

A Review of the Specific Cost Approach to the Staff Market Forces Factor

Client: The Department of Health

Lead contractor: Crystal Blue Consulting Ltd

Working with: Centre for Health Economics (York University) and City University.

Description

Under new funding mechanisms (Payment by Results) the staff Market Forces Factor (MFF) became a visible direct source of funds to NHS Trusts. The MFF was an important part of the Department of Health's resource allocation model (redistributing 2% of all NHS funds) and in need of review. The DoH commissioned this study to test the fairness and feasibility of alternative ways of calculating the staff MFF.

We conducted an in-depth analysis of the actual spatial variation in NHS wage costs across each staff group throughout labour markets in England. The study included role and productivity standardisation, the impact of policy and the overall impact of the NHS's national wage structure. In addition to the analysis of national data sets we carried out a detailed study of 14 participating Acute Trusts.

Services provided

Research, collating and creating databases , economic, mathematical, statistical and financial analysis, benchmarking & interpretation, workshops , presentations to DOH, the Technical Advisory Group and the Advisory Committee on Resource Allocation, report writing.

Highlights

We provided specific-cost-based evidence that supported the current General Labour Market (GLM) statistical approach to the staff MFF. We also highlighted medical staffing as a special case that did not adhere to local labour market patterns. During the study we created a number of analytical tools such as the Complexity Index which are now used by the DoH and academic institutions.

Report published:

http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_093170.pdf