



Nursing, Midwifery and AHP Pre-registration Education: The Funding Gap

Briefing Paper

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The Benchmark Price Briefing Series

Negotiations on prices for pre-registration education provided under NHS contracts in England commenced in autumn 2013. The parties to these negotiations are Health Education England (HEE) and the relevant universities in England, represented by Universities UK (UUK) with the Council of Deans of Health (CoDH). We expect these negotiations to be decisive in determining the effective 'unit of resource' in real terms paid for education under NHS pre-registration contracts from 2014 and for many years thereafter. This series of briefings is designed to support members as the negotiations continue and to elicit feedback on questions we expect to be raised.

Executive Summary

- An analysis of the funding for pre-registration education for nursing, midwifery and AHPs, based on 2007/8 costings, shows an existing funding shortfall of at least between 7.6 and 11.5 per cent. Developments in education since 2007/8 make this a conservative estimate.
- Given this funding gap, it is likely that universities are already using other funds to maintain pre-registration education.
- Cuts currently proposed by Health Education England for 2014/15 would widen the shortfall to between 12 and 16 per cent.
- These further cuts risk not only undermining the quality of education but may also result in some universities withdrawing from pre-registration education.
- This matters, not primarily because of the impact on the higher education sector but because health professional education has a direct link to the quality of patient care. This is simply a risk we should not be prepared to take.

Introduction

In England, nursing, midwifery and allied health professional (AHP) education is funded through a nationally agreed price, known as the benchmark price (BMP). The BMP was set up in 2002 following a National Audit Office report in 2001, to bring greater consistency in education funding and to ensure that universities compete on the basis of quality rather than on price.¹ The BMP bands and London weighting are as follows:

2013/14	Standard Outer London Inner London		
	£	£	£
Nursing Diploma	8,315	8,731	8,980
Nursing Degree	8,315	8,731	8,980
Physio	8,778	9,217	9,480
OT	8,778	9,217	9,480
Midwifery Diploma	9,561	10,039	10,326
Midwifery Degree	9,561	10,039	10,326
Podiatry	10,095	10,600	10,903
Speech & Language Therapy	10,095	10,600	10,903
Dietetics	10,095	10,600	10,903
Radiography - Diagnostic	10,518	11,044	11,360
Radiography - Therapeutic	10,518	11,044	11,360
Orthoptics	10,094	0	0
P&Os	10,519	0	0
Operating Department Practitioners	8,315	8,725	8,974

The fundamental principle that underpins the BMP is that prices for education provision should equal the costs to universities of providing that education. The BMP therefore has an inbuilt uplift (the GDP deflator minus an efficiency saving) and review mechanism every five years. The purpose of this review is set out in the national standard contract between the HE and health sectors as:

‘to ensure it continues to reflect the cost of delivering these programmes’ (15.2)

With the latest review underway, one particularly important question is therefore whether there is any evidence of a funding shortfall – that is, if the BMP no longer meets the costs of education. Although no formal independent review of the cost base has yet been agreed, conclusions can be drawn from rolling forward the findings from the previous costing review, adjusted for inflation and other factors.

This paper sets out the findings of this exercise, demonstrating a projected shortfall, even on figures from the 2007 review, of between 7.6 and 11.5 per cent.

¹ *Educating and training the future health professional workforce for England*, Report by the Comptroller and Auditor General; HC2771 Session 2000-01; 1 March 2001, p. 4

Calculating the Funding Gap

Base costing

In 2007 a strategic review of the cost of providing nursing, midwifery and AHP education was carried out by JM Consulting (JMC), supported by both the Department of Health (DH) and the higher education (HE) sector. This was an update of the original full economic costing exercise carried out in 2002 and looked at costs in 60 universities. JMC concluded that the BMP 'for all professions has fallen significantly behind the increase in costs being experienced by institutions.'² JMC calculated that the shortfall in the BMP based on 2007/08 costs and prices was c. 12.8 per cent for all professions. These findings were accepted by both the DH and universities.

