



Financial sustainability

Engagement pack

June 2022

Introduction

Financial sustainability is everyone's business. Everyone working within the NHS has a responsibility for ensuring that their organisation or system maximises the use of resources to deliver high-quality patient care – not just the finance department.

This engagement pack, including slides and speaker notes, has been designed to help finance staff engage with operational teams, clinicians and budget holders, so that they can explain the importance of financial sustainability, and what their role is in achieving it.

It begins by providing an overview of the national picture, detailing what has changed in the past few years and allowing local context to be added. The challenges facing the NHS are covered before the focus changes to looking at opportunities and collaboration across organisations and systems.

Background

Over the last two years NHS organisations have been focused on the operational management of the Covid-19 pandemic. This focus, coupled with the temporary financial regime which included additional funds, led to efficiency requirements being put on hold. From 2022/23 there is a renewed focus on improving financial sustainability and a need to regain financial grip, while still balancing the competing priorities from operational activity, workforce demands and recovery from the impact of Covid-19.

The move to integrated care systems means that organisations cannot think about financial sustainability in isolation, but rather they need to also consider what the impact of their decisions is on other organisations and how other system partners may impact on them. This is at the same time as ensuring that financial sustainability is integrated within the organisation (for example, with quality, activity, workforce and so on).

This engagement pack is part of a suite of resources for use by organisations. Other resources include a self-assessment checklist [Improving NHS financial sustainability: are you getting the basics right?](#) and a briefing identifying the nine essential building blocks for delivering value [Financial sustainability – the essential building blocks](#).

About the presentation and how to use it

Presenters

The presentation is intended to be delivered by finance staff who have an existing working relationship with the audience. This may be the finance business partner, head of management accounts, deputy director of finance¹.

Intended audience

The audience is likely to be operational teams, clinicians and budget holders. Where the presentation is delivered will depend on internal organisational meeting structures, but we suggest an existing multi-disciplinary meeting such as a directorate management meeting.

It can be delivered to a wider audience (divisional or trust wide) but we would suggest that any follow-up discussions need to be at a more local, operational level.

Purpose of presentation

The aim of the presentation is to introduce quality improvement, value and efficiency as keys to financial sustainability. The presentation highlights the importance of financial sustainability, and what the role of the audience is in achieving it. It sets out the context of recent reforms, legislative changes and changes to the payment system as well as the benefits of taking a system approach to delivering value and efficiency.

This is intended as an introduction to the subject to promote further debate and action. It is expected that this session will be followed by further meetings to discuss how to implement change.

The resource is intended to complement rather than replace any existing local communication and training resources that are in place to support budget holders.

Duration of presentation

The presentation should take about 30 minutes to deliver. Additional time should be allowed for discussion and questions at the end.

Delivery also allows for questions during the presentation, but it is suggested that most of the discussion is deferred to the end so that the audience has the full picture. Where discussion is encouraged during the presentation, this has been included in the speaker notes for the relevant slides.

Speaker notes and suggested script

The following pages provide a sample script to support each slide. Note that this is for guidance only and should be amended to fit the audience and local circumstances. Key points for each slide are included as bullet points in the notes within the powerpoint slide deck.

Speaker notes have been added to indicate additional information for the presenter and to detail potential customisation. Again these are for guidance only. Speaker notes have also been included within the powerpoint slide deck.

¹Job titles vary in different organisations but this is an indicative list of roles expected to deliver the presentation

Slide 1: Title page

Speaker notes:

- *We have included a suggested title but you may want to use a title that reflects your organisation's efficiency/waste reduction programmes*

Slide 2: Why are we here?

The question 'why are we here' could be taken literally – why are we sat in this presentation, or more figuratively – why do we do what we do? Hopefully the answer to both questions is similar. We are here to ensure that the resources we have are used in the most effective way possible.

When we talk about resources we are talking about the staff, equipment and infrastructure required to provide care. You may also think of resources as being the level of funding that is available to spend on these things.

Over the last two years NHS organisations have been focused on the operational management of the Covid-19 pandemic. This focus, coupled with the temporary financial regime which included additional funds, led to efficiency requirements being put on hold.

From 2022/23 there is a renewed focus from NHS England on improving financial sustainability and a need to regain financial grip, but against a very different backdrop than we were working in pre-pandemic. This financial year organisations are expected to make efficiencies of 2.2%, while still balancing the competing priorities from operational activity, workforce demands and recovery from the impact of Covid-19.

This is a big challenge across the NHS but there is growing evidence of the link between quality improvement, value for money and efficiency. Hence we have an opportunity to reframe, and rather than financial sustainability being the start point we can look at improving outcomes with the resources we have. We will see in this presentation the importance of value-based healthcare in driving efficiency and sustainability.

