

7 Financial Case

7.1 Financial Costing Approach

The financial model is over a 20 year period, to take into account the staged implementation which straddles several years and the programme outyears.

The indicative figures are based on assumptions and therefore the figures, although robust, are only high-level estimates. The key assumptions used in the modelling are:

- The costs of the individual elements of the programme are based on the costs of the Bowel Screening Pilot in Waitemata DHB and scaled up for additional DHBs. Some parts of the pathway are undertaken by national and regional infrastructure where appropriate to maximise quality, safety and economies of scale;
- Expected volumes of participants at each stage of the pathway were modelled based on findings from the Bowel Screening Pilot, revised for the reduced age-range for the national programme. A separate business case would be required to extend the age range, change the screening test positivity threshold or make other significant changes that increase delivery costs;
- Most DHBs indicated that they would manage increased colonoscopy resulting from screening by absorbing the increase into current services or contracting to private providers. However, all but three DHBs have indicated that they may require capital for building or refurbishing endoscopy suites/theatres (see Section 6.4).
- Smaller DHBs may have less ability to absorb the increased pressures resulting from the implementation of the Programme.
- No contingency has been allowed for the non-IT elements of the Programme. A contingency of 25 percent has been allowed for the IT element.
- Out of scope:
 - Capital funding for building or refurbishing facilities is excluded from this business case. The Ministry's preference is for DHBs to find alternatives to building new endoscopy suites for managing increased colonoscopy demand. Note: any access to Crown equity would require endorsement through the CIC process and Ministerial approval.
 - Clinical hardware and associated applications required to establish or augment DHBs clinical capability.
 - Changes to DHBs' internal administrative systems to support new staff or other capabilities.
 - Analytics to the sector beyond extracts to national collections unit and its supporting Data Warehouse.
 - An assumption is that the existing licensing for Data Analytics tools will cover the requirements of Data Analytics at the Ministry.
 - Wider impacts on other Ministry or Sector systems that have not yet been scoped.

7.2 Financial Case – Programme Summary

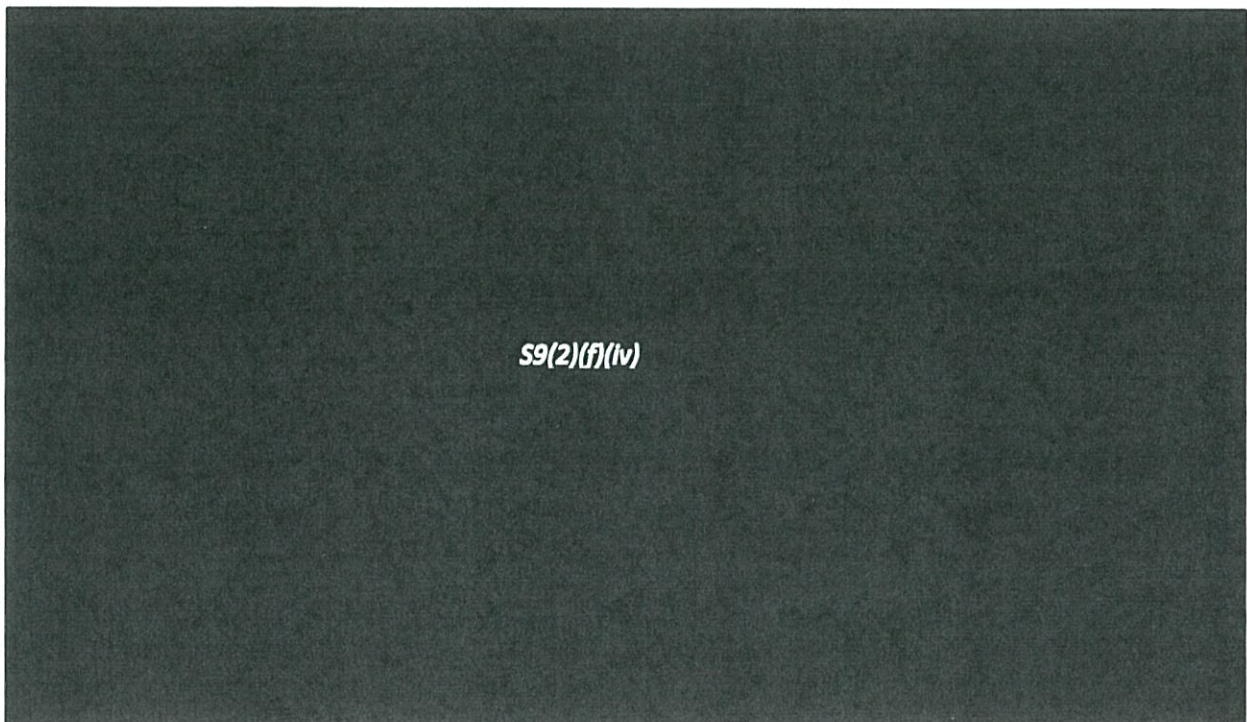
As outlined in the Economic Case, the preferred option is Option 4. The financial case and analysis below relates to this preferred option.

