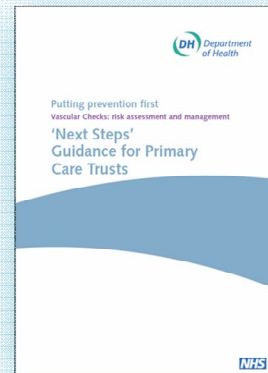
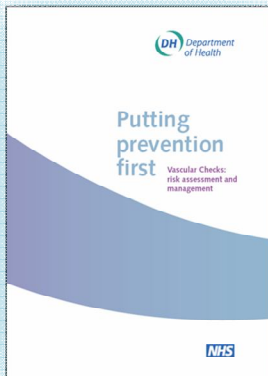


Vascular Risk Assessment (Vascular Checks) *- a new Local Enhanced Service*

Part 3 Finance

Version 1.1

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Guidance prepared by PSNC to support
Local Pharmaceutical Committees

About this guidance

This guidance has been written to support LPCs in getting a community pharmacy Vascular Risk Assessment (VRA) service commissioned. It contains a wealth of information and links relating to VRA, setting up the service, standards, assessment of costs, and much more.

Part 1 of the guidance contains background information to support LPCs' preparation prior to developing a local VRA service.

Part 2 supports LPCs with making the case for a VRA service commissioned from community pharmacy. It provides a step by step approach to making a bid. Not all steps may be relevant in your area, depending on local circumstances. This section also includes a number of templates to support LPCs in the bidding process.

Part 3 of this guide contains financial spreadsheets and costing material to assist LPCs in developing an effective bid.

As this is a working resource for a new and evolving Enhanced service and the documents contain a large number of embedded links to other resources, they are only available in electronic format from www.psnc.org.uk.

If you have any comments on this guidance or suggestions on how it may be improved please contact alastair.buxton@psnc.org.uk.

Summary page

This part of the guidance explains how to use the associated spreadsheet that can be downloaded from the PSNC website. This is a summary navigation page with links to each of the pages set out below.

1. Overview Flowchart

Overview of the process required in setting up a VRA service and the steps involved in an annual review.

2. Detailed Flowchart

This flowchart outlines the process to be followed in conducting a VRA.

3. Income

This sheet builds up the expected volume of VRAs per pharmacy using local population data and takes account of the number of pharmacies expected to participate in the service. The price for the service is input in this sheet.

4. Costs

This sheet shows the build up of all the costs involved in delivering a VRA service. The main cost components will be labour and equipment costs. Allowance is also made for consumables and other costs. This sheet allows for the input of overhead recovery rates.

5. Summary

This is a summary of the financial results in the model. All the assumptions used in modelling the financial impact of the delivery of the service are shown on this sheet. This includes the price of the service and all the costs included in delivering the service. These costs include equipment, set up costs, service delivery costs and annual costs.

6. Contribution

This sheet shows the contribution made from the service after allocating overheads. The allocation of overheads is based on the labour costs used in delivering the service. Different businesses use different methods to allocate overheads but the key principle is that each service should bear a proportion of those business overheads which are not directly attributable to the delivery of the service.

7. Discounted Cash Flow

This is the most appropriate model to use when the service to be delivered involves an initial investment in equipment. Typically a business would expect the internal rate of return (IRR) of a project to exceed the cost of borrowing the finance required for the initial investment. When the proposed investment involves a degree of risk then the expected return would need to exceed the cost of borrowing. This figure should be compared against the expected return from other investments particularly when the availability of capital is limited.

8. Scenarios

This sheet shows the results of varying the input cells in the model. Any changes must be made using the scenarios menu in the assumptions sheet.

Detailed guidance notes

Overview flowchart

This sheet records the tasks required to set up the service together with an annual review. Inputs are entered in column I which is headed Annual Minutes. All inputs need to be in minutes, for example 2 hours would be entered as 120 minutes.

The set up time in rows 9 to 33 is recorded separately from the annual review time which is entered in row 41.

The times entered here are not directly used in the financial modelling but should be checked against the inputs on the costing sheet.