Slide 3: What we will cover in this session

This slide sets out the context for the rest of the presentation.

Prior to Covid-19, the *NHS long term plan* was published in January 2019 indicating significant structural changes and growing pressure to deliver the best possible service not just to our patients but to the wider population.

We are facing additional pressures as a direct result of the pandemic including elective waiting lists, staff shortages and more. The pandemic also highlighted the health inequalities that exist and how we need to be looking at the wider population and not just the people who walk through the doors.

But it's reassuring to note that it is not all negative. New legal structures, financial regimes and learning from how we've done things differently over the past few years do present opportunities and options in the medium and longer term.

Slide 4: National and legislative reforms

Speaker notes:

- *Slides 4 and 5 are about context and the bigger picture before diving into the local issues. The amount of detail and time spent discussing these will be a judgement based on how well this context is already known to your audience.*

As just mentioned, NHS England published the *Long term plan* in January 2019 setting out a vision for the following 10 years, making the NHS fit for the future, and getting the most value for patients out of every pound of taxpayers' investment.

The plan made the first mention of the integrated care systems which have been working in shadow form since April 2021 and established as legal entities from 1 July 2022 replacing clinical commissioning groups.

But ICSs are not just a straight replacement of CCGs. One of the key aims of these reforms was to bring together relevant stakeholders as joint partners within a defined geographical area. This includes providers and commissioners of NHS services along with local authorities and other local partners with the aim of collectively planning health and care services to meet the needs of their population.

The next slide will show how integrated care systems, plus changes to NHS payment systems, are impacting how trusts get paid for the services they deliver. Organisations cannot think about financial sustainability in isolation, but rather they need to also consider what the impact of their decisions is on other organisations and equally how other system partners may impact on them.

This is a massive change in culture, moving away from organisational autonomy and competition and instead focusing on collaboration and local population health and social care needs. Partners take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve.

Slide 5: How the money flows

Speaker notes:

- *If presenting to a non-acute audience, amend payment by results references to reflect the local pre-Covid arrangements*
- *Explain the efficiency targets and additional savings to achieve breakeven in terms used internally, e.g. cost improvement programmes or waste reduction schemes*

The old NHS payment system was based on payment by results whereby the majority of an acute provider's income was driven by the tariffs for the activity they undertook. The tariffs reflected the complexity of care delivered. Hence organisations were rewarded for activity rather than productivity or outcomes – a 'do more to be paid more' approach.

Efficiency deflators, averaging 2% per annum, were applied to tariffs annually in line with government spending targets.

Prior to the introduction of ICSs all individual providers had a statutory duty to ensure that total expenditure in any given financial year did not exceed the income received. Hence savings targets in excess of the tariff deflator were usually required. Targets would be passed to individual specialties and services in the form of cost improvement programmes.

All existing payment systems and contracting arrangements were suspended during the Covid-19 pandemic as the NHS focused on dealing with the effects of the pandemic. For the past two financial years (2020/21 and 2021/22) providers were paid on block values based on pre-pandemic expenditure levels with top-up for additional Covid-19 expenditure. Efficiency requirements were put on hold during this period.

This funding regime could not continue indefinitely and the 2022/23 operational planning guidance states an assumption that the NHS will take out cost and deliver significant additional efficiencies on top of the *NHS long term plan* requirements, to address the excess costs generated by the pandemic.

It therefore signals a return to financial grip with individual organisations being required to deliver efficiency savings. A target of 2.2% has been set for 2022/23. But this is also against a backdrop of changes associated with the introduction of ICSs. The ICS is given a 'system envelope' of funding to allocate out, every organisation in the ICS needing to agree a joint annual plan and has joint responsibility to ensure that the system achieves financial balance.

To promote the collaborative working that underpins ICSs, payment by results has also been replaced by a new aligned payment and incentives scheme, whereby contracts between providers and commissioners are negotiated based on local needs. This scheme encourages payment of a fixed sum for an agreed level of activity with variable elements for activity variation. It is intended to provide a mechanism for promoting efficient and effective system wide working and resource allocation and to allow contracts to evolve over time as local systems mature and collaborative working becomes the norm.

Slide 6: How does this impact on our organisation?

