

# Royal College of Psychiatrists' briefing

## Spotlight on: What impact does adjusting for need have on mental health spend per head?



January 2020

Mental health services have historically been significantly underfunded. While there remains a long way to go, we are pleased that progress is being made to redress this and to give mental health services 'a bigger slice of the cake' primarily through the funding settlement in the NHS Long Term Plan. Meanwhile, what remains an important and far from straightforward issue is how that cake is then shared across different parts of the country and to what extent it reflects the needs of people living in each area. We consider this conundrum in light of a new approach to assessing mental health need.

Previously, spending data on NHS mental health services in England has been reported as either a total amount or a percentage of a local area's total budget. The changes to the NHS brought about by the controversial Health and Social Care Act also meant that historic comparisons of mental health investment for the period up to and including 2013 were no longer possible.

Earlier analyses of spending per person on mental health services (including by the College) have been based on the actual number of people living in an area or an adjustment for general health needs to take some account of demographic or socioeconomic differences. For the first time to our knowledge, this RCPsych analysis examines the spending variation using mental health needs-based population data, which reveals a fresh perspective on the challenges ahead to ensure needs are met nationwide.

### **Why is tracking spend per head so important and why are not all heads the same?**

Reporting on spending 'per head', 'per capita' or 'per person' is a helpful measure to compare investment levels between areas of varying size and to ensure local areas are adequately resourced to meet patient needs.

It can therefore be argued that such analysis must factor in an adjustment for 'need' or 'demand for services' within the area's population to enable the comparison to be more valuable, given that two populations of a similar size could have very different levels of need particularly when comparing rural or urban areas for example.

While weighting each population like this means that effectively not every 'head' is counted the same, it is undeniably important for this to be done in order to gain a more accurate picture of investment priorities and variation.

### **New assessment of mental health need**

NHS England's revised and enhanced approach to assessing mental health need in clinical commissioning group (CCG) funding allocations for 2019/20 to 2023/24 took advantage of new data collections available for IAPT services, alongside linkages to GP registration and diagnostic data (both mental and physical health issues) meaning

that assessing mental health spending per head can be more effectively weighted. Among the other variables which are included when assessing mental health need are:

- Characteristics of local populations (e.g. age, gender, ethnicity).
- Household composition
- Average driving distance to the closest provider, in that “living closer to a provider is associated with higher access to and utilisation of services.”

NHSE confirmed that while under this updated approach the “highest relative need” was found to be in “large urban centres with younger, deprived populations”, the formula still produced “higher need indices for some coastal areas and areas with older populations”. The latter was suspected to be the result of work to drive up diagnosis and treatment of dementia.

### **What difference does this make compared to previous analysis and how far do some areas need to go to fully meet local patient need?**

Reflecting need more comprehensively allows greater understanding of which areas are best placed to meet the needs of their patients through their current investment levels and which have the furthest to go to ensure parity in the coming years. Headline findings include:

- Seven in ten STP areas are deemed to spend more per person when the adjustment for need is made to its population data.
- The variation across the country is narrowed.
- While the top 10 spending areas per head are broadly similar, the bottom 10 areas significantly change after need is factored into the equation.

The narrowing in variation between areas demonstrates the value of adjusting for need, with a key objective to allocations formulae to be to enable resources to be distributed more appropriately. We can see that the gap between the highest and lowest spending STP areas falls from exactly £124 difference per head if need is not taken into account (Cumbria and North East spending twice as much per person as Surrey Heartlands) to £103.81 after adjusting for need (Cornwall & Isles of Scilly now on top, with North East London the lowest spenders). The number of STP areas with spending above £200 per person remains unchanged (ten), while those spending less than £150 is cut by two-thirds because of this adjustment (from nine to three).

Seven of the top ten spenders per head are the same after the adjustment, with the big mover being Frimley Health (climbing 23 places as a result of spending per person rising by more than £56 per person after accounting for need).

