



# Finance post-COVID

Challenges and opportunities

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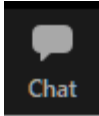
June & July 2020

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# Housekeeping

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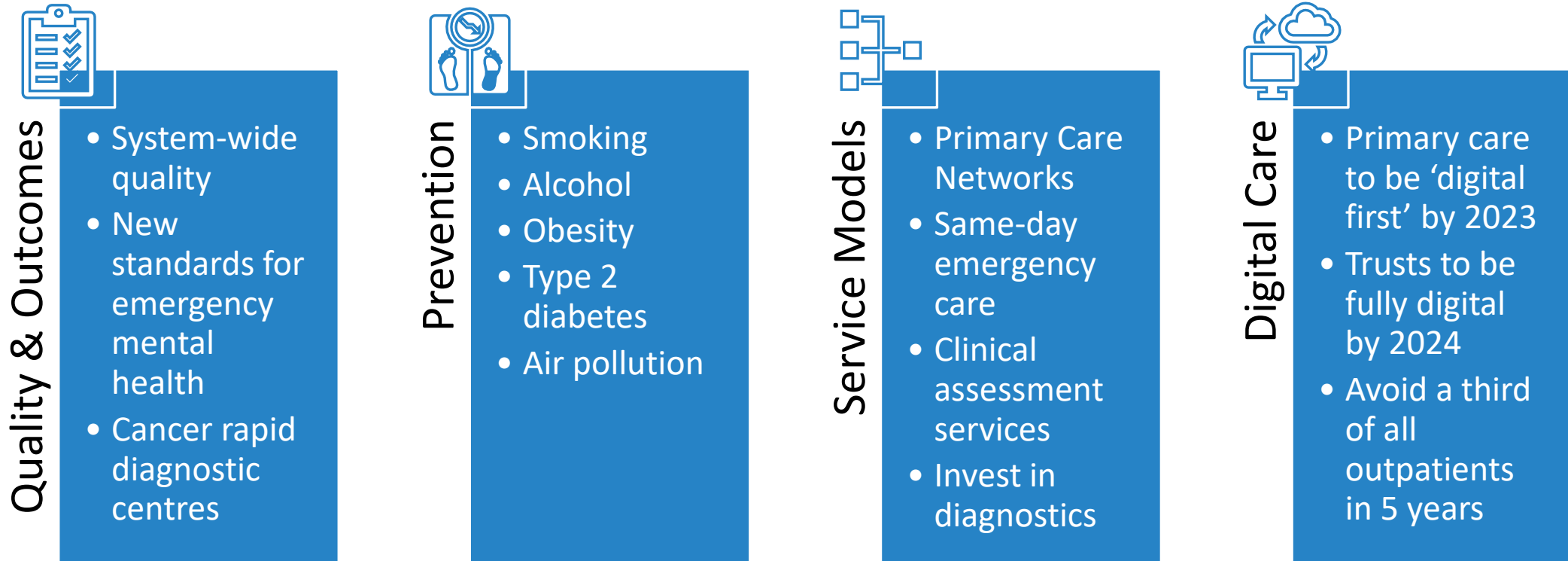
- The presentation usually lasts 30 minutes, plus about 15 minutes for questions
- But we are happy to stay online as long as you want us to 😊
- Ask questions as we go, using  at the bottom centre of the Zoom screen
- All slides are on our web site – link at the end
- If you're using someone else's invite, please make sure we have your email address if you want details of further courses

# What we will cover...

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- Direction of travel before COVID
- Challenges and Opportunities for Finance
- What behaviours do we want to incentivise in an ICS?
- Block contracts – pros and cons
- Blended payments
- Finding the happy medium

# Direction of travel pre-COVID: NHS Long Term Plan priorities




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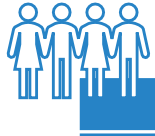
**Structure**

- 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
- Payment system reform
- 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

# Special arrangements during COVID-19 pandemic

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- 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

