

How the money goes round



Understanding NHS Finances

London School of Paediatrics
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BAILEY & MOORE



What we will cover:

- NHS funding
- What is commissioning?
- What is the payment system?
- And how is it changing?
- How does this affect clinicians?

How the NHS uses financial resources

What funds do Trusts receive? Capital v Revenue

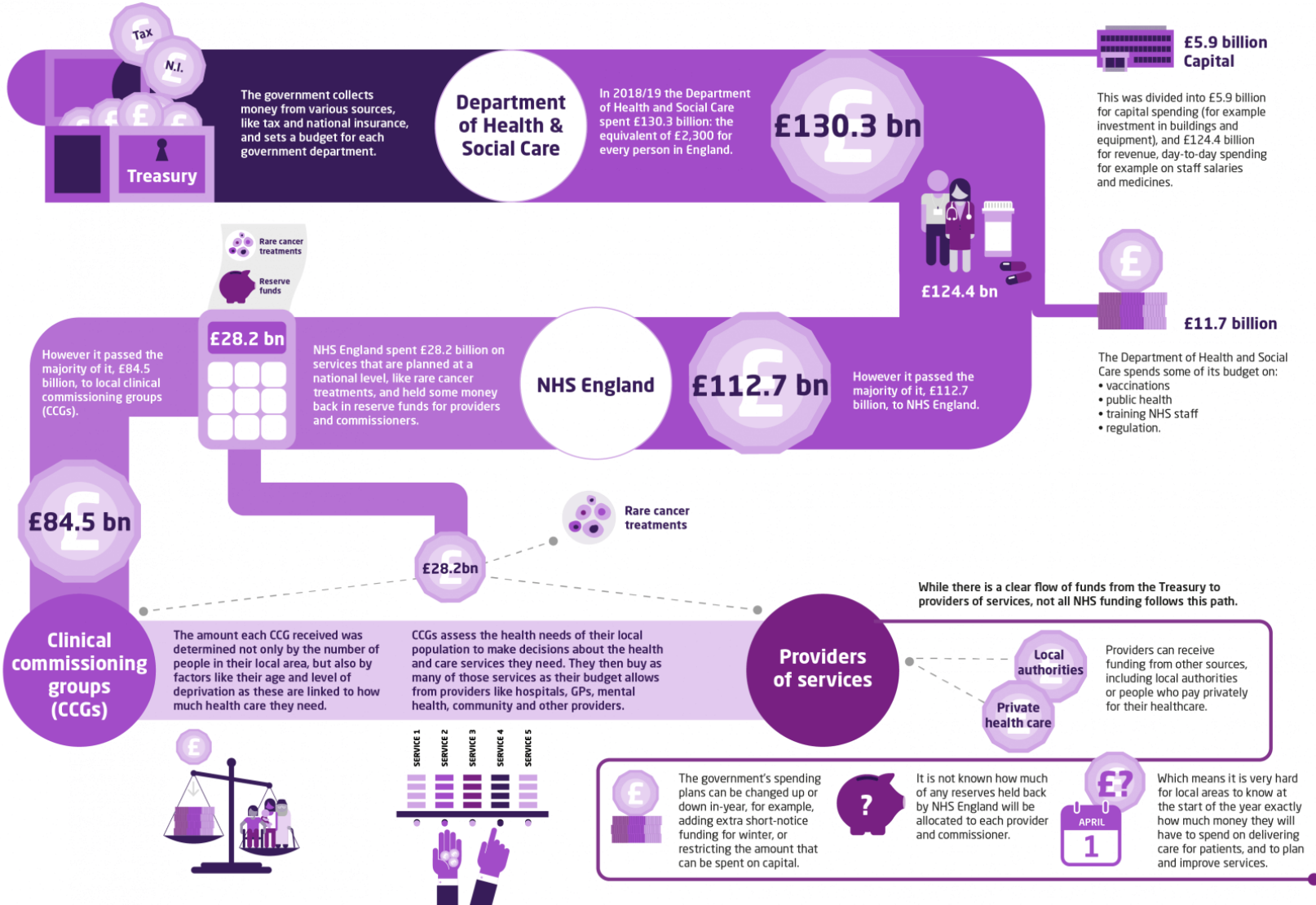
Capital

- An asset that will give benefits on continuing basis e.g. a car
- Tends to be a “one off” payment
- Funded initially from Trust’s own cash flow
- Other sources of funds, e.g. central capital, borrowing, grants, charitable funds