Speaker notes:

- *This slide and notes have been left intentionally blank for you to populate based on local circumstances and highlighting the key issues that you want to draw out*
- *We would suggest including details of your local ICS and the agreed contracting arrangements plus details of trust/specialty efficiency targets and expectations*

Slide 7: Doing nothing is not an option

Speaker notes:

- *This quote was made during a keynote speech on the future of the NHS. It has been included here as a transition and introduction to the challenges that the service faces, before the presentation moves on to discuss value healthcare as an opportunity*

Slide 8: Challenges to financial sustainability

Speaker notes:

- *Consider reordering or adding to the bubbles on this slide to reflect local circumstances*
- *We haven't added any animation, but you may want to consider having the different challenges appear as you discuss them*
- *You may want to add local vacancy rates to the national figures below*
- *This slide is replaying issues that the clinical teams will be well aware of but it sets context for the potential opportunities and shows that finance understand the issues*

So what are the challenges of 'do nothing' and how can we affect change whilst ensuring financial stability? This slide outlines some of the challenges, but it's followed by a list of potential opportunities to help us.

We can all acknowledge that Covid-19 is not going away and we now need to learn how to live in the 'new normal'. There will continue to be patients who need hospitalisation, new variants will create

peaks and troughs in demand, whilst at the same time driving sickness rates up and some services are facing increased demand due to the effects of long Covid.

We have been set targets for elective recovery, and even though at present there is financial support for this we also need to have the physical capacity and staff to undertake this work. As at May 2022 there were 110,000 vacant posts across the NHS and sickness rates remain high. NHS England are putting strategies in place to try to address the workforce issues, but there are few immediate solutions available at national level.

In the short term waiting lists are expected to continue to grow as you now see patients who delayed presentation due to the pandemic. This is also impacting on the complexity of cases. The pandemic has brought issues of health inequalities sharply into focus and nationally there is an imperative to understand and address these – this is likely to further increase demand, at least in the short to medium term.

Finally, the cost of living crisis doesn't just affect the public, it affects us as an organisation. Rising cost of energy and goods are not necessarily addressed by the inflationary increases that we receive on our contracts, which means that we need to make efficiency gains just to 'stand still'.

Slide 9: Value-based healthcare

The previously slide presented a bleak picture, but hopefully the next few slides move the conversation on to think about our opportunities and what we can do as an organisation to reduce the impact of these challenges.

Looking through the lens of value-based healthcare focusses our attention on 'the equitable, sustainable and transparent use of the available resources to achieve better outcomes and experiences for every person.'

It also encourages us at system, organisation and specialty level to think about how we should we allocate resources to maximise outcomes. Value, in this sense can be increased by improving outcome and/or reducing costs and both of these options are key to financial sustainability.

Outcomes can be a subjective term, and as a clinical service you may immediately focus on outcomes for the patient. In the context of financial stability we also want to think about it in terms of productivity measures. Examples are improving outpatient clinic utilisation, maybe by reducing DNA rates, or reducing length of inpatient stay to increase patient throughput in existing capacity.

The interesting point to note is that these two ways of measuring outcomes are not incompatible. There is increasing evidence that doing the best thing for our patients and population can drive the most efficient use of our limited resources and hence the added benefit of this approach is that financial requirements begin to align more with clinical and patient benefits.

There are a couple of keys to the success of this as we'll see on the next slide but the most important thing is that we work collaboratively and keep the conversation going.

This approach focuses on system transformation. We recognise that applying a blanket efficiency target across all budgets and expecting everybody to look for ways to save money is not a viable option although there may still be pockets of "waste" where a simple solution can save money, and we shouldn't forget these for the sake of the bigger picture.

Slide 10: Value opportunities

Speaker notes:

- Refer to the [NHS value and efficiency map \(hfma.org.uk\)](https://www.hfma.org.uk) for references, resources and example case studies relating to all the opportunities listed on this slide
- We suggest that you do not go through each of the bubbles in detail as you could spend a lot of time discussing this one slide – this and the following slides could form the basis of a follow-up meeting to discuss specialty-specific options or you may want to pause after the next slide, depending on the time available

Earlier we saw how the introduction of ICSs and changes to how money flows are expected to promote more collaborative system approaches to delivering health and social care and allow local population centred solutions. We must acknowledge that this is a big culture change which will require some practical steps around data sharing and information governance, but it also affords significant opportunities for us to look at how, where, when and to whom our services are delivered.

By taking advantage of outputs from programmes like GIRFT and the increasing benchmarking data available, we also have a chance to look at where services may be outliers in factors such as length of stay, overall cost or readmissions rates. In these cases, identifying a variation is not necessarily an indication of inefficiency but it can act as a signpost to deeper exploration and understanding and may be a trigger for change.

Digital technologies such as digital medicine, artificial intelligence and robotics have a huge potential to transform the delivery of healthcare. These technologies can empower patients to participate actively in their care. They also support the prediction of individual disease risk and personalise the management of long-term conditions. The Covid-19 pandemic accelerated digital transformation that might otherwise have taken much longer to implement. Digital technologies can be an enabler for increasing productivity, addressing capacity constraints and improving patient experience and outcomes.

