happens in my view is irresponsible.

The Deputy of St. Ouen:

But then the Minister is saying that this does not require any additional taxes or we will not have any additional taxes for the next 3 years. It is misleading the public because we know that not only have we got these issues to deal with, we have got other matters, and the only way that we are going to pay for this is to generate additional income. As you quite rightly highlighted, there are only 3 areas really that it can come from. I really do want an answer to this.

The Deputy of St. Peter:

Can you let the Treasurer answer it then, please?

The Deputy of St. Ouen:

Okay, fine.

Treasurer of the States of Jersey:

We have looked at all of those options, Deputy Reed, in an extra piece of work that we did with KPMG. As you will appreciate, the last thing we want to do from the Treasury point of view is to take more tax from people than we think might be necessary. As things are at the moment, we have funded, as you know from your M.T.F.P. briefing, the £32 million from within our existing system of taxation, notwithstanding Health, through their Comprehensive Spending Review proposals, are amending some of their charges. They have also done some good work in relation to the way in which they are working with insurance companies to better recover costs from insurance companies. So they are doing things like that as well. We are very keen to keep the co-payment arrangements that the Island has because that works extraordinarily well. The only thing that we have not done at the moment is we have not introduced a new tax or charge specifically for this, but part of the reasoning for that is in 2014 we introduce the 2 per cent additional social security contribution for long-term care. We have not yet seen the full impact of that and we have not yet done the work to understand just how successful that is going to be in underpinning some of the existing costs of the health service. So it would be wrong for us at the moment to be planning to introduce more taxes when we are not clear that that is going to be necessary. We also have

a lot of work to do to untangle the arrangements around the Health Insurance Fund (H.I.F.), for instance. Presently the Health Insurance Fund has a surplus of around £3 million a year, so there is £3 million a year growing that we are already taking out of taxpayers' pockets. We need the time to consider how that Health Insurance Fund might be used in future years. We need to work with G.P.s - that is the Health and Social Services Department "we" and the Social Security "we" - to develop new G.P. contracts and to change the mix of provision that they have in G.P. surgeries at the moment. On the basis of those new G.P.s contracts we can then be thinking about how we use that Health Insurance Fund in future. We can understand better in a couple of years time the impact that the long-term care arrangements have had on the underlying health base budget. So we can take all of that into account when we develop the Medium-Term Financial Plan for 2016 and beyond. It would be a bit pre-emptive at this point to be thinking it is necessary to introduce another tax or that we are trying to mislead, because we certainly are not.

The Deputy of St. Peter:

Thank you. You mentioned the Health Insurance Fund. Are we correct in thinking that this has now amassed quite a significant sum?

Treasurer of the States of Jersey:

It has. I do not want to say the number, because I cannot remember it accurately off the top of my head, but it is around £70 million or £80 million.

The Deputy of St. Peter:

Yes, I would agree with you.

The Minister for Treasury and Resources:

This grew from surpluses. There is some, I think minority, controversy about the Health Insurance Fund. I am clear that it has been taken from wage earners and for primary healthcare. The law has not caught up with the definition of primary healthcare and I strongly supported the withdrawal of funds from that fund to underpin the change programme in primary healthcare

and we are going to be presenting that again in the Medium-Term Financial Plan. I do not think that that balance needed to be at that level but it is there and it should be used to underpin some of the changes that we are doing. That gives us some reassurance that perhaps was not there that Deputy Reed was wanting.

The Deputy of St. Peter:

Would we all be in agreement to carry on for a few extra minutes?

The Minister for Treasury and Resources:

Yes, I can stay until 2.05 p.m., 2.10 p.m.

The Deputy of St. Peter:

That is fine. We will not carry on that long but if we could perhaps have another 5 minutes or so that would be really helpful.

The Minister for Treasury and Resources:

Yes. I think Mr. Gleeson wanted to ask a question.

Mr. M. Gleeson:

As a matter of costs, in planning for the intermediate care section of the services cost containment has been an important issue and you have calculated that into the predicted costs of the introduction and improvement of the services. My concern is that cost containment in many instances is predicated on a policy of we call it in the White Paper timely discharge but in actual fact it is early discharge from hospital, that patients will be going out into the community to continue their recovery and so on in step-down facilities and so on.

[13:45]

I do not know whether this sort of policy is going to be well accepted by the Jersey public. I am not too sure whether our health officers have really understood how cost containment works in other jurisdictions, that it does

depend on timely discharge, in other words early discharge. So this is an issue that I do not think is necessarily going to be a popular one.

The Minister for Treasury and Resources:

I think the point may be very well made but we are not the health delivery unit. Those are questions rightly put to the Health Department in terms of delivery.

Mr. M. Gleeson:

If it does not come off and people are not prepared to accept going home after 48 hours it may make the containment costs ...

The Minister for Treasury and Resources:

That just points to even greater growth in Health and our job in the Treasury is to guide and help and assist Health to ensure that health costs do not spiral to levels that are unaffordable, and there will be some successes and there will be things that will not work but we have got to try. We have got to try to provide value for money and we have got to try cost containment.

Treasurer of the States of Jersey:

I have seen it work elsewhere. In my last job we worked between health and social services. As you will appreciate, in the U.K. health and social services are separate and we had a combination of health, social services and G.P.s. We called it S.T.A.R.T. (Strategic Re-enablement Team) - everything is complicated - and a new facility which was used by a range of different professionals to work together to provide a transition from the hospital back into the home so that particularly elderly people were getting supported in that transition back into their own home and were not getting stuck, as it were, in the hospital, and it did work. People loved it, because I personally do not know any people who like being in hospital. Most people like being at home so if you can get them home the experience as well is that people recover better. So I have seen it work elsewhere and I have seen it work very well in practice with all those different parts of the services working together. Jersey has a very significant advantage because it starts with those services already being together and already being part of one department.