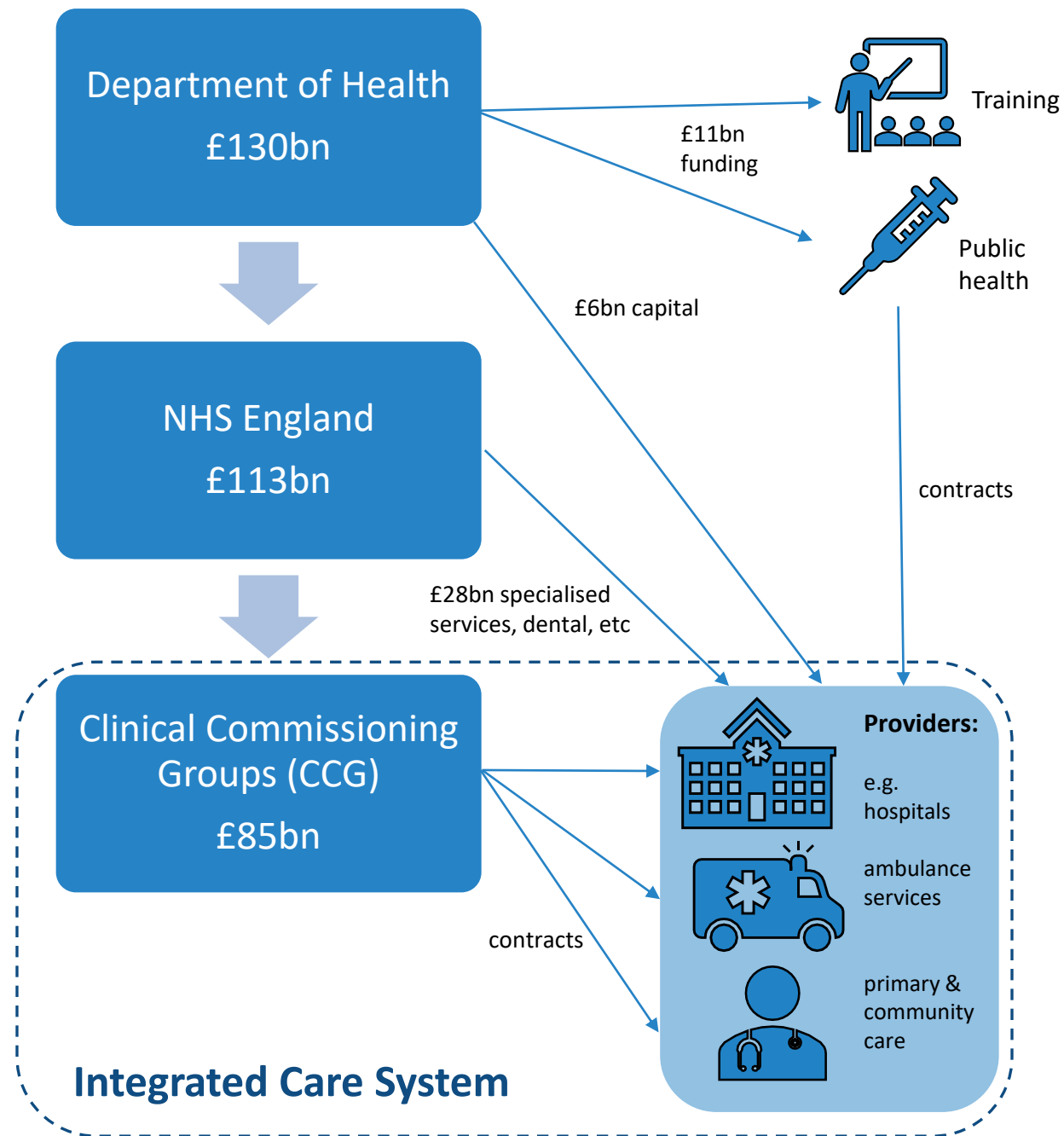
What funds do Trusts receive? Capital v Revenue

Revenue

- Day to day running costs and minor capital spend
- Will give benefits immediately, e.g. the petrol
- Largest element in NHS is staff pay



How the funding flows:
simplified version based on 2018/19 accounts



Other sources of funding

- Specific funds for research and development
- Private patients and overseas visitors charging
- Other charges to staff, patients and visitors such as catering, car parking, etc
- Grants from local authorities and charities
- Borrowing, mainly from Dept of Health

Budgets: What you should know...

Types of funding & costs:

- Revenue v capital
- Recurrent v non-recurrent, e.g.:

	Recurrent	Non-recurrent
Income	CCG contract income	Donation from charitable funds
Expenditure	Paying staff	New ultrasound machine

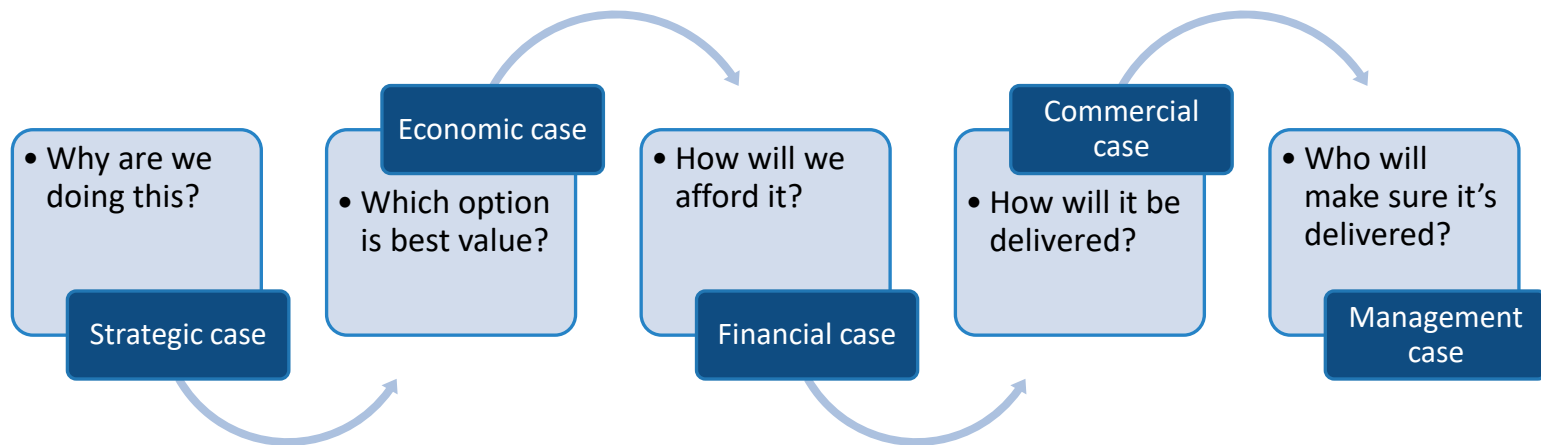
Make sure you match non-recurrent income with non-recurrent costs!

