evidence for
better health care

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The NHS payment system: reforms to support integrated care

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The NHS Payment System following the 2012 Health and Social Care Act

NHS England and 211 clinical commissioning groups (CCGs) determine:

- the volume and mix of services to purchase on behalf of NHS funded patients,
- agree contracts for those services and
- pay the providers (NHS, voluntary or independent sector organisations).

How and *how much* commissioners pay providers for NHS-funded services is determined by the **payment system**.

Monitor and NHS England are now responsible for overseeing the payment system.

The NHS uses a wide range of different approaches to payment for difference sectors and in different area.

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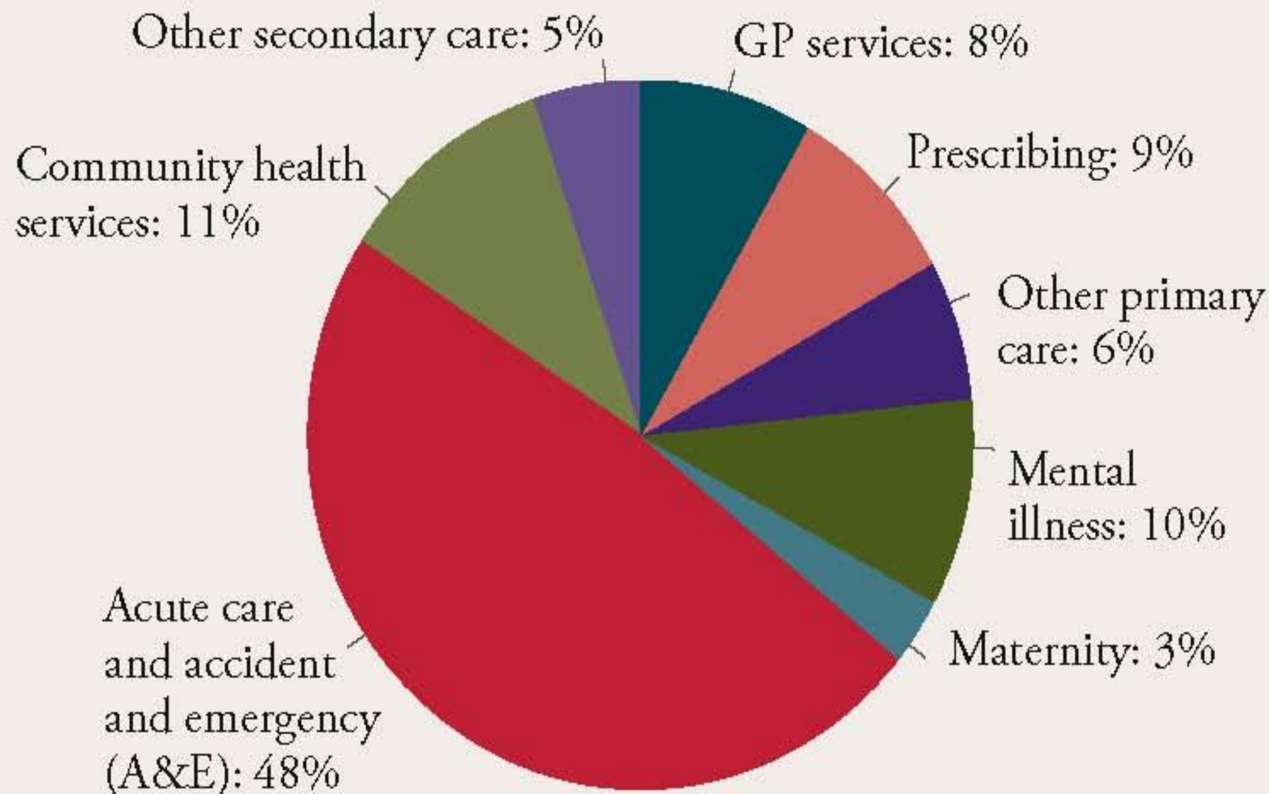
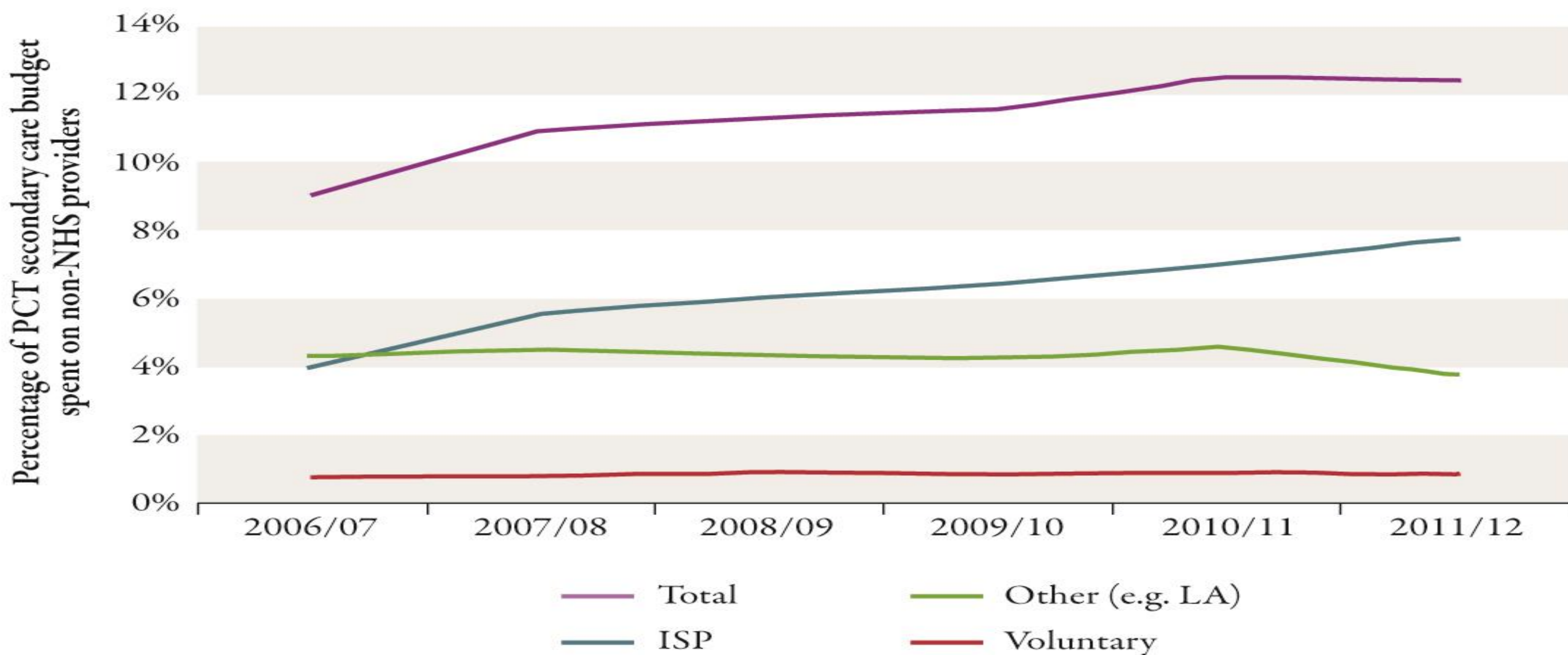
Health care purchased by PCTs in 2012/13



Source: Department of Health, 2013a.

An increasingly mixed economy of public and private providers



Source: Authors' calculation using data from the Department of Health (2006/07 to 2011/12 financial monitoring and accounts forms for PCTs).