# Some challenges for finance...

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

# Some opportunities for finance...

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- Unprecedented opportunity to simplify payment system
- Simple wins, like reform NCA invoicing?
- 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? Do these save money anyway?
- Can primary care networks stop any resurgent demand for A&E?
- Incentivise patient outcomes rather than going back to contracts for payment for activity volume



# Alliances and Integrated Care Systems: the future?



NHS England



Care Quality Commission

NHS England regions

Integrated Care Systems



NHS & Local  
Govt leaders



Integrated  
Care  
Partnership

- potentially incl:
- primary care
  - social care
  - third sector



Integrated  
Care  
Partnership



primary  
care  
networks

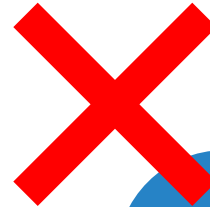
# What behaviours do we want to incentivise in an ICS?

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## Incentivise

- Focusing on patient outcomes
- Working as a system to shared goals
- Taking inefficient costs out
- Hitting system control total
- Investing to save, based on evidence
- Risk sits where it can be best managed
- Planning for the long term



## Disincentivise

- Focusing on inputs and volumes
- Monthly debate over who is following national guidance
- Passing the deficit around the system
- 'Beggar thy neighbour' control totals
- Panic cost cutting as deadlines loom
- Risk allocated per national guidance
- Planning only for the contract term

# Block contracts – friend or foe?

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- Pure cost & volume contracts can have downsides:
  - incentivise growth in activity – volume and/or coding
  - create commissioner v provider conflict when volumes deviate from plan
- Block contracts can bring financial certainty to ICS
- But blocks have downsides too:
  - disincentivise accurate recording of activity
  - obscure link between activity and cost
  - can hide financial risk rather than escalating it to resolution

# Block contracts – overall pros and cons

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## Pros

- Financial certainty
- Focus on finite resource available to ICS
- Low transaction costs – avoid monthly bean counting exercise
- Can be useful where simply not feasible to measure activity etc



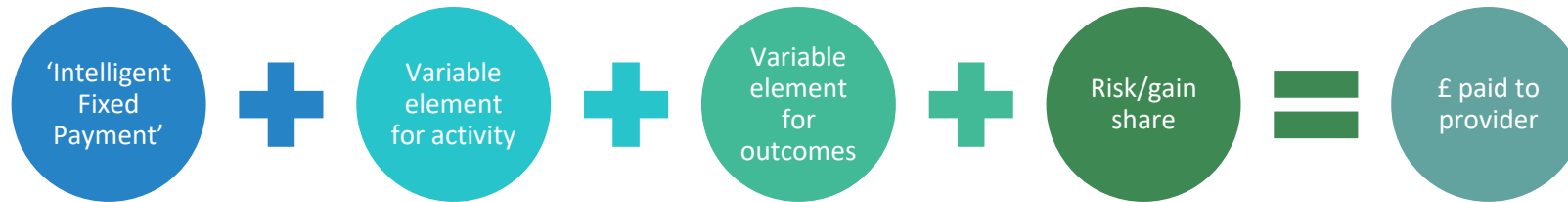
## Cons

- Less incentive to record activity accurately
- Activity still drives cost – so just hiding the problem?
- Cost can become dissociated from the cost drivers
- Lose focus on driving clinical efficiency

# Blended Payments

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- These combine a fixed block payment with a number of variable elements:



- Mandated for **emergency care** and **adult mental health** from April 2019
- Proposed for **outpatients** and **maternity** from April 2020, now probably 2021?
- Happy medium or complicated fudge?

# Blended Payments

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- The intended role of the Intelligent Fixed Payment:
  - should it cover current/forecast activity x national prices?
  - should it just cover a provider's fixed cost base?
  - should it provide a minimum income guarantee?
- Variable payments:
  - driven by activity volume +/-?
  - or some more appropriate cost driver, e.g. referrals to outpatients?
  - is it possible to begin capturing and incentivising patient outcomes?