As the 2007 review is the last time costs have been comprehensively reviewed for English universities, these figures have been used as the baseline for our analysis of the funding gap.

Adjustments

The GDP deflator is the mechanism used to uplift the BMP. This has not been without debate. All indexes have strengths and weaknesses and in 2008 JMC suggested that the Higher Education Pay and Prices Index (HEPPI) might be a more appropriate index for calculating the changing costs of education provision in higher education.

For the purposes of this paper we have run the figures using two different indexes to identify the funding gap: GDP adjusted and a composite HE pay/non-pay index.

GDP Deflator

The simplest way to look at the funding is to take the 2007 costings and project these forward using the GDP deflator. This shows whether or not the increases to the BMP closed the funding shortfall identified in 2007 and shows the impact of efficiencies applied to the GDP Deflator.

Composite Higher Education Pay/Non-Pay Index

Although widely used, the GDP deflator has particular limitations in estimating cost shifts in higher education (HE has its own specific pay settlements, for example). These specific costs make it possible to build an index that better reflects changes to HE costs,

² 'Review of Benchmark Prices in nursing, midwifery and AHPs for the Department of Health', J M Consulting Ltd January 2008, p. 19

using a composite pay and non-pay index, weighted appropriately. The elements to this are:

HE pay:

- (i) HE pay settlements: using the national agreements between the Universities and Colleges Employers' Association (UCEA) and staff;
- (ii) Increases to employers' on-costs: specifically, the increase to employers' National Insurance Contributions (NICs) in 2010/11;
- (iii) Incremental drift: usually agreed to be one per cent per year.

HE non-pay:

- (i) Consumer Price Index (CPI) factors.

Weighting: the relevant HE pay and non-pay factors must then be weighted to give an overall figure. The ratio 56:44, pay to non-pay, has been used. This is the average of the 2008-12 pay to non-pay ratio identified in Universities UK's submission to the 2013 Spending Round.³

Caveats

The most significant caveat to these figures is the use of baseline costing completed in 2007. In the intervening years, universities' teaching methods have inevitably changed, not least with the advent of new technologies and can be expected to have had an impact on the costs of education. Given the widespread investment in technologies such as simulation suites and the increase in the expected academic level of staff, it can be reasonably assumed that the funding gap identified from 2007 costings will be a conservative estimate.

A Note on Volumes

It is sometimes argued that increasing the numbers of students compensates for reducing the unit price per student. This is, however, a fundamental misunderstanding of the provision of health higher education. Staff student ratios (SSRs) mean that crude marginal costing assumptions do not readily apply and much investment is step-wise (including in new technology or buildings). It is important also to note that the cuts in places from 2008/9 to 2011/12 (21 per cent in adult nursing, for example) were made at full BMP not marginal rates. Given the extent of the cuts, a proper understanding of the volume/price relationship would show an even greater funding shortfall since 2007/8.

