



HFMA briefing
December 2020



Developing system working through changes to the NHS financial regime



In June 2020, the HFMA published a discussion paper¹ which set out a number of areas where the association believed that beneficial changes could be made to the financial regime for the NHS in England, as a consequence of the Covid-19 pandemic. The discussion paper was supported by a survey to enable HFMA members and other interested parties to share their views on the proposals.

As the NHS begins to set out its intentions for its future form, this short briefing builds on the discussion paper and sets out the key changes that are needed to support the continued development of effective system working. This includes a consideration of the contracting arrangements that are needed to underpin this approach as the financial regime is developed for 2021/22 and beyond.

A longer briefing has been published alongside which gives greater detail on the recommendations included in this paper and also includes feedback from the surveys. The briefing also addresses areas such as the *NHS long term plan*²; capital regime; financial governance and business planning; procurement; and workforce.

¹ HFMA, *The future NHS financial regime in England: a discussion paper*, June 2020

² NHS England, *The NHS long term plan*, January 2019

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Executive summary

The Covid-19 pandemic has presented an opportunity, possibly the first since the NHS was created in 1948, to revisit how the NHS operates as a national entity. The pandemic has dramatically changed the way in which healthcare is delivered, with a wide public acceptance of the use of digital methods which were unlikely to be embraced so whole heartedly in normal times.

And it is not just healthcare delivery that has radically changed as a consequence of the pandemic. The NHS financial regime has been substantially altered for the duration of the pandemic. The normal regime has been paused and much simplified payment mechanisms and contracts have been put in place. This has removed many financial barriers to co-operation and innovation and has demonstrated how organisations can work together when traditional areas of conflict are removed.

The NHS must not be allowed to slip back to how it was before Covid-19 without taking this opportunity to consider where beneficial changes could be made, learning from good practice across the country and seeking out ideas and innovations to meet the challenges of a 21st century health system. This must be done in the context of delivering a financially, and environmentally, sustainable health and care system.

The pre Covid-19 financial regime does not support the way in which organisations need to work now in order to combat the virus and prepare for future epidemics and pandemics, nor does it reflect the activity levels or demand that are anticipated. For the NHS and for the finance profession, this opportunity must be grasped with both hands. It is worth remembering that the *NHS long term plan* set out an ambitious programme for change:

'... the NHS and our partners will be moving to create integrated care systems everywhere by April 2021, building on the progress already made. Integrated care systems (ICSs) bring together local organisations in a pragmatic and practical way to deliver the 'triple integration' of primary and specialist care, physical and mental health services, and health with social care. They will have a key role in working with local authorities at 'place' level, and through ICSs, commissioners will make shared decisions with providers on population health, service redesign and long-term plan implementation.'

In addition, it was felt that primary legislation would be needed to deliver this new way of working and optimise the approach.

*'An NHS Bill should be introduced in the next session of Parliament. Its purpose should be to free up different parts of the NHS to work together and with partners more easily. Once enacted, it would speed up implementation of the 10 year NHS long term plan.'*³

Through working with our members, the HFMA is now in a position to make a number of recommendations to support the development of the future financial regime for the NHS in England to support these integration aims. The service needs to build on what worked well, progress the beneficial changes that were already underway when the pandemic started, and develop new ways of working in those areas that need to change to support a greater focus on population health.

This paper sets out the areas where the HFMA believes that beneficial changes can be made to develop a financial regime suitable for a post-Covid NHS supporting the aims of improved system working and the underpinning contracting arrangements. While many of the temporary Covid-19 measures are not sustainable in the long term, there is much that can be learnt from the experiences during this time. The pandemic has presented the NHS with an opportunity to make changes and not go back to just doing everything the way that it has always been done.

³ NHS, *The NHS's recommendations to Government and Parliament for an NHS Bill*, September 2019

Summary of recommendations

System working

- Progress towards integrated care systems should be speeded up to build on advances made during the Covid-19 pandemic. More devolved decision making should be enabled at a local level.
- The commissioning function should focus on strategic commissioning in order to improve population health and to strengthen system working.
- Emergent integrated care partnerships should be encouraged to foster and continue new ways of working between primary, community, secondary and social care, to manage and own the risks of increased demand.
- Models should be developed that encourage and simplify provider collaboration, to ensure that the system working arrangements during Covid-19 do not unravel as they once again become voluntary.
- Local systems should take the opportunity of improved relationships and a new way of working, to clarify shared goals and determine each organisation's role in achieving them.
- Social care and the care home sector must have a stronger voice in system discussions, as their importance in supporting the NHS to operate effectively has become apparent during the pandemic, but they can struggle to be heard. This involvement must be supported by sufficient funding to back up the necessary actions.

Contracting arrangements

- Recognition of the different levels of maturity and development across sustainability and transformation partnerships (STPs) and ICSs is essential when designing and implementing new ways of exercising financial control and establishing new contracting arrangements. A 'one size fits all' approach will not be effective.
- When the business as usual financial regime is established, the emphasis should be on the transparency and understanding of the financial allocations to each STP or ICS.
- The new financial regime needs to encourage ownership of the finite financial resource by each system and each organisation within it.
- The principles of the local authority section 151 obligation for effective management of financial affairs, should be embedded at system level with the intention that service transformation is undertaken to provide healthcare within the allocated financial envelope.
- Any national contract model (which may be required based on relative STP or ICS maturity) should be on an aligned incentive basis. Preparations should be made for the new arrangements to take effect from 1 April 2021.
- While a detailed national tariff will no longer be needed to support the payment system, there will need to be a mechanism to reimburse systems for out of area treatments and specialist treatments, as well as appropriately funding the contributions of the independent and charitable sector. The current tariff arrangements are overly complex, and a streamlined tariff should be produced to support payments between systems and spot purchases.
- Any new payment system must support the collection of high-quality activity data and retain the granularity needed to support robust decision making.
- The financial processes around reimbursement of low value non-contract activity should be reviewed with the intention of making adjustments to host organisations through allocations rather than multiple invoices.

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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