Budgets: What you should know...

- What you have spent this year (YTD) compared to the budget/plan
- The financial effect of changes you make
- Getting financial forecasts right
- Have you got a named finance contact?
- Don't get reports?... ASK!
- Don't understand them?... ASK LOUDER!!

Business cases: making the case for change

- Standard format is the '5 case model' – adapt as necessary!
- Can you answer these 5 questions?



<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190609/Green_Book_guidance_short_plain_English_guide_to_assessing_business_cases.pdf

What is the commissioning process?

What is happening now?

- This section covers the rules of commissioning and finance in place since 2013
- These are still in place, although temporarily suspended because of COVID-19
- Longer term, there are policy changes planned which will change the way health systems operate...



Local

Sustainability and transformation partnerships/integrated care systems (STPs/ICSSs)

Sustainability and transformation partnerships (STPs) bring organisations together to plan services around the long-term needs of local communities.

Commissioners

Clinical commissioning groups (CCGs)

Local authorities (non NHS)

In some areas, **integrated care systems (ICSSs)** have evolved from STPs, taking on greater responsibility for managing local resources and improving health and care for their populations.

Integrated care partnerships (ICPs)

Integrated care partnerships (ICPs)

are alliances of providers that work together to deliver care by agreeing to collaborate rather than compete.