The programme costs comprise capital and operating costs over the 20-year whole of life period, and are built up from a number of sources, including the Bowel Screening Pilot; internal Ministry of Health, DHB and international expertise; and cost estimates.

The indicative financial impact of the programme over the intended analysis period is shown in Table 27. The full analysis is attached as Appendix 13. Budget 2016 allocated \$39.3 million for the Programme establishment, subject to the approval of this restated Programme Business Case.

The financial analysis would be revised as the Programme rolls out, and would be re-validated as each Tranche business case is developed. If the procurement identifies significant variation beyond the financial modelling, the programme would present management options to the Ministers of Health and Finance.

Table 27: Financial Costing Model



S9(2)(f)(iv)

7.3 Funding

The proposed timeframe for requesting the funding to support the programme cost is shown in Table 28 and Table 29. The funding for each Tranche will be requested in the respective business cases. If there are any changes to what is included in each Tranche, the funding requirements will be amended as required. The tables below will be updated for each of the business cases.

Table 28: Tranche 1 Funding

S9(2)(f)(iv)

Table 29: Tranche 2 and Tranche 3 Funding

S9(2)(f)(iv)

Budget 2017 will provide funding over five years. The estimate of funding required from Budget 2017 is shown in Table 30.

Table 30: Budget 2017 Anticipated Budget Bid

S9(2)(f)(iv)

7.4 Overall affordability

Programme Affordability

The proposed cost of the programme is *S9(2)(f)(iv)* over the 20 year modelled period (of which *S9(2)(f)(iv)* is capital), including screening programme funding and the brought DHB treatment costs associated with the delivery of the programme.

The proposed funding arrangements are:

- Ministry of Health (using programme funding of *S9(2)(f)(iv)*): funds the screening pathway, via DHBs or national arrangements. This include the cost of screening, training, National Coordination Centre, Bowel Screening Regional Centres, colonoscopy service provision and ongoing surveillance colonoscopies as a result of screening. Screening services and surveillance colonoscopies are funded at a rate set by the Ministry, which includes depreciation, interest and capital charge.

The Ministry also funds the development of the IT solution to support the National Bowel Screening Programme using capital, and funds IT integration with the relevant operational systems at DHBs using Non Departmental Expenditure (NDE).

- **DHBs:** fund treatment costs (i.e. radiology, Multi Disciplinary Meetings, surgery, oncology, assessments, follow ups etc.) and other costs not covered by the screening pathway, if any, within their annual funding arrangements. The majority of people diagnosed with bowel cancer through the screening programme would have been diagnosed and treated by their DHB at some stage in the future. The screening programme simply identifies them earlier (and likely at a more treatable stage), hence these costs are brought forward. The estimated cost brought forward by the DHBs is **59(2)16(1)** over 8-10 years.

DHBs may also be required to use their own capital funds to increase colonoscopy capacity (i.e. facility expansion and additional equipment where required). Hospital building business cases would be required for facility expansion and equity funding for these business cases would be processed through the existing major capital process instead of the National Bowel Screening Programme. The programme expectation is that alternative capacity (e.g. use of private providers, regional DHB collaboration) would be explored in the first instance.