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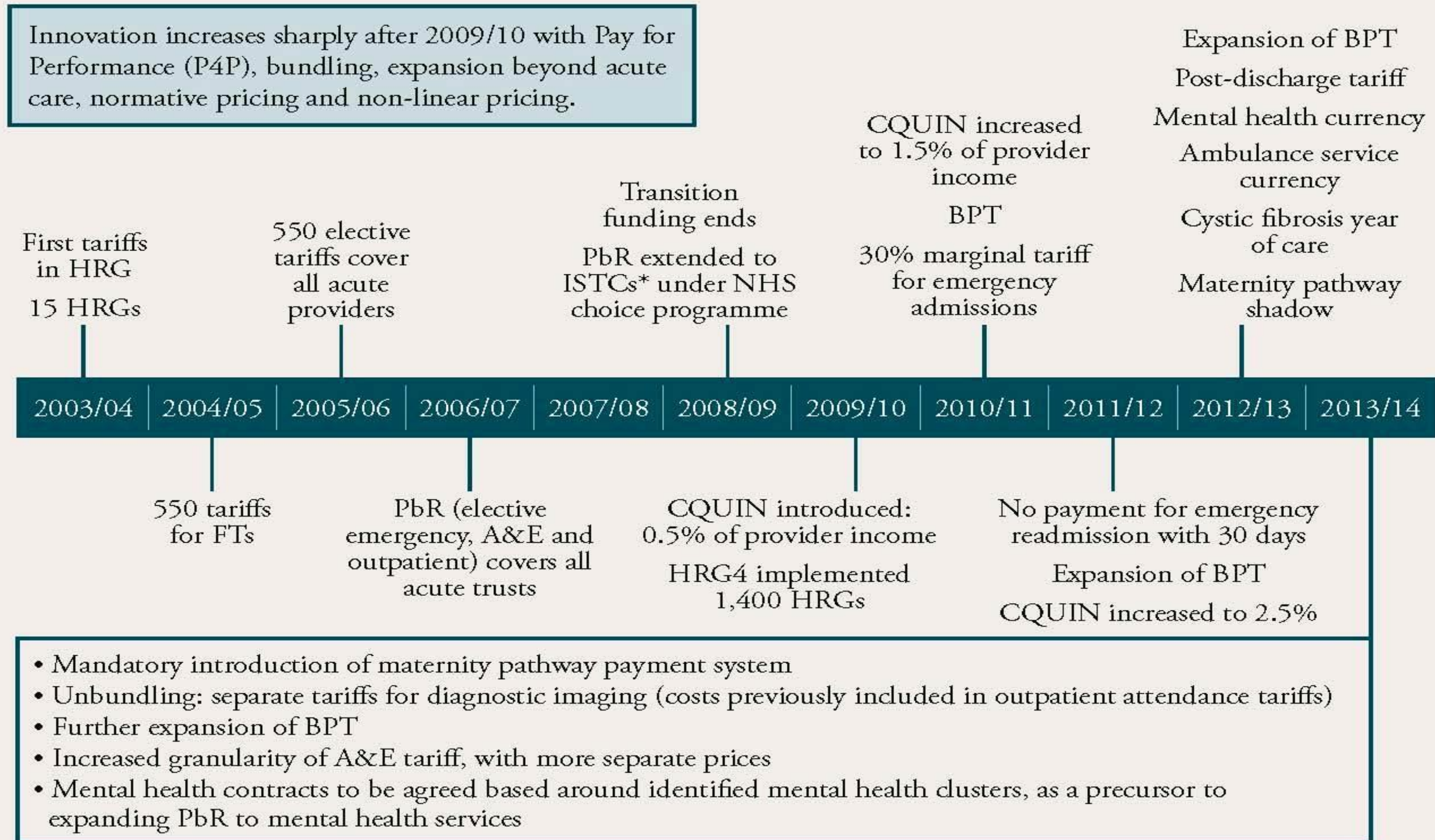
The evolution of Payment by Results in the NHS



BPT: Best practice tarrif; CQIN: Commissioning for Quality and Innovation; FT: Foundation trust; HRG: Healthcare Resource Groups; ISTC: Independent sector treatment centre; PbR: Payment by Results.