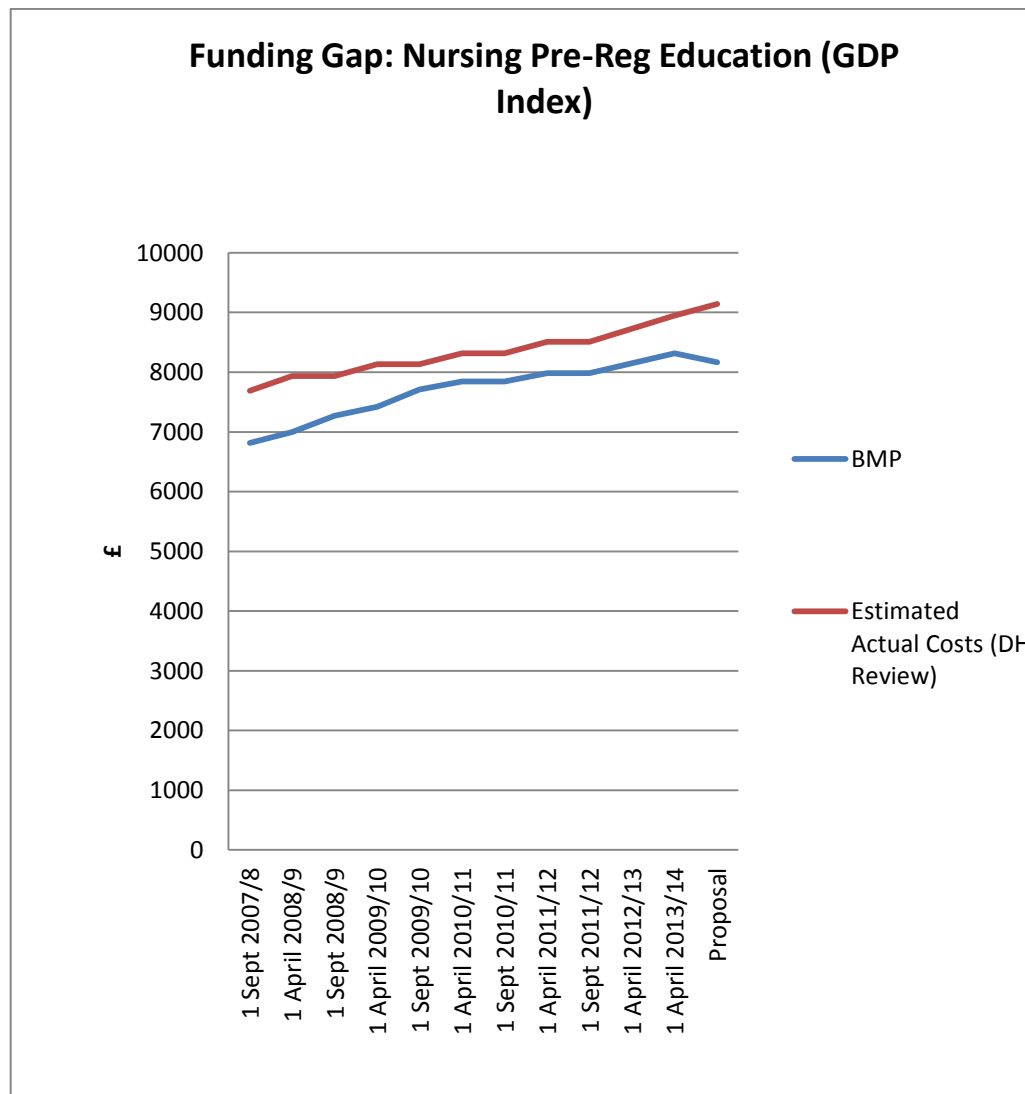
³ Universities UK (2013) 'Spending Round 2013: Universities: efficiency and value for money'. Available at: <http://www.universitiesuk.ac.uk/highereducation/Documents/2013/SpendingRoundEfficiency.pdf>

Findings

GDP Index

Taking the largest BMP band (which covers pre-registration nursing) as a case study, the GDP index finds an existing funding shortfall on the 2007 costings of 7.6 per cent. Health Education England's proposals to cut funding by four per cent would widen this to a 12 per cent funding gap.

The graph shows the attempts to narrow the gap in 2008 and 2009 (partially implementing the findings from the 2007/8 review) but also demonstrates that the gap was never closed and progressively widened with the efficiencies applied to the GDP deflator.