Providers

NHS trusts

Other providers of NHS-funded care

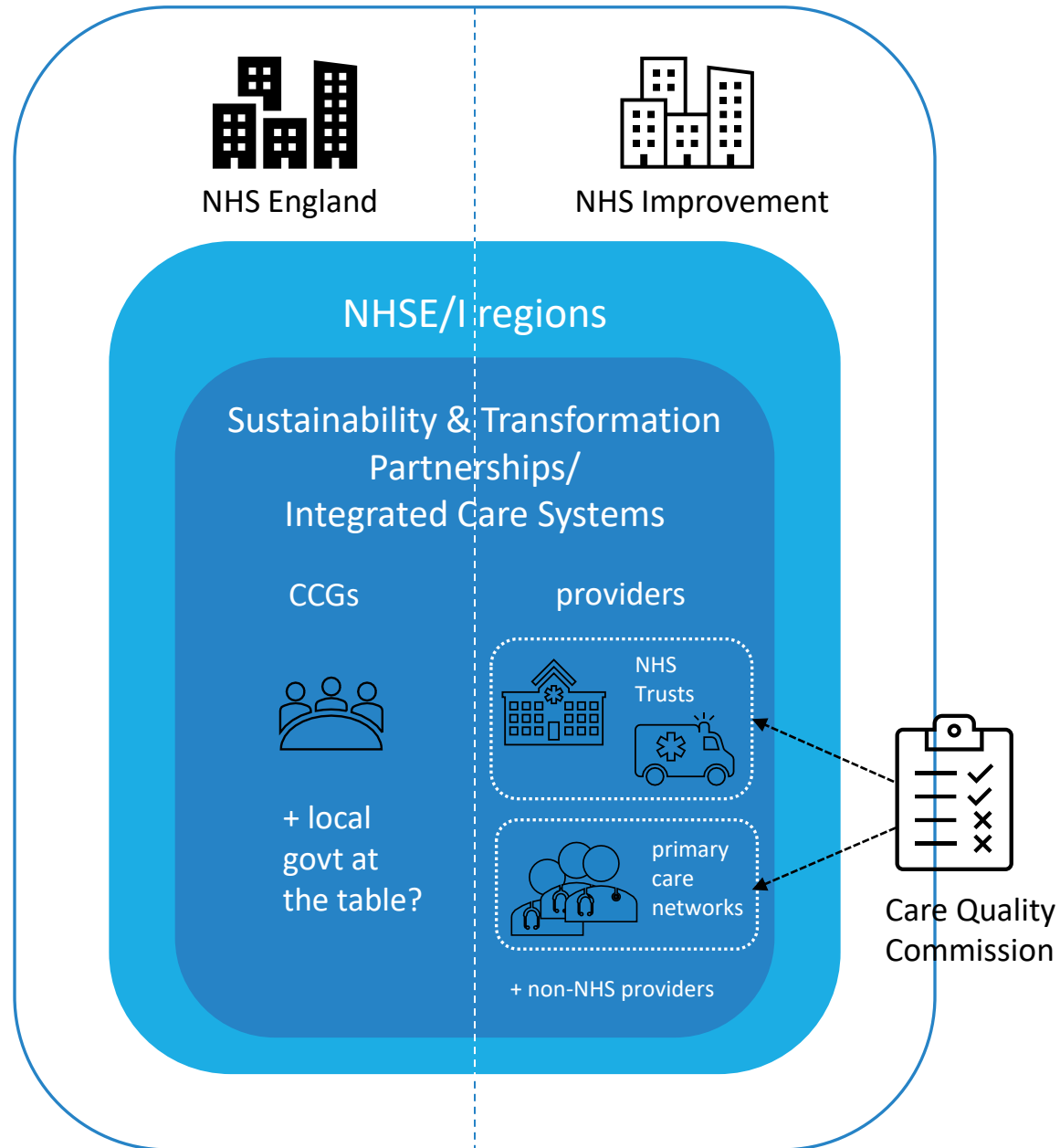
- Acute
- Community
- Mental health

- GPs
- Voluntary sector
- Social enterprises
- Private

Primary care networks (PCNs)

Primary care networks (PCNs) bring general practices together who may also collaborate with a range of other local providers to provide primary care at scale by using a wide range of professional skills and community services.

How providers are regulated...
simplified version



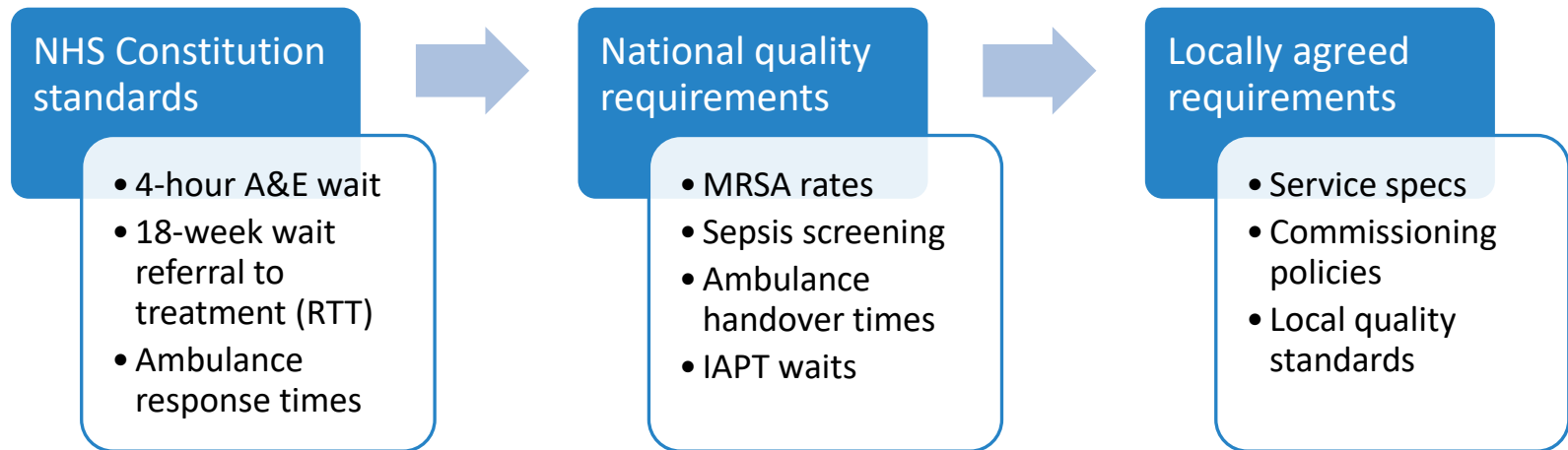
Who are the commissioners?

- Mainly CCGs and NHS England, plus Local Authorities for some 'public health' services
- Provide, plan and fund health services for local population
- Work with patients to influence and develop the shape of services they receive
- Commission primary care and other health services from GPs, NHS providers and other providers

What does commissioning involve?

- Determining the health needs of the population
- Assessing how far current provision meets those needs
- Identifying where changes are needed
- Prioritising service provisions and changes
- Negotiating the required provision
- Monitoring the services provided

Taking into account...



And by using the NHS Standard Contract...

- Contract mandated for use by NHS commissioners for all their healthcare commissioning contracts other than core primary care
- 3 elements to the agreement:



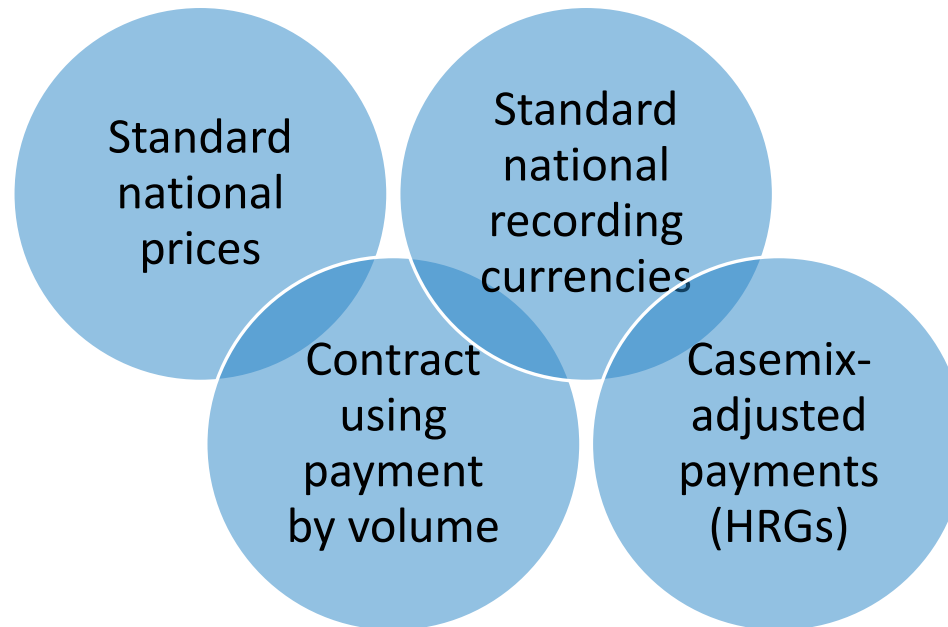
<https://www.england.nhs.uk/nhs-standard-contract/20-21/>