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The payment system for secondary health care

•Payment by Results is the dominant payment system for hospital care with £29 billion of hospital activity covered by the tariff in 2011/12.

•The PbR system covers around 40 per cent of spending on secondary care but around 60 per cent of an average hospital's activity.

•Secondary care services not covered by PbR are typically funded by block budget where a fixed sum is paid to the provider independent of the number of patients treated or amount and complexity of activity undertaken.

•Mental Health Services are moving to a PbR system with a mandatory grouping system but locally determined prices since 2013/14.

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Pay for performance scheme in secondary care

2008 – Advancing Quality

- 24 hospitals in the North West of England, covering 28 quality measures.
- Top quartile quality scores rewarded with a quality payment of 4% of PbR tariff. Payments invested in improved clinical care in winning service areas.

2009 – Commissioning for Quality and Innovation (CQUIN)

- A proportion of provider income is conditional on meeting local and national quality and innovation goals.
- Covers all providers (acute, community and mental health) and all income not just PbR.
- Incentive initially 0.5% of income but since 2012 increased to 2.5%.

2010 – Best Practice Tariffs (BPT)

- Specific tariffs for specified services with PbR system.
- Tariff based on reimbursing high-quality care that is both clinically and cost-effective.
- BPTs must be in a high impact area, have a strong evidence base and clinical consensus of best practice.

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Integration focused payment initiatives

Within PbR

- Maternity pathway payments
- Year of care payments for cystic fibrosis
- Emergency readmissions non-payment reinvested in support for rehabilitation and prevention
- Piloting year of care payment for Rehabilitation, Recovery and Reablement in 8 locations

Beyond PbR

- The Better Care Fund (£3.8 billion of pooled budgets between the NHS and Social care)
- Contracts for bundles of services such as Improving Outcomes for Older People in Cambridge and Peterborough
- COBIC initiative

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Maternity Year of Care tariffs (covers £2.5 billion of maternity care services)

•Pathway is split into 3 stages, women choose their lead provider for each stage. Commissioners pay once for each stage.

•Published business rules for choice or referrals where a different provider undertakes some elements of care within a stage or if a woman changes lead pathway provider.

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Year of Care Pilots – 8 areas of England