The Deputy of St. Peter:

Thank you for that. Long-term care was mentioned earlier and it is a very significant part of the White Paper, we feel, but one thing that has not really been clear to us about the costs that are being taken into account for the White Paper is whether or not the cost of long-term care was built into it or whether that has been a separate entity to date. Would you be able to help us on that?

Treasurer of the States of Jersey:

Yes. We have not done all the work yet between Health and Social Security to determine just what pressure will be taken off Health costs by the introduction of the long-term care arrangements. We know it will help. I would not be able to sit and tell you that I have got a file in my office that shows exactly the financial implications of that because we have not done all that work yet. One of the things that the Chief Officer for Health would really like is a less complicated set of funding arrangements because at the moment the Chief Officer has to come to Treasury, to Social Security, make charges directly to the public, go to insurance companies. It really is quite a complex funding model for Health at the moment and one of the things that we want to sort out once we are beyond the next few months with the Medium-Term Financial Plan is to work out how the Health Insurance Fund should work and to begin creating a simpler funding structure for Health for the future so it will be easier for the Chief Officer to manage all of her responsibilities.

The Deputy of St. Peter:

Thank you.

The Minister for Treasury and Resources:

I have got nothing further to add, apart from the fact it is quite clear that we are going to be able to better align that in the next 12 months of planning for long-term care but we are still going to be putting in the growth and providing those community services so from the Health perspective they are continuing to develop the supply of services. How they are going to be paid for? Yes,

there is going to be some crossover but in the next 12 months we will have a much better idea of where those crossovers are and certainly that was probably an area that needed to be more integrated in terms of overall policy and that is what is now happening. There is excellent relations between Health and Social Security and ourselves on this now, which perhaps again was not there before. Not a criticism, but it is now happening.

Deputy J.A. Hilton:

About the outline business cases that you put forward, has the Council of Ministers made a decision about exactly where the spending is going to take place?

The Minister for Treasury and Resources:

I can say to you now that the spending in the M.T.F.P. is the figures put in the White Paper, 10 per cent has been knocked off them.

The Deputy of St. Peter:

But only in 2013?

The Minister for Treasury and Resources:

Only in 2013, yes.

Deputy J.A. Hilton:

I just wanted to ask that question to clarify that. Was it 2013, 2014, and 2015?

The Minister for Treasury and Resources:

No, it is just 2013.

Deputy J.A. Hilton:

It does concern me that that figure has been knocked back by 10 per cent because they are vital services and I am surprised that Health have not ...

The Minister for Treasury and Resources:

Health are getting the vast majority of the growth and the strain that public finances are taking, we are taking the weight of a very significant increase in spending and Health themselves have been very successful in bidding, let us be quite clear, and we are confident in them. They have done good work and we think that we can deliver the vast majority of what we were planning to do. There is an issue of capacity. Health need to be able to spend this money and just simply us voting money does not necessarily mean that ... the worst state would be to allocate money if it was not being spent. I think this is a reasonable compromise but, again, it is a matter for States Members to decide. There could be an amendment to reinstate the 10 per cent and there is obviously going to have to be a compensatory saving found somewhere in order to deliver it.

Deputy J.A. Hilton:

Is it 10 per cent across all of the growth in revenue?

Treasurer of the States of Jersey:

Can I explain just what it is and put it in some context for you? By 2015, and this information is in the M.T.F.P, we would be continuing the £6 million of spending which is presently funded from the H.I.F. We would be adding £14 million of growth, which is in the base assumptions. You may recall, Deputy Hilton, I mentioned that last time.

Deputy J.A. Hilton:

Yes.

Treasurer of the States of Jersey:

So there is £14 million by 2015 in the base assumptions and then there is a further £12 million which is coming from the total. If you recall, we had £26 million available for growth for all departments, so there is £12 million of that £26 million. We must not give the 10 per cent any currency because all of that adds up to £32 million and the 10 per cent is 10 per cent of £6 million in 2013 of the new growth. So it is actually £600,000 out of £32 million, so we must not get too kind of carried away with ...

The Minister for Treasury and Resources:

Thank you for clarifying that.

Deputy J.A. Hilton:

So it is an additional £32 million over the 3 years in revenue?

Treasurer of the States of Jersey:

It is an additional £26 million, but in terms of cost to the States, if you like, it is an additional £32 million, because £6 million was funded by the H.I.F. and we have still got to go back to the States to ask for their agreement to continue with funding coming from the H.I.F.

The Minister for Treasury and Resources:

Some people are going to say it is too much, no doubt.

The Deputy of St. Peter:

Thank you very much. That has been very helpful.

The Minister for Treasury and Resources:

If we can be of assistance in any way. We understand you have a very big job of work to try to get to grips with what has been a Green and a White Paper that has taken months of work and literally man and woman years of input, so we wish you well with your analysis of this. If we can provide any information, any of us at any time while there are formal hearings, if we can answer any of your questions, we are more than happy to do it. I have to say, from a Treasury point of view, political point of view, we are very keen on getting the States to make a decision. We worry from a Treasury point of view, if a decision was not taken and if we do not start the process of redesigning our healthcare systems, about the sustainability of the current model and the problems that would occur if we just think of, for example, the capacity of the hospital. Unless we start diverting people from coming into hospital to be looked after in their own homes we are going to have capacity issues at the hospital very quickly. We think that this is an overdue decision

and so it is in our interests from the Treasury point of view. If we are not going to have uncontrolled demands on our contingency, we need to make this change, but it is obviously a big one. That is all I will say.

The Deputy of St. Peter:

Thank you.

[13:55]