National Tariff Payment System

National Tariff

- Introduced to NHS in 2005
- Payments to providers are linked to the activity provided
- Doesn't affect the funding allocated to Commissioners
BUT...
- Determines the majority of income most Acute Trusts receive
- Never really applied to mental health, community or ambulance services (despite various attempts)

National Tariff Policy to date



<https://improvement.nhs.uk/resources/national-tariff-2021-consultation/>

(NB Tariff not yet published for the 2020/21 financial year?!)

National Tariff examples: inpatient admissions

HRG Code	HRG Name	Combined day case /ordinary elective spell tariff (£)	Non-elective spell tariff (£)
AA29C	Transient Ischaemic Attack with CC Score 11+	3,233	3,462
AA29D	Transient Ischaemic Attack with CC Score 8-10	1,708	1,829
AA29E	Transient Ischaemic Attack with CC Score 5-7	1,160	1,242
AA29F	Transient Ischaemic Attack with CC Score 0-4	376	705
AA35A	Stroke with CC Score 16+	12,786	12,978
AA35B	Stroke with CC Score 13-15	8,027	7,883
AA35C	Stroke with CC Score 10-12	6,032	5,746
AA35D	Stroke with CC Score 7-9	4,454	4,057
AA35E	Stroke with CC Score 4-6	3,318	2,841
AA35F	Stroke with CC Score 0-3	2,561	2,029

- Healthcare Resource Groups (HRGs):** clinically meaningful groupings of activity, which consume a similar amount of resource (and therefore cost)

<https://digital.nhs.uk/binaries/content/assets/website-assets/services/national-casemix-office/local-payment-grouper-2020-21/hrg4-202021-local-payment-grouper-casemix-companion-v1.0.pdf>
- There are 2,832 HRGs in the 2020/21 edition
- There are 2,312 HRGs listed in the 2020/21 inpatient national tariff...

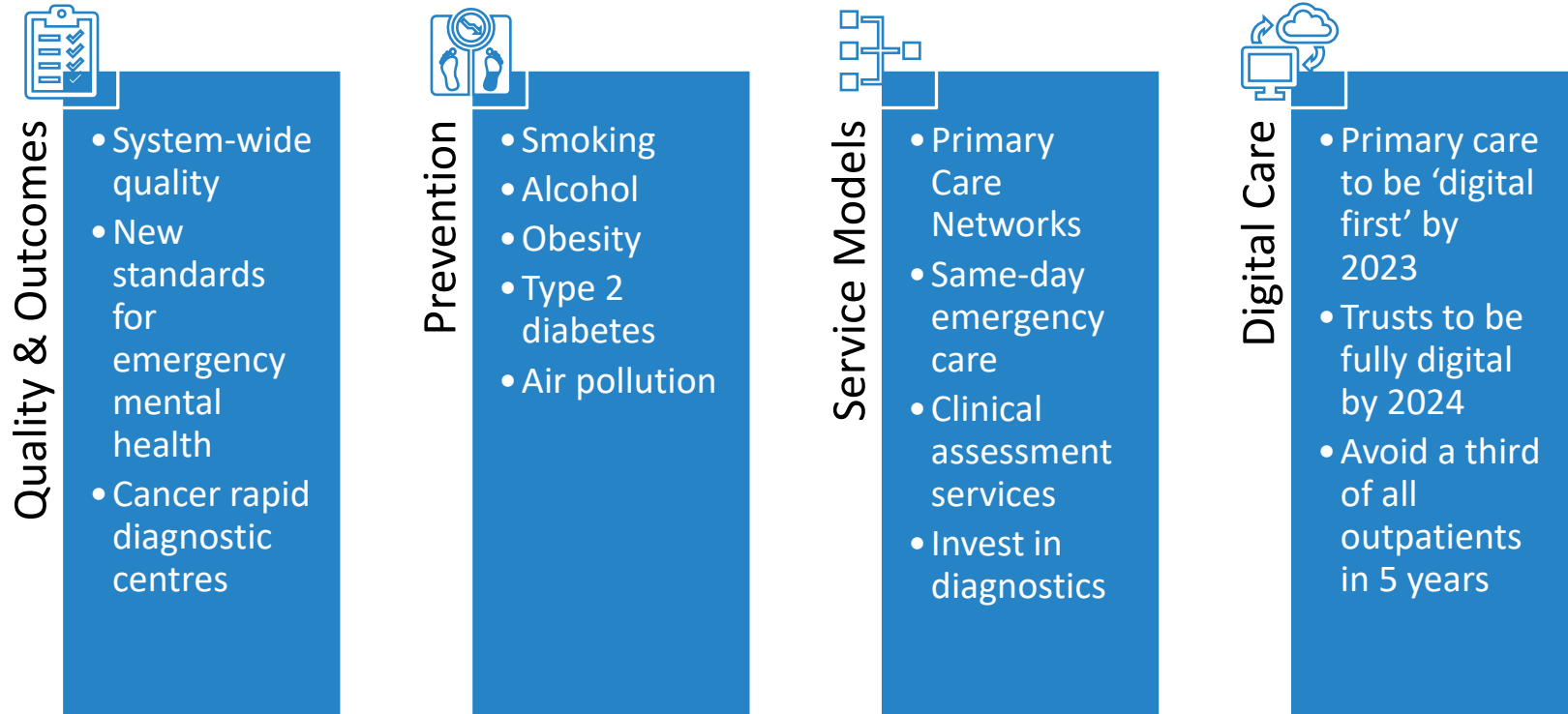
National Tariff examples: outpatients & ED attendances

