

HFMA response to King's Fund commission on leadership and management

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policy and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA is pleased to submit evidence to the King's Fund commission on leadership and management in the NHS. Please note that, in line with our area of expertise and interest, our comments focus on the role of the finance function within NHS leadership and management structures.

Management and leadership in the NHS

In our view, there needs to be much greater recognition of the role of the 'back office' in the NHS and in particular the crucial part managers play in delivering high quality healthcare. The HFMA and Academy of Medical Royal Colleges published a joint statement¹ earlier this year that stressed 'the simplistic division of healthcare into frontline and back office services can be unhelpful'.

The HFMA would focus on three main issues relating to management/leadership in the NHS:

- 1) The significant contribution made by management and support staff to the delivery of high quality, cost effective care needs greater recognition
- 2) There needs to be greater understanding of what back office services cover and in particular the difference between administration and management – both of which are vital to a well-run, patient focused NHS
- 3) All leaders – and particularly clinical leaders – need a greater understanding of how finances flow in the NHS and their role in financial management.

1) Recognising NHS management

All NHS staff (whatever their background or area of expertise) have a role to play in ensuring effective financial management and value for money. At the same time 'back office' staff such as finance have an important role in the provision of cost-effective, high quality care.

Accountability – including public reporting and central returns – is a vital part of operating in the public sector. Good quality data – including outcomes, activity, cost and financial performance – presented in an accessible and meaningful way is the foundation for good decision-making by clinicians and leaders. Good recruitment and payroll ensure the supply of appropriate and motivated staff throughout the health service.

There is growing evidence that close working between clinicians and finance – for instance in the accurate calculation and analysis of patient-level costs – is contributing to service and cost improvement to support the QIPP programme. Our experience is that there is rapport and respect between the clinical and financial professions at a local level. But this team approach to delivering improvement is not always reflected at a national level, where the focus tends to be on reducing ‘back office costs’ so that more resources can be devoted to the frontline. Instead of this input-based approach, we firmly believe that the focus should be on improving services and outcomes for patients.

Indeed, we would argue that a simplistic emphasis on reducing the back office can in practice lead to the exact opposite of what is intended and represent a false economy. For example, a reduction in back office services may mean clinicians are denied the right data to improve pathways or fail to be challenged on eliminating avoidable variation in clinical practice. In our view, the emphasis should be on getting the right level of management and support so that the service as a whole delivers enhanced services and value.

There should also be an appreciation of the existing value of support functions. For instance NHS finance department costs already compare well with private sector organisations. The recent QIPP work stream report on back office functions showed that average NHS finance department costs are already in line with best of class in the private sector. There are just under 4,000 fully qualified accountants in the English health service – representing 25% of the 16,263 finance workforceⁱⁱ.

While not all finance staff are managers, all finance costs count towards existing NHS definitions of management costs. While savings are possible from within finance departments, particularly through the streamlining and standardisation of transactional activities, extreme care needs to be taken in reducing the size of the finance function. Finance will have a leading part to play in delivering the £20bn productivity challenge and reform programme, not only in maintaining financial control and providing financial information to support improvement, but in ensuring a broad understanding of finance among the wider clinical and non-clinical workforce.

2) Understanding back office and management

In discussions about ‘non-frontline’ services, we believe there needs to be a clearer understanding of the different roles carried out. Management and back office services are often seen as an overhead to be minimised. Yet these functions perform a range of essential services – in terms of ensuring the smooth running of local health services, reporting and accountability and supporting patient care. In addition to performing essential tasks such as payroll and human resources, many activities add significant value, for instance the provision of patient costing and activity data to inform clinicians’ decisions about clinical variability and pathway redesign.

In our opinion, much greater clarity is needed around the roles and costs of management and back office, particularly as there can be significant overlap in some of these areas. For example, management includes significant numbers of senior clinicians in its ranks – up to 50% of managers have a clinical background according to some reports – but where is the line drawn? On the finance side, current definitions dictate that all finance costs count towards management costs, yet clearly not all finance staff are managers – in fact, according to the HFMA finance function censusⁱⁱⁱ, just 32% of finance staff are band 7 or above.

We strongly believe that proposals to cut management/administration costs should be informed by a clearer understanding of management and back office functions. This should include details around

the numbers and costs of delivering administration/transactional services and the numbers/costs involved with decision support.

3) Improving financial awareness of all leaders

Responsibility for financial management extends well beyond the finance department. We are pleased to see developments such as managerial registrars in some organisations, recognising the importance of clinicians taking on specific leadership and managerial roles. However financial management – understanding how money flows in the NHS and the close link between clinical decisions taken and resources consumed – is vital for all clinical practitioners, including GPs, hospital doctors, nurses and technicians. While this awareness training should increasingly be part of initial clinical training, we believe that there would be huge benefits derived for the NHS as a whole if clinicians' financial understanding was refreshed upon employment with NHS bodies and then throughout their careers.

ⁱ Improving quality and productivity in the NHS
<http://www.hfma.org.uk/download.ashx?type=infoservice&id=280>

ⁱⁱ NHS finance function in profile <http://www.hfma.org.uk/download.ashx?type=infoservice&id=262>

ⁱⁱⁱ NHS finance function in profile <http://www.hfma.org.uk/download.ashx?type=infoservice&id=262>