Digital technologies also align with value-based procurement considerations, where the emphasis is not on reduction in product costs but instead encourages working with industry to consider technologies that can influence a reduction in total costs within the patient pathway.

These are just some examples of how systems, organisations and you as a specialty can contribute to value-based healthcare. You may have many other ideas and we'd love to hear and discuss these with you.

Slide 11: What does this mean for you?

Speaker notes:

- You may choose to use this slide to pause and pose the questions directly to your audience at this stage, bringing it back to the local context.
- If you adopt this approach we suggest that you remind the audience that finance are there to support them. You may want to ask what they think that support may look like, which you can then compare with the points raised in the next few slides

This slide returns to the challenge that was put up right at the start, but also extends the challenge to include the wider system and population as well as patients.

Most of the money that is spent in the trust is based on the decision that you and your colleagues make, whether they are made with time to consider options or whether they need to be made in haste to ensure patient safety – the start of the pandemic saw this at its most extreme.

You have the expertise and knowledge to understand the best pathways of care for your patients and you are in the best place to ensure that we can meet the challenges ahead in a way that is safe and effective for our patients, staff and the local community.

Financial sustainability really is a team effort, requiring a multi-disciplinary approach to identify solutions. With the introduction of ICSs this doesn't need to be restricted to internal teams, we can draw on the services and skills from partners organisations.

Slide 12: How can finance support you (1)

Speaker notes:

- *This slide can be removed if not thought to be appropriate for the audience, but we have included it as an exemplar of how finance can support the organisation*

As a finance team we recognise that we have a role to play. This may also require us to think outside the box, in order to use our skills in a way that supports you in investigating and implementing the changes required.

This quote was written specifically in relation to digital technology - in this case it was implementing remote monitoring of implantable cardiac devices. The technology procurement and pathway redesign was expedited during Covid-19 to reduce hospital attendances for high risk patients.

However, it's included here as it nicely sums up the collaborative nature of the relationship that should exist between finance and clinical teams.

Slide 13: How can finance support you (2)

Following on from that quote, we've highlighted some of the ways that the finance team are able, and expecting, to support specialties as we meet these challenges.

One of the keys points is that we can make use of all available information, not just the financials. We have an understanding of the data sources across the organisation, and if we don't have access to something we usually have an idea who to ask. The benefit of this to you is that we are able to support you in triangulating that data.

We also need to recognise that we may need to support you to put forward business cases to the board that provide longer term solutions or requires the trust to make investment decisions.

Whilst we are able to discuss finances with and on your behalf, we are also here to facilitate your understanding, through training and advice, so that you can discuss your financial position with the trust board, senior colleagues and the wider system when appropriate.

Slide 14: Help us to help you

We've repeatedly stressed the need to work collaboratively throughout this presentation. Having discussed how finance can help you, this slide is the other side of the coin, but once again starts with that same point of communication.

By involving us right at the start of any decision-making that may impact on resources we can promote that collaboration, should be able to add our own value by bringing a financial perspective and ensure that you are considering costs and benefits that we may be aware of from similar projects.

Finally, we've noted here about not forgetting the basics. A lot of what we've shared is looking at the bigger picture and transformational, but that can only be a sustainable way forward if everybody understands the day-to-day responsibilities as budget holders and as guardians of public funds.

Slide 15: Useful resources

Speaker notes:

- *The two resources listed on the slides may be of interest to your audience. They have been produced by the HFMA and are freely available via the website.*

Finally, these resources provide additional information if you want to find out more about the topics we've discussed today. They have both been produced by the HFMA and can be freely accessed via their website.

HFMA Introductory guide to NHS finance is a comprehensive guide of how the NHS finance regime works, as well as the wider landscape in which it operates. It was fully revised in early 2022 and includes all current legislative changes.

The guide is a vital resource for anyone who wants to understand NHS finance and get the maximum value from NHS resources. It will be of interest to finance staff at all levels, non-executive directors, clinicians, budget holders and general managers.

NHS value and efficiency map is a tool that promotes best practice in the efficient and effective use of resources to deliver high-quality sustainable healthcare.

The map is a reference document for those involved in influencing the use of resources and ensuring delivery of the sustainable healthcare services. The intended audience is wide-ranging including finance staff, informatics teams, clinical staff, service managers and both executive and non-executive board members. The document is structured to signpost users to resources relevant to their individual areas of interest.

Slide 16: Questions and discussion

Thank you for your time today. When we share the slides you'll see that we've included links to the useful resources on the previous slide. Now there is an opportunity for any questions you have and to think about how we develop the conversation going forward.