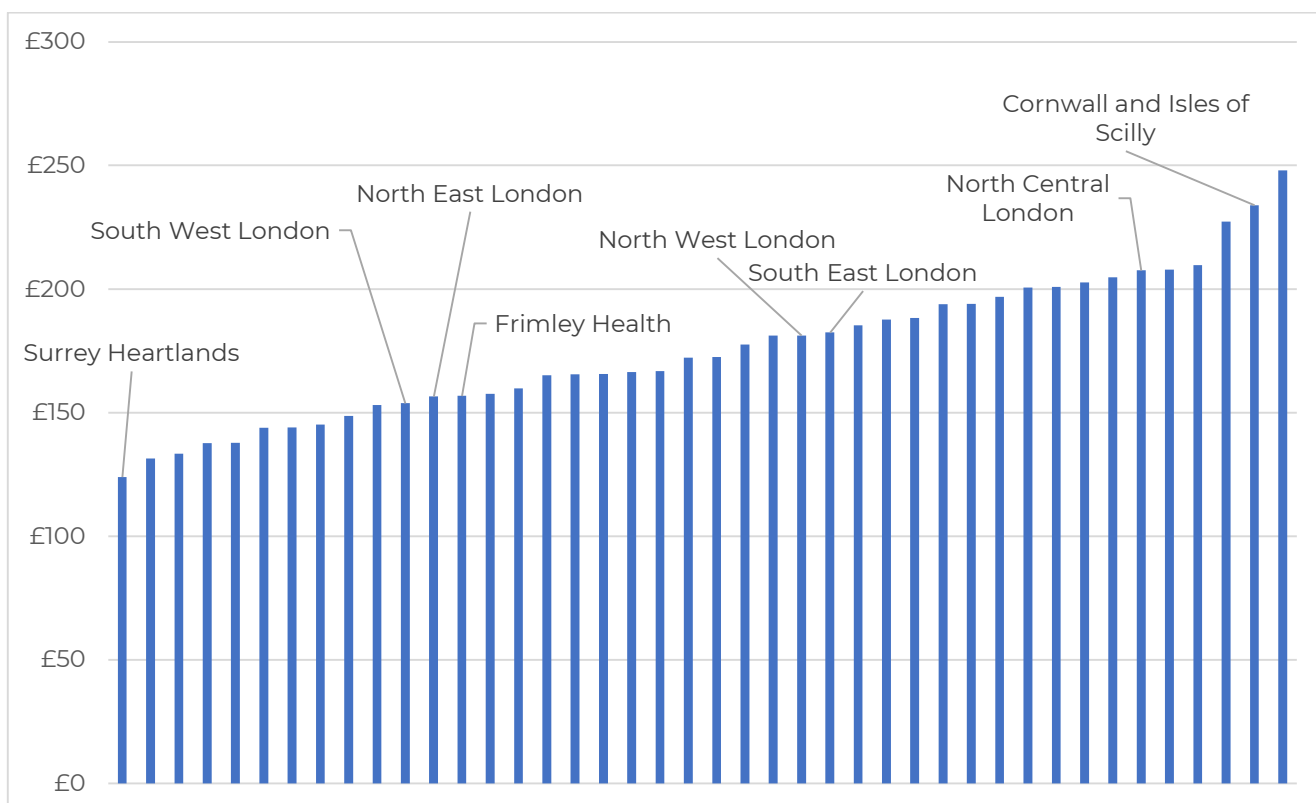
Only four of the bottom 10 however remain in place, with the amount spent per person declining by at least £21 in four areas: North East London (from £156.52 to £135.19); North West London (from £181.23 to £155.53); The Black Country (from £185.34 to £154.54); and South East London (from £182.41 to £142.60).

Four areas that were previously therefore in the middle of the pack (Greater Manchester, The Black Country, North West London, South East London) if need wasn't accounted for now find themselves within the lowest quartile.