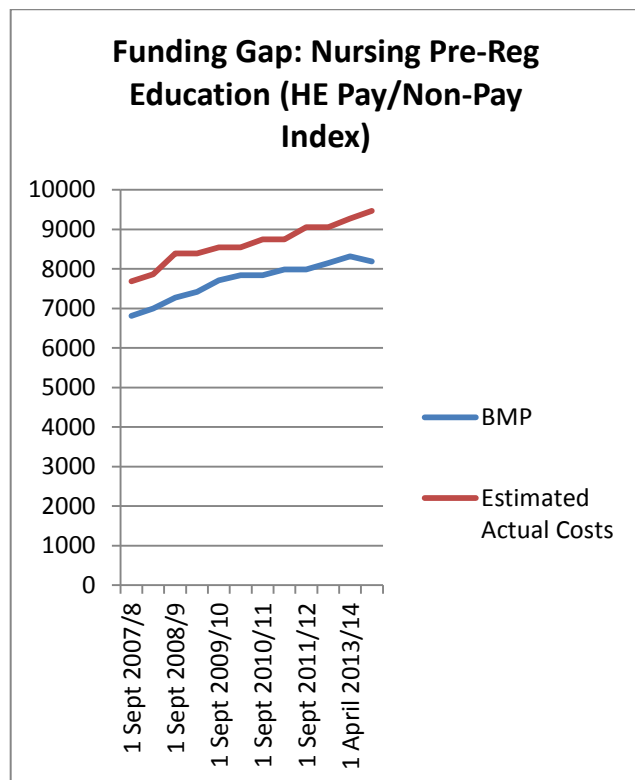


BMP compared to estimated actual costs for pre-registration nursing, showing the projected funding shortfall as a percentage.

	BMP	Estimated Actual Costs (DH Review)	Difference	%
01-Sep-07	6816	7688	872	12.8
01-Apr-08	7000	7934	934	13.3
01-Sep-08	7273	7934	661	9.1
01-Apr-09	7419	8133	714	9.6
01-Sep-09	7708	8133	425	5.5
01-Apr-10	7843	8316	473	6.0
01-Sep-10	7843	8316	473	6.0
01-Apr-11	7984	8507	523	6.6
01-Sep-11	7984	8507	523	6.6
01-Apr-12	8152	8728	577	7.1
01-Apr-13	8315	8946	632	7.6
2014/15 Proposal	8165	9143	978	11.98

HE Pay/Non-Pay Index

The weighted HE index shows an even larger funding gap, of 11.5 per cent. This would widen to a 15.97 per cent funding gap if HEE were to implement their intention of a four per cent cut.



	BMP	Estimated Actual Costs	Difference	%
01-Sep-07	6816	7688	872	12.80
01-Apr-08	7000	7861	861	12.31
01-Sep-08	7273	8392	1119	15.39
01-Apr-09	7419	8392	973	13.12
01-Sep-09	7708	8544	836	10.85
01-Apr-10	7843	8544	701	8.94
01-Sep-10	7843	8747	904	11.52
01-Apr-11	7984	8747	763	9.55
01-Sep-11	7984	9055	1071	13.41
01-Apr-12	8152	9055	903	11.08
01-Apr-13	8315	9272	958	11.52
2014/15 Proposal	8165	9469	1304	15.97

Conclusions

Since the last review of the BMP, the funding for nursing, midwifery and AHP pre-registration education has not kept up, even based on the findings of the 2007 review. There is now a substantial gap between the cost of providing education and the price, at minimum 7.6 per cent and more likely in the region of 11.5 per cent.

This means that it is likely that universities are already cross-subsidising from other activities to be able to provide pre-registration education. Until this year, the comparative stability of the NHS education contracts has probably compensated to some degree at institutional level; this, plus the commitment of many institutions to supporting education for public service, explains the willingness of most universities to continue with pre-registration provision, despite the clear funding shortfall. However, any cuts that further widen the gap, risk not only a significant negative impact on the quality of education but could also result in some universities withdrawing from pre-registration provision altogether.

We believe that the proposed funding cuts for 2014/15 put education for nurses, midwives and AHPs at a tipping point. This matters, not primarily because of the impact on the higher education sector but because health professional education has a direct link to the quality of patient care. A study published in the *Lancet* in February 2014 based on data from 420,000 patients in 300 hospitals across nine European countries, including England, found that a 10 per cent increase in the proportion of nurses holding a bachelor's degree is associated with a 7 per cent decrease in the risk of death after surgery.⁴ Undermining the quality of health higher education and potentially destabilising its provision is a risk that we simply should not be prepared to take.

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⁴ Aiken et al, 'Nurse staffing and education and hospital mortality in nine European countries: a retrospective observational study', *The Lancet*, S0140-6736(13)62631-8, 26 Feb 2014.



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