Paper NHSE111403

BOARD PAPER - NHS ENGLAND

Title: Next steps on Specialised Commissioning
From: Dame Barbara Hakin, National Director for Commissioning Operations
Purpose of paper: • To update the Board on the proposed approach to the commissioning of specialised services from 2015/16.
Actions required by the Board: • To agree the direction of travel for specialised commissioning and to consider the proposals for 2015/16 and beyond.

Specialised Services Commissioning proposals for 2015/16

Context:

1. NHS England directly commissions specialised services with a value of approximately £14bn. The Health and Social Care Act 2012 gives Ministers responsibility for deciding which elements of specialised services should be commissioned directly by NHS England rather than by CCGs. Ministers take advice on these decisions from the Prescribed Specialised Services Advisory Group (PSSAG), a multi-disciplinary Department of Health Committee. The portfolio of 145 services is highly heterogeneous. Some sixty or so services are truly specialised, including those for very rare diseases. However, many services are not particularly rare and others are provided nearly everywhere in the country.

2. In April 2014 NHS England established a task force for specialised commissioning to analyse the current commissioning arrangements and to identify options for new approaches with the potential to improve the services we commission on behalf of patients and taxpayers within the resources allocated by the Board for this purpose.

3. The work of the task force - drawing on input from a wide range of stakeholders – has identified that some services would be better commissioned in partnership with CCGs rather than in isolation of the local services with which they are inextricably linked.

4. We want to build on the success of CCGs to date by giving them the opportunity to play a greater role in the commissioning of all health services for the populations they serve. We signalled this approach in the recently published NHS Five Year Forward View.

5. We need to ensure that commissioning sits at the most appropriate geographic level for each service, in order to:

    - **improve pathway integrity for patients**, helping to ensure that specialised care is not commissioned independently from the rest;
    - **enable better allocation or investment decisions**, giving CCGs and their partners the ability to invest in prevention or more effective services;
    - **move towards population accountability** and lay the groundwork for ‘place based’ or population budgets and clearer accountability;
    - **improve financial incentives over the longer term**, avoiding specialised care where appropriate and reducing unwarranted variation; and

- **focus NHS England on services that are truly specialised**, helping to improve focus and the quality of the specialised commissioning we do nationally.

Proposals for 2015/16:

6. Over the coming years, we intend to move towards a more differentiated approach, more appropriate to the different types of services, identifying three broad tiers of commissioned services:

    - *Tier 1: Nationally commissioned services* - Rare diseases, as well as a small number that need to be planned nationally (for example, specialised infectious disease centres) clearly need to be commissioned nationally, and hence will remain directly commissioