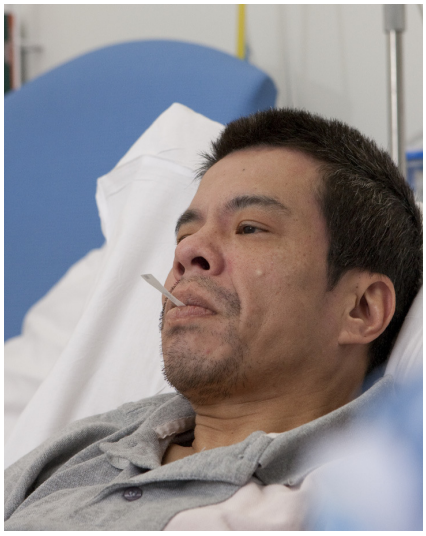
NHS
Commissioning Board
A special health authority

Developing commissioning support: Towards service excellence

Appendix A: Supplementary evidence



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Working with current NHS commissioning support: a stocktake of the current position

In April last year, PCT clusters took part in a commissioning support stock take, which provided a snapshot of current capacity and capability around their staffing, products, services and plans for commissioning support. The stock take was intended to help PCT clusters to understand their strengths and weaknesses as part of their work to consider how best to develop commissioning support.

At the time the stock take was carried out, many clusters were very new, and it is clear from our conversations with Pathfinder CCGs and clusters that significant progress has been made since then. Nevertheless, the key findings from the stock take showed:

- Generally, there was a need to develop more customer awareness and responsiveness;

- Many PCTs had recently clustered and, at the time the stock take was carried out, their objective was understandably to develop large PCTs, rather than future commissioning support businesses, focused on meeting customer needs;

- The most developed commissioning support had dedicated leadership and had articulated a clear customer centric approach;

- Many clusters were not thinking about how they might share scarce expertise and redesign processes to achieve economies of scale with neighboring PCT clusters. This suggested a need for more strategic steers in developing the model;

- Engagement with local government was variable, with some examples of good engagement, but in some PCT clusters there was no evidence of any discussion;

- Engagement with independent and third sectors was underdeveloped with varied understanding and knowledge about the options and models available as to how these sectors could work as effective partners with the NHS in developing commissioning support.

- At April 2011, the national range of running costs was £28 - £88 per head; way above the £25 per head running cost allowance for CCGs;

- Many clusters seemed to be considering developing internal back office functions, even where they were currently outsourced or delivered at even greater scale.

The stock take has informed our thinking about how we develop commissioning support, in particular, how we make the cultural shift PCT teams to customer facing, commercial aware businesses.

Commissioning Support Market Analysis

Following the stocktake, a market analysis was conducted to complement the functions and scale analysis. This also helped us to consider our overall strategy in terms of market development. The high level conclusions of this work are shown in the table below:

Function	Capacity and Capability: NHS	Capacity and capability: Other sectors	Risk of demand exceeding supply and other risks
Health Needs Assessment	• Skilled staff shortages (e.g. epidemiologist) • Low capacity and high risk of knowledge gaps • Overlap with public health and links to LAs (staff lost to public health, esp analysts)	Significant, but lacks local knowledge to deliver in all areas	Low, assuming effective working between LAs and CCGs. Risk of duplication
Business Intelligence	• Staff retention. Over-reliance on key individuals • Skills shortages: clinical knowledge; economics; statistics; and operational research. • Common problems: data not timely; and missing data issues	Reasonably comprehensive offering including risk stratification and acute invoice validation	Low Other risks: lack of standardisation and missing data.
Support for redesign	• Development/design of pathways: capability and capacity issues. Requires highly skilled teams combining clinical and financial knowledge. • Implementing new pathways is a big challenge and requires closer links with public health (LAs) • Skills for engaging patients and carers in the	Most private supplier cover, but costs variable	High: development/design and implementing pathways Need for CCGs and LAs to work together on some aspects

Function	Capacity and Capability: NHS	Capacity and capability: Other sectors	Risk of demand exceeding supply and other risks
	redesign of services		
Communications and engagement	• Capacity and capability shortages – skills with limited number of people, low capacity and high risk of specialist skills gaps • Staff retention and over reliance on key individuals • Need for joint working with local authorities • Local knowledge and relationships important	Need for joined up working across geographic and organisational boundaries Limited within health commissioning market, but multi-sector supplier available – can lack local and NHS knowledge Opportunities for some joint working with local authorities	Low, assuming CCGs input their local knowledge Risk of loss of scarce specialist staff with relevant skills during the transition Risk of waste and duplication, not gaining benefits of scale where appropriate
Procurement and market management	• Major capacity and capability issue - skills with a limited number of people	Limited provision	High Risk that Clusters lose scarce staff with relevant skills during transition
Provider management (monitoring contracts)	• Capacity, especially challenging for smaller contracts • Clinical input into provider management needed	Reasonable coverage	Medium Risk that Clusters lose staff with relevant skills during transition

Commercial, voluntary, third sector and local authorities

The current commissioning support market provides a variable suite of products and services. This is based on the perception of the market and on the experiences from the contracts let under FESC. In the area of Business Intelligence, for example, strong evidence exists of a market for the provision of healthcare information and analysis from organisations such as Dr Foster Intelligence, CHKS and the Kings Fund, but FESC suggested little appetite for the provision of end to end services.

The commercial, voluntary and third sectors and local authorities have much to offer commissioners to bring additional value. Their traditional roles in commissioning support have often been complementary to the role of PCT staff. They are crucial for the future in terms of bringing innovation, specialist knowledge

and adding value by bringing expertise from other sectors, and sometimes other countries and health traditions.

The reforms bring challenges to these sectors too. All potential suppliers of commissioning support need to adapt to a wider, clinically dynamic system. They have value both as individual organisations and in working with other suppliers and in potentially contributing to new 'hybrid' blends of commissioning support which combine the best of the public, private and voluntary sector. Exploring partnerships of this nature should be a key consideration for clusters, emerging commissioning support services and CCGs. We know from speaking to a range of stakeholders that this is potentially enriching for commissioners and other commissioning support suppliers.

Lessons from FESC

In 2007 the Department of Health established a "Framework for procuring External Support for Commissioners (FESC)[1] to help the NHS address gaps in their commissioning capability or capacity. There are lessons to learn from the approach taken. FESC comprised 144 commissioning services, built around 18 core service lines. PCTs often bought from FESC to plug a gap in their capability without having a proper understanding about how the service would sit alongside their existing systems and services, or without an understanding of the outcome of the service.

A range of commissioning support services were procured through FESC, some of which are still being used by NHS commissioners. These included:

- Use of technology and informatics, including risk stratification and acute invoice validation;
- Population based health assessments to allow for more accurate assessment of health need:
- Analytics capabilities to predict health trends and more effective targeting of resources and NHS services:
- Contracting and provider management to support effective contract, monitor clinical quality and efficient management of resources:

[1] The Framework for procuring External Support for Commissioners (FESC), Department of Health, 2007

- Care pathway redesign to ensure that patients received care that met their needs in the most appropriate and high quality setting;

- Transfer of skills and knowledge through the adoption of best practice from other health systems.

One of the most popular FESC services was acute invoice validation (AIV), which was presented as a commercial solution. AIV may have two outcomes:

- The first is to use the findings of the analysis to develop a greater understanding of weaknesses in the design of acute services and to inform a dialogue between the parties;

- The other outcome is that the PCT views it as a means of generating savings and reducing its bill with the hospital.

FESC suppliers identified a significant amount of miscoded activity resulting in large potential savings for the PCT. However, there are a number of factors that are essential to successful invoice validation and few PCTs used the findings to review and redesign their acute services nor managed to reduce the value of their acute invoice to the amount identified by the supplier.

Back office support functions

CCGs and commissioning support suppliers will require similar back office support. The costs of establishing their own arrangements for these functions could be costly and many of these services are available through existing shared service suppliers.
The QIPP report 'Back office efficiency and management optimisation' demonstrated that market experience shows savings of up to 40% are possible from implementing shared services and outsourcing. The benefits of shared services include:

- Efficiency through standardising how things are done;

- Economies of scale through consolidating activity from multiple sites into single or fewer sites;

- Maximising productivity and minimising overheads;

- Customer centred services and centres of excellent, consolidating support services within one or a few service centres creates a critical mass of expertise that is better placed to deliver high performing customer focused services, react

faster to change and free up management time to focus on core business activity.

The QIPP report looked at ways of streamlining back office support functions including finance, human resources, procurement, payroll and IT. The specific recommendations for commissioning services were that that back office services should be configured at scale on a national or multi regional basis. More recent experience demonstrates that shared back office services with local authorities are increasingly being developed.
Back office functions where significant activities can be standardised include

- Finance (in particular the ledger system);
- Payroll;
- Procurement (goods and services).

Other back office functions including IT and estates and facilities management will require a more detailed approach given the linkages with other Department of Health work programmes such as Intelligence for Commissioners.

Affordability and running costs

We have worked closely with Pathfinder CCGs, SHAs and PCT clusters to think through the financial implications of different commissioning support arrangements and delivery models, within a running cost envelope for CCGs of £25 – £35 per head of population. A 'Ready Reckoner' running costs tool was published in September[2]. It allows developing CCGs to use their own estimates of their costs and how they can use bought in support functions to maximize the resources available for clinical and quality design issues. The challenge for commissioning support is to demonstrate the added benefits and economies of scale that they can achieve, while operating within a very locally sensitive model.

Principles for operating effective external support

A recent report by The Kings Fund[3] explored the role for external organisations in partnersing with the NHS to provide commissioning support. It concluded that:

[2] 'Ready Reckoner' clinical commissioning groups running costs tool, Department of Health, September 14, 2011

[3] Building HIGH-QUALITY commissioning: What role can external organisations play? Kings Fund 2010. Chris Naylor, Nick Goodwin

" Our overall assessment is that, if used appropriately, external support can play an important role in raising the standard of commissioning in the NHS, and in doing so help the system to achieve the improvements in quality and productivity needed over the coming years"

In addition it made a number of helpful suggestions in moving forward:

- Providers of external support add most value when:
  - they are used proactively to help commissioners develop towards a long-term strategic vision of how their organisation should function in the future;
  - they bring something new – by introducing new skills, tools and processes or by supporting transformational change in terms of organisational structure and culture.
- As far as possible, use external organisations to support strategic development rather than in response to short-term imperatives. Have a vision for how commissioning should function in the future, and explore how external support can be used to achieve this;
- External organisations seem particularly well placed to provide support with the analysis and application of data;
- Use external support to do more than increase capacity to do routine tasks. The goal should usually be to add something new – to develop capabilities or to transform the culture or structures of the organisation. Consider entering into longer-term arrangements to achieve more fundamental change;
- Choose the right model for external support on a case-by-case basis, with reference to the different merits and challenges of consultancy, joint delivery and outsourcing models;
- Avoid using external support for long-term substitution of manpower or to cover vacancies;
- Avoid thinking only in terms of technical fixes or silver bullets - external support can also help with the fundamentals, for example the more relational aspects of commissioning.

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