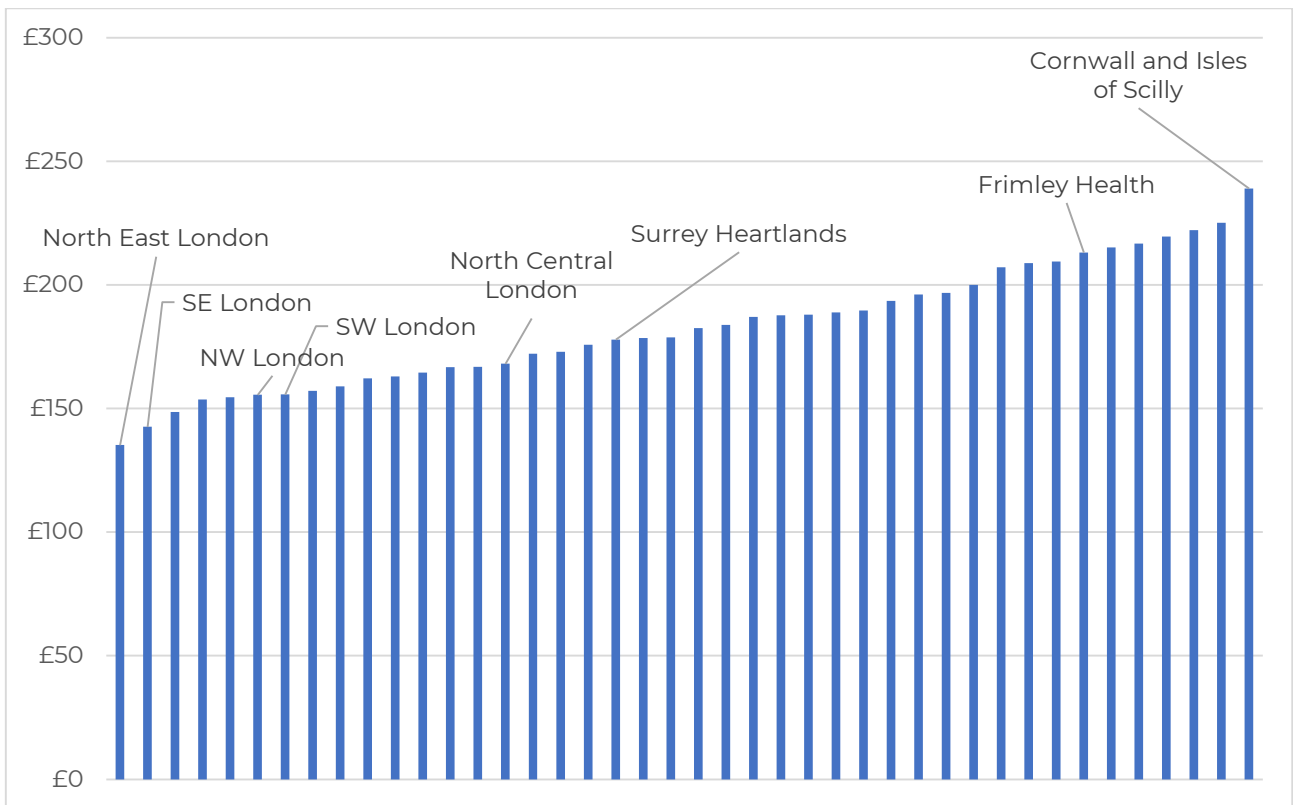
We have calculated that spending on mental health would have had to increase by £325m in 2018/19 across the capital to bring spending per head up to the England average (out of a combined allocation totalling just over £12bn for that year). This is based on spend per head over the five STP areas in London overall being just £150.46 compared to the England average of £178.82 (16% less).

It is worth noting that while they are in the middle of the table, there were also significant decreases in Birmingham & Solihull and North Central London (the third and second largest reductions respectively) – maintaining the trend above. These findings are clearly a reflection of NHSE's determination of the highest need being found in "large urban centres", but we do recognise that all but one of these six STP areas spent above the average proportion (13.9%) of their allocations on mental health services in 2018/19 (North East London, at 13.0%, was the exception).

**Chart 1 – Spend per head on mental health services, registered population in each STP area, 2018/19 actual spend**



**Chart 2 – Spend per head on mental health services, mental health needs-based population in each STP area, 2018/19 actual spend**



**Chart 3 – Change in spend per head in each STP area, when comparing registered and needs-based population data, 2018/19 actual spend**



## What about the current year?

The new approach to allocations comes into effect from 2019/20 onwards, so analysis along these lines will only grow in importance as the NHS Long Term Plan progresses and we gain access to more spending data from NHS England to examine whether variation is indeed narrowing over time. This could have a significant impact on the service provision in areas with the greatest levels of need.

We now have planned spending for 2019/20 to factor into the reckoning. Three STP areas (one in fourteen) and 21 CCGs (one in nine) have currently reported what amounts to a planned cut in spending per head, although with the caveat that many areas receive additional funding in-year.

There are significant concerns about the spending data reported for the Staffordshire STP footprint, with six of the seven CCGs currently reporting planned spending that amounts to a cut in spend per head adjusted for mental health need of 17% or more based within that area alone. This is the result of planned spending for 2019/20 (£172.453m) being reported as 25% below the level for just the previous year (£231.284m). The other area with a reported spending per head reduction on that scale is Eastern Cheshire CCG (although the broader Cheshire and Merseyside area is still projecting a rise in spend per head overall).

## What next?

RCPsych will continue to analyse the spending data, nationally and locally, and report back once the final numbers for 2019/20 are published to determine whether the variation has ultimately narrowed and to what extent patient needs are reflected in investment levels. Future analysis will also delve into the spending for specific programme areas as we will examine the progress made against Five Year Forward View targets with little more than a year remaining to deliver that particular national strategy.

## Sources

All of the spending data has been extracted from the most recent [NHS Mental Health Dashboard](#) and the adjusted population data has been drawn from NHS England's [Mental Health Need 2019/20 to 2023/24](#) spreadsheet.