

HFMA introductory guide to NHS finance

Chapter 18: Value and efficiency



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Overview

This chapter describes how the NHS maximises the use of its resources by focusing on value and efficiency.

18.1 Maximising the use of resources for patient care

When the government published the *NHS long term plan*, it made it clear that the plan needed to ensure that 'every penny is well spent.' The then prime minister, Theresa May, said '*It must be a plan that tackles wastes, reduces bureaucracy and eliminates unacceptable variation, with all these efficiency savings reinvested back into patient care.*' In essence, she was talking about the need for a plan that delivered value – getting the best outcomes for the least cost.

As the country emerges from the immediate needs of the Covid-19 pandemic, finances are once again becoming constrained. The focus on efficiency in the NHS has increased and expectations are high around the efficiencies that can be achieved through changing working practices. Revitalising cost improvement programmes (sometimes known as waste reduction programmes) and focusing on value will be essential to ensure that resources are being used well and effectively.

The move to greater system working with the introduction of integrated care systems (ICSs) supports the aim of the *NHS long term plan* to improve population health in a financially sustainable way. Value and efficiency are increasingly being considered at system level as well as within individual organisations.

18.2 What do we mean by value?

National Audit Office definition

The National Audit Office²⁴² uses three criteria to assess the value for money of government spending, which they describe as the 'optimal use of resources to achieve the intended outcomes':

Economy: minimising the cost of resources used or required (inputs) – spending less;

Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and

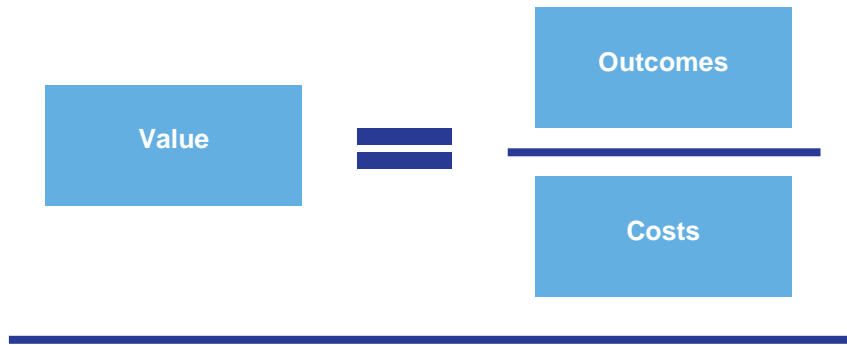
Effectiveness: the relationship between the intended and actual results of public spending (outcomes) – spending wisely.

Value-based healthcare and the value equation

The notion of value in healthcare has largely been based on the work of Professor Robert Kaplan and Professor Michael Porter of Harvard Business School in the US. They define value as the 'health outcomes achieved that matter to patients relative to the cost of achieving those outcomes'. This is often referred to as the value equation.

²⁴² National Audit Office, *Assessing value for money*, 2021

Figure 8: The value equation



Outcomes are the full set of patient outcomes over the patient pathway

Costs are the total costs of resources used to care for a patient over the patient pathway²⁴³

Allocative value

Technical value is about optimising the use of resources to achieve the best possible outcomes for people being treated within a given pathway or process. Achieving technical value is important for both individual organisations and systems, but a preceding question for systems is ‘how should we allocate healthcare resources across the system to maximise outcomes for our local population?’ This is often described as allocative value or allocative efficiency.

The NHS needs to consider allocative value as well as technical value. A hospital might optimise its treatment pathway such that admitted patients receive the best possible care in that setting. But this is only part of the patient's pathway; real value might be delivered if the patient had not been admitted in the first place. If a patient had been identified earlier as needing support and then that support had been provided in a community setting, it may well have delivered better outcomes for the patient by avoiding a hospital admission and – at a system-level – reduced overall costs of treatment.

The Triple Aim²⁴⁴

Population health is a key component of the ‘Triple Aim’. The Institute for Healthcare Improvement Triple Aim is a framework that describes an approach to optimising health system performance. It believes new ways of working must be developed to simultaneously pursue three goals:

- improving the patient experience of care (including quality and satisfaction)
- improving the health of populations
- reducing the per capita cost of healthcare.

18.3 Outcome measures

Outcome data is a key building block when measuring value. Although the NHS collects a lot of clinical data, many of the measures focus on inputs, processes, or outputs, rather than outcomes.

²⁴³ See chapter 17

²⁴⁴ Institute for Healthcare Improvement, *The IHI triple aim, 2021*

As well as looking at clinical outcomes, it is important to measure value in terms of the outcomes that matter to patients, for example patient-reported outcomes measures (PROMS) and experience measures (PREMS).

The International Consortium for Health Outcomes Measurement (ICHOM)²⁴⁵ has developed standard sets of outcome measures for a wide range of medical conditions.