Treatment function code	Treatment function description	WF01B First Attendance - Single Professional	WF02B First Attendance - Multi Professional	WF01A Follow Up Attendance - Single Professional	WF02A Follow Up Attendance - Multi Professional
100	General Surgery	175	230	73	111
101	Urology	140	180	69	91
103	Breast Surgery	181	181	77	93
104	Colorectal Surgery	152	214	65	94

HRG code	HRG name	Tariff (£) Type 1 and 2 Departments	Tariff (£) Type 3 Departments
VB01Z	Emergency Medicine, Any Investigation with Category 5 Treatment	343	74
VB08Z	Emergency Medicine, Category 2 Investigation with Category 1 Treatment	157	74
VB09Z	Emergency Medicine, Category 1 Investigation with Category 1-2 Treatment	108	74
VB10Z	Emergency Medicine, Dental Care	101	74
VB11Z	Emergency Medicine, No Investigation with No Significant Treatment	74	74
VB99Z	Emergency Medicine, Patient Dead On Arrival	74	74

What are the latest
national
developments?

The NHS Long Term Plan: patient service priorities

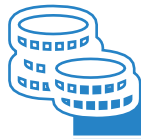


The NHS Long Term Plan: supporting priorities



Structure

- Commissioners and providers collaborate through **Integrated Care Systems**
- One CCG per ICS
- NHSE and NHSI effectively merge
- Relaxed procurement rules requested



Finance

- 3.4% funding increase
- Focus on primary, community & MH
- 'Financial Reset'
- Finance Recovery Fund
- £700m admin savings



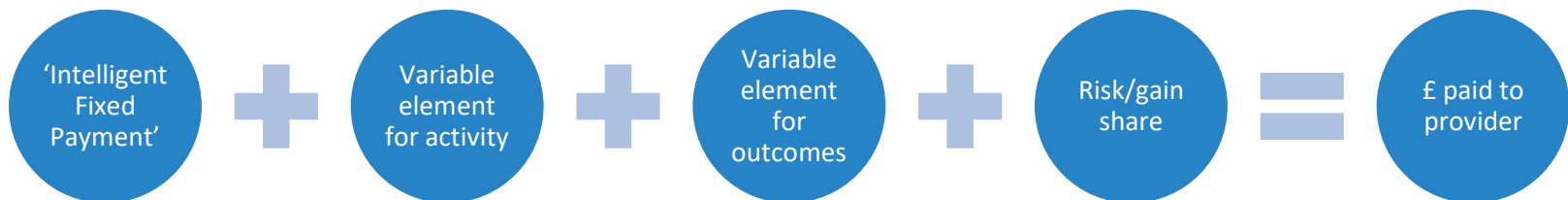
Workforce

- More generalist doctors
- New entry routes, e.g. apprenticeships
- £2.3m investment in volunteers
- Flexible rostering

National Tariff developments



- Payment per individual patient attendance, admission, contact, etc now being phased out
- Doesn't incentivise system working:
 - encourages volume growth in activity (?)
 - creates commissioner v provider conflict
- Movement in favour of **blended payments**:



Special arrangements during COVID-19 pandemic

- NHS Standard Contract and National Tariff suspended until at least 31 October
- Commissioners fund providers based on 2019/20 +2.8%
- Providers and commissioners bid centrally for additional COVID-related costs (revenue or capital)
- No investments approved unless COVID-related
- Many expect this to continue for remainder of year

The post-COVID world?

Challenges for finance...

- Previously agreed financial plans are history
- Continuing and significant additional costs:
 - ongoing COVID response and surge capacity
 - need to segregate COVID+ and COVID- patients
 - community/MH rehab for discharged COVID patients
 - disease burden of untreated non-COVID conditions
 - what capacity will there be for any elective surgery?
- New ICS now expected to rebuild their local geographies
- BUT... unclear what new financial baseline is and what the 'new normal' looks like

The post-COVID world?

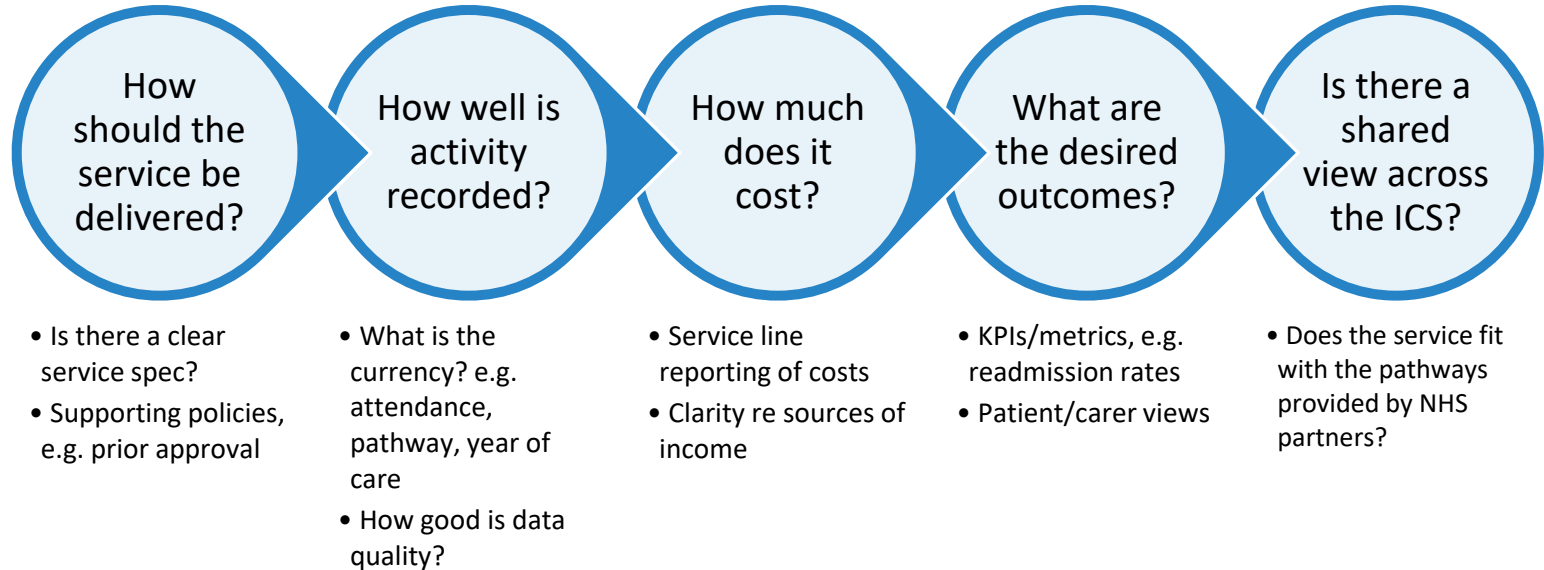
Opportunities for finance...

- Unprecedented opportunity to simplify payment system
- What behaviours do we want to incentivise through the financial system?
- Keep some elements of the COVID response, e.g. outpatient and GP consultations by phone or Zoom?
- Can primary care networks stop any resurgent demand for A&E?
- Incentivise patient outcomes rather than going back to contracts for activity volume

How does this affect clinicians?

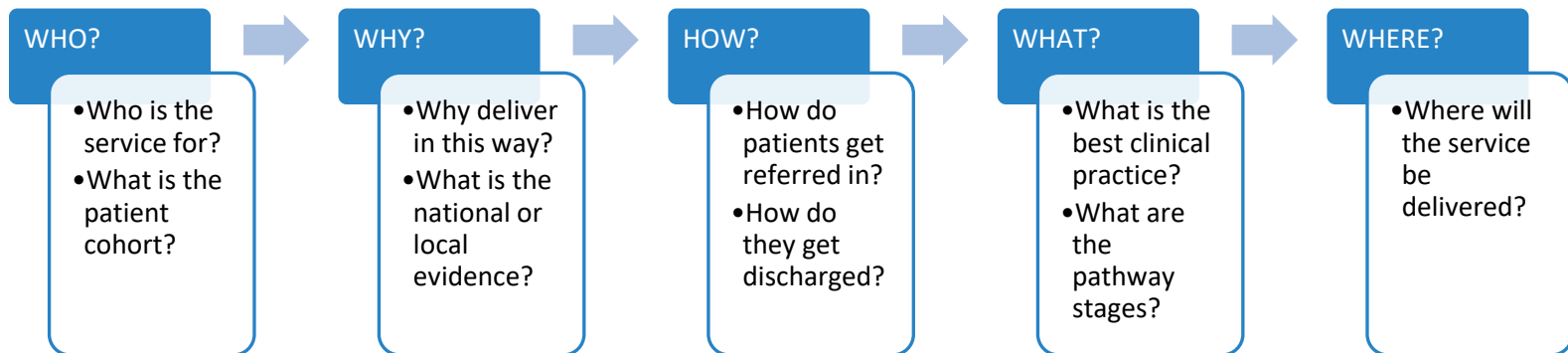


Understanding your service



How should the service be delivered?

Service specs set out the way services should be provided under a contract:



Can be supplemented by other policies, e.g. referral policies, prior approval schemes

How well is your service's activity recorded?

- Whatever the payment system, this is key to securing payment for activity delivered:
 - Accurately recording volume, e.g. number of attendances at clinic
 - Accurately recording complexity, e.g. co-morbidities
 - Capturing outcomes where specified, e.g. reducing readmissions within 28 days for the same condition

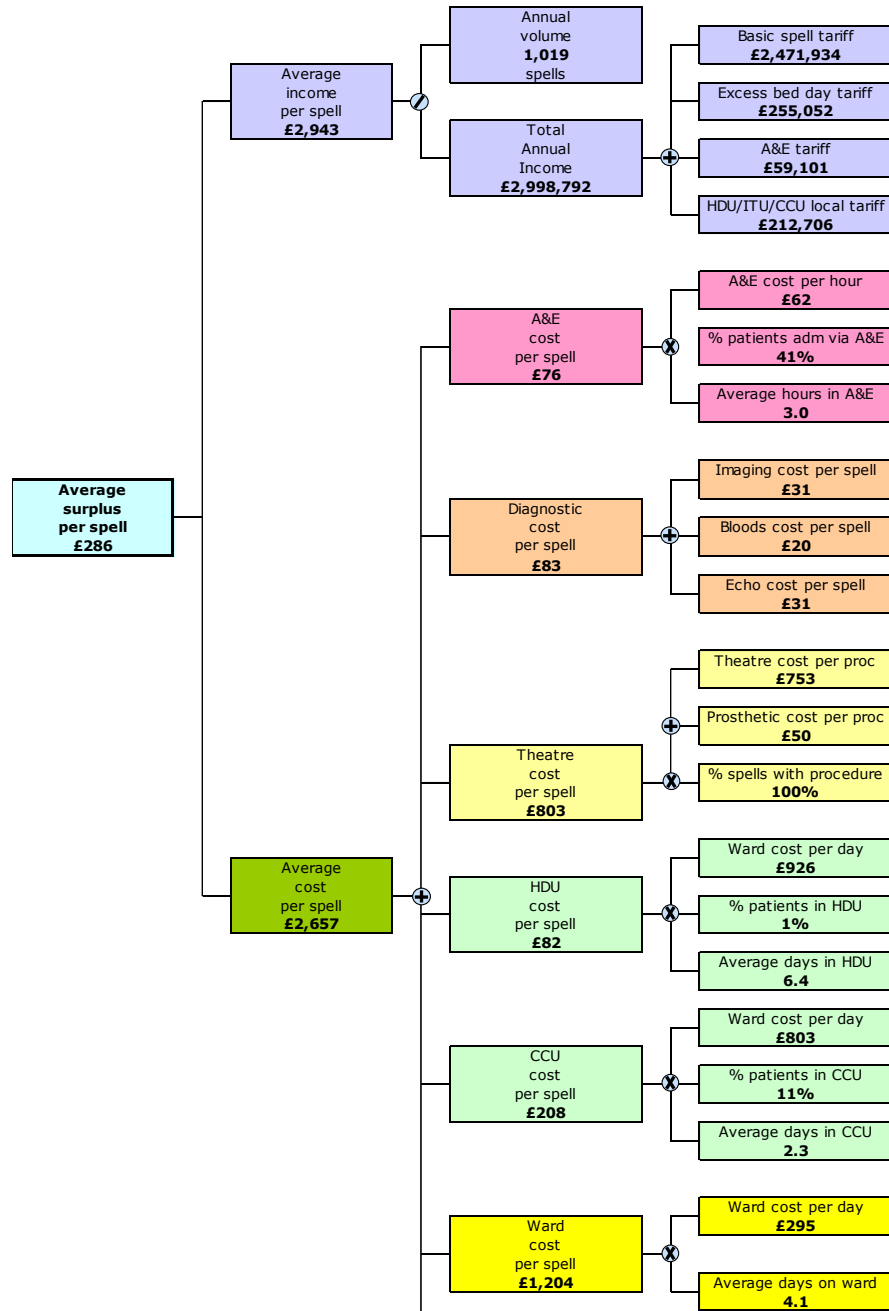
How much does your service cost?

- What income does your service attract, from whom and by what route?
- How much does it cost to provide? Do you get service line reporting and can you understand it?!
- If new services come on stream or the pathway changes, what is the impact on the above?

One way of capturing this...

Cost Driver Tree - Overview

EA36 - Catheter



What are the desired outcomes from your service?

Choose a school...

School A	employs 150 staff
School B	delivered 55,000 lessons last year
School C	85% of students achieved A-C at GCSE

What are the desired outcomes from your service?

Now choose a hospital...

Trust A	employs 3,200 staff
Trust B	delivered 105,000 A&E attendances last year
Trust C	was in the lowest 10% nationally for emergency readmissions last year

What are the desired outcomes from your service?

Which of these is an **outcome** from an investment in the smoking cessation service?

Successfully recruited 3 WTE smoking cessation advisers

Increased the number of patients successfully quitting smoking by 15% compared to last year

Reduced the county's mortality rate from respiratory and cardiovascular disease to below the average for England

<https://digital.nhs.uk/data-and-information/publications/statistical/nhs-outcomes-framework>

Thanks for listening!

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<http://www.baileyandmoore.com>

Presentation available at:

<http://baileyandmoore.com/wp-content/uploads/2020/06/RSM-NHS-Finance-2020.pdf>