# Finding the happy medium: issues to consider for your ICS...

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- Need to get into a 'system by default' mindset
- Do we need separate finance departments? Share professional resources!
- How can finance help incentivise the right behaviours?
- Are different financial risks managed by the right part(s) of the system?
- Is there an agreed dispute resolution process to escalate and resolve contentious issues quickly within the ICS?
- Are we ready for the cultural change and for thinking differently?

# In summary...

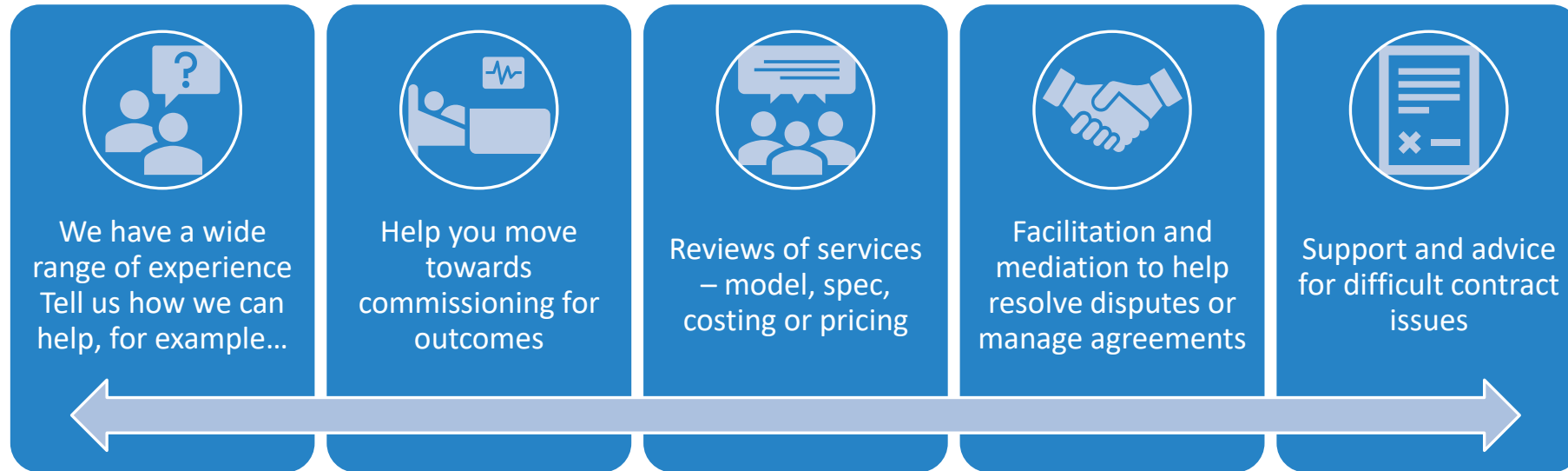
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- It's all about the system... no benefit in moving the deficits around
- Reduce bureaucracy and move away from payment for volumes
- Think carefully about the payment mechanism... to block or not to block and
- Consider how to use blended payments to incentivise the results you want



# Can we help?

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We have almost 30 years' experience at senior level within the NHS  
and can provide practical support across a wide range of issues

Email us at [info@baileyandmoore.com](mailto:info@baileyandmoore.com) to discuss how we could help

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# Other courses we offer include

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- *Step by step guide to writing a service specification*
- *Outcomes-based commissioning – developing KPIs and metrics*
- *A ‘how to’ guide – local pricing and costing reviews*
- *The future of ICS – moving to aligned incentives*

If you are interested in these or other topics, email us at [training@baileyandmoore.com](mailto:training@baileyandmoore.com) and we can discuss your requirements

# Thanks for listening!

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Email us with any comments or requests for training courses at:

[training@baileyandmoore.com](mailto:training@baileyandmoore.com)

Slides available at:

<http://baileyandmoore.com/resources/training-slides/>

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