18.4 Financial efficiency programmes

NHS organisations have to implement efficiency plans to support the delivery of high-quality care within the limited resources available. These plans are often known as cost improvement programmes (CIPs) or waste reduction programmes. They focus on either using existing resources in a more efficient way (for example increasing the number of patients treated within a theatre session) or reducing the level of resources required to deliver the same level of healthcare services, both are ways of improving productivity.

The approach can involve maximising the use of resources required to deliver current service models, or more fundamentally changing the way services are delivered by redesigning clinical pathways. This is commonly known as ‘transformational change.’

18.5 The role of clinical and financial collaboration in improving value

Good collaborative relationships are required between finance, operational staff, and clinicians to ensure value is at the centre of decision-making. Every clinical decision is a financial decision, and finance and clinical professionals need to share responsibility for deciding priorities and allocating resources. Quality and productivity improvements become possible when clinical and finance staff collaborate, as their joint efforts can highlight inconsistencies in service delivery, reduce waste, improve patient safety, and identify new pathways of care.

The lack of finance training earlier in their career means that senior clinicians often do not have the expertise they need in this area. Likewise finance staff can struggle to understand the clinical world and may need to think more imaginatively about how they present finance data to clinical teams. Getting the right people in the room with the relevant skillsets, looking at activity, outcome and cost data that is clinically meaningful, is a powerful driver for service transformation and quality improvement.

The HFMA briefing *Exploring the role of the NHS finance business partner*²⁴⁶ notes that ‘Finance business partners are a relatively new role in the NHS, but they can play a key part in supporting the delivery of safe, effective and financially sustainable clinical services. They also have a critical role in supporting the decision-making of the clinicians and operational managers with whom they work.’

18.6 National initiatives supporting the value and efficiency agenda in England

There are a number of initiatives currently underway in England which support the value and efficiency agenda:

- Getting It Right First Time (GIRFT)
- patient-level costing (PLICS)²⁴⁷
- the model health system.

²⁴⁵ International Consortium for Healthcare Outcomes Measurement, *Our mission*, [accessed April 2022]

²⁴⁶ HFMA, *Exploring the role of the NHS finance business partner*, November 2019

²⁴⁷ See chapter 17

GIRFT

GIRFT is designed to improve the quality of care within the NHS by reducing unwarranted variations. By tackling variations in the way services are delivered across the NHS, and by sharing best practice between trusts, GIRFT identifies changes that will help improve care and patient outcomes, as well as delivering efficiencies such as the reduction of unnecessary procedures and cost savings.

The programme is led by frontline clinicians who are expert in the areas they are reviewing. There are over forty clinical workstreams underway, covering acute surgical and medical specialties, as well as mental health.²⁴⁸

Lord Carter's operational and productivity reviews and the Model Hospital

Between 2016 and 2018, Lord Carter of Coles published a series of operational and productivity reviews^{249,250,251}, which identified significant unwarranted variation across key resource areas in acute, community, mental health and ambulance services. By eliminating variation in quality and efficiency, the reports concluded that the NHS would deliver better services for patients and save money.

The model hospital was initially developed to meet recommendations set out in Lord Carter's review of acute hospitals. It provides a comparative view of NHS operational productivity at a provider level. It is broken down into six sections offering different perspectives from which to review hospital activity: board-level oversight; clinical service lines; corporate service lines; people; care settings; and clinical support services. Using a weighted activity unit (WAU) it helps NHS trusts compare their productivity on a like-for-like basis.

There are different versions of the model hospital for acute, mental health, community and ambulance services, which are incorporated into the model health system²⁵² which provides operational and system-level data across local ICS areas.



Key learning points

- Constrained finances means that the NHS must continually consider how to improve value and efficiency.
- NHS organisations have to implement efficiency programmes, commonly known as cost improvement programmes, to either use the existing resources in a more efficient way or reduce the level of resources required to deliver the same level of healthcare services.
- The value equation and allocative value provide the NHS with a framework for maximising the use of resources for patient care at an organisational and system level.
- Collaboration between finance staff and clinicians is key to improving value.
- National initiatives such as GIRFT and the model health system both support the value agenda in England.

²⁴⁸ Getting It Right First Time, *What we do*, [accessed April 2022]

²⁴⁹ Department of Health and Social Care, *Productivity in NHS hospitals*, June 2015

²⁵⁰ NHS, *Lord Carter's review into unwarranted variations in mental health and community health services*, May 2018

²⁵¹ NHS, *Lord Carter's review into unwarranted variation in NHS ambulance trusts*, September 2018

²⁵² NHS, *The model health system*, [accessed April 2022]

Additional HFMA resources

The HFMA maintains a directory of resources which provides links to other HFMA outputs such as briefings and webinars across a range of subjects, including sections dedicated to quality, costing and value, and delivering efficiencies. It also highlights e-learning courses that are available. [The directory of resources can be found here.](#)