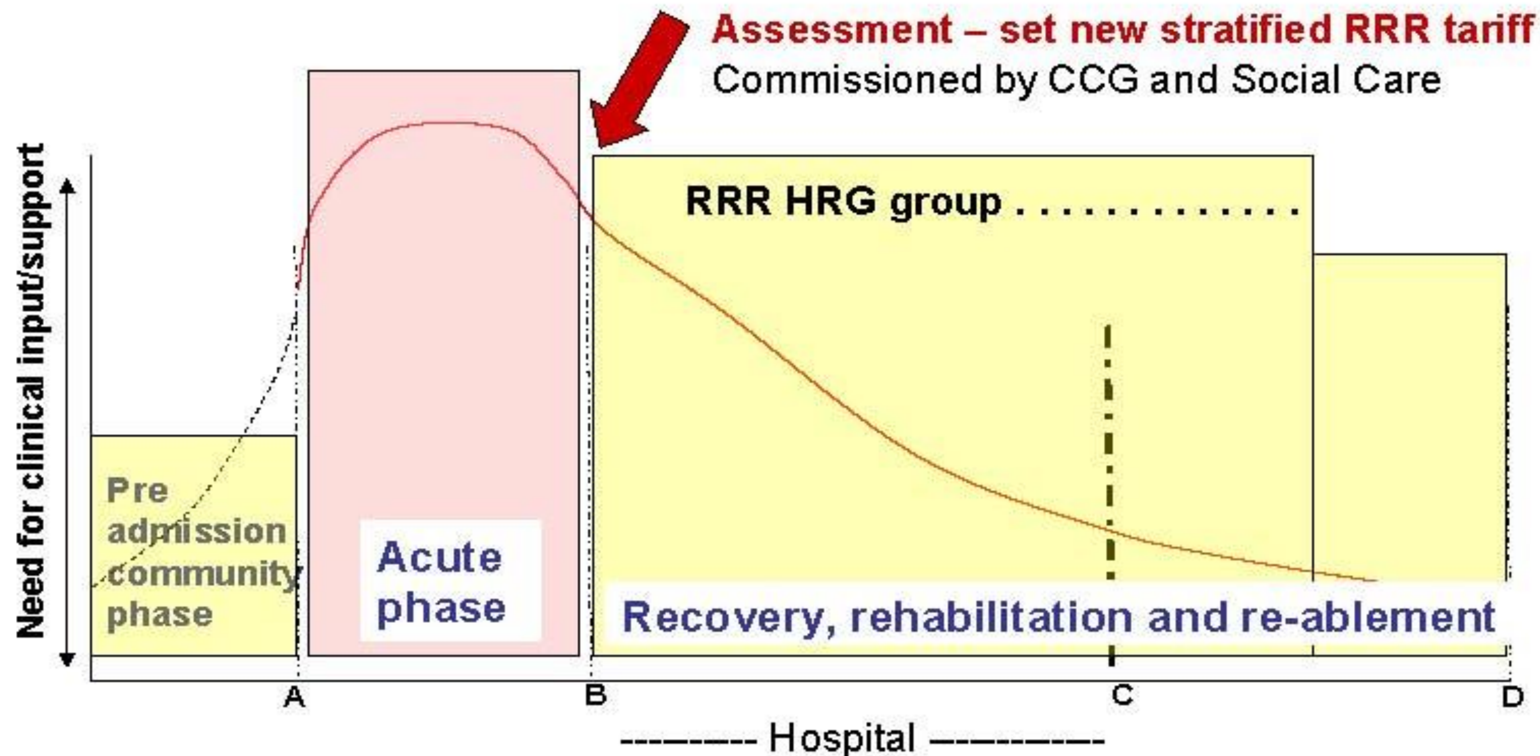
Phase 1 of Year of Care development includes:

1. RRR tariff split (health – HRGs)
2. +post acute care (health – District nurse, physiotherapy, medication, occupational therapy)
3. +post acute (30day) increased social care package

Phase 2 YoC development includes costing "stable " core local authority services, such as: Housing, meals, transport, home care

Source: Department of Health 2012

Year of Care splitting the hospital tariff



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The Better Care Fund

•£3.8 billion of existing health service funding put into a formal pooled budget with local councils – governance jointly between Clinical Commissioning Groups and local council.

•Objective *'The funding must be used to support adult social care services in each local authority which also has a health benefit'*

Plans must be agreed jointly	**Protections for social care services**	**7-day services in health and social care to support patient discharge and prevent unnecessary admissions at the weekend**
Better data sharing between health and social care, based on the NHS number	Ensure a joint approach to assessments and care planning and ensure that where funding is used for integrated packages of care, there will be an accountable professional	Agreement on the consequential impact on each acute hospital provider

The Better Care Fund - Pay for Performance component

- £1 billion of the Fund is linked to compliance with national conditions and achievement of service outcomes including:
    - Delayed transfer of care
    - Avoidable emergency admissions
    - Other locally agreed indicators
- P4P money is dependent on achieving 70% of the planned performance
- If performance is below threshold no financial penalty but required to produce a recovery plan.

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Conclusions

- The evidence from the evaluations of payment approaches supports a role for these in improving quality and productivity.
- But the effects are often small, difficult to sustain and highly dependent on wider system changes and critically clinical engagement and support.
- There is a lack of evidence to suggest they can be confidently used to incentivise either:
  - System efficiency; or
  - Better patient outcomes.
- The NHS is experimenting with reforms to improve the integration of care:
  - Many of these changes are being implemented by developing new tariffs within the PbR system
  - But commissioners are increasingly interested in population based funding models and linking payments to outcomes.
  - The biggest experiment is the integration of health and social care through the better care fund.

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