Detailed flowchart

This sheet records the tasks required to deliver a VRA. The tasks will be determined by the local service specification. All inputs should be in minutes and are input in rows 9 to 48 in column I.

The times entered here are not directly used in the financial modelling but should be checked against the inputs on the costing sheet.

Income

This sheet calculates the expected demand for VRA. The input cells are highlighted in yellow.

The target population will be the number of people aged between 40 and 74 in the PCT area. This figure is available on the National Statistics website (<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=15106>) (Mid 2007 PCO England) and is entered in cell I10. Each PCT will determine the number of years taken to cover this population; enter the number of years in cell I12. A proportion of this figure will already be on risk registers and this percentage should be entered in cell I15.

The percentage of the population who are expected to be assessed in community pharmacies is entered in cell I18 as a percentage.

In order to assess the number of VRA per pharmacy the number of community pharmacies participating in the service needs to be input in cell I21.

The length of the contract in years needs to be input in cell I26. The input is restricted to a whole number less than or equal to 5.

The impact on the volume of VRA of differing assumptions on the number of participating pharmacies can be input in cells H21 and J21.

The price for the service is input in cell F41.

Costs

The schedule records all the anticipated costs to be incurred in delivering the service. These costs are normally mainly labour costs and so the hourly pay rates of all the staff involved in the service need to be collected. The basic rate per hour, excluding employer's national insurance and employer's pension is input in cells G9 to G12.

The percentage rates for employer's national insurance and employer's pension are input in cells H 9 to I12. If appropriate, different rates can be used for each staff type.

Column J then calculates an hourly rate including national insurance and pension. These costs include set up costs, annual costs, service delivery costs and direct investment costs.

The model functionality allows for the recovery of those business running costs (overheads) which are those costs incurred by the pharmacy that are not directly related to the service. These would include local variable costs such as telephone or electricity costs, fixed costs such as rent and rates and head office costs if the pharmacy is part of a chain. These costs are input as a percentage of labour costs. The most appropriate rates to

be used should be determined by reference to your most recent set of accounts. The overhead recovery rate for each element of overheads is the same for each labour type. The recovery rates are entered as percentages in cells K9 to M9.

Set up details are entered in J17 to J23 and M24 to M26. The inputs in cells J17 to J23 are entered as minutes.

Those cost which are not labour related are entered in cells M24 to M26 as £. Descriptions for these costs can be entered in cells F25 and F26. You should check that the total number of minutes in cell J27 agrees with your estimates on the overview flowchart cell I34.

Annual details are entered in cells J31 to J39 and in cells M36, M40 and M41. The entries in column J are in minutes and the entry in column M are in £.

Descriptions of anticipated annual costs are entered in cells F40 and F41. You should check that the total of the annual minutes in cell J42 agrees to the figure on the overview flowchart in cell I41.

The time involved in carrying out each VRA should be included in cells J49 to J53. The time should be entered as minutes. Any consumable costs should be entered in cell M54 in £. You should check that the total number of minutes for each VRA in cell J56 agrees with the estimates on the detailed flowchart in cell I52.

Investment in equipment should be entered in cell J68. Any equipment being provided by the PCT should be excluded.

Summary

This sheet shows all of the data that is used to produce the financial information in the model. The detailed inputs which have been entered on pages 3 and 4 are shown on this page together with a summary profit statement and the internal rate of return (IRR).

This sheet captures all the key data on one page and so is useful as a review document.

Contribution

This sheet shows the impact of all the inputs on the annual profit and loss account. A review of this sheet will show the annual income and a detailed breakdown of where all the costs are being incurred. The ratios at the bottom of the page show the contribution, after labour and consumable costs, per test and the net contribution after the allocation of all costs including overheads. A notional breakeven summary is shown which calculates the price of a VRA which would result in a zero, or breakeven, profit.

Discounted Cash Flow

This sheet shows the details of the annual cash flow and is used to calculate the internal rate of return of the service. If the return is too low then a dash is displayed in row 56. The return is calculated over the time period of the contract which is the same number of years that is input in cell I26 on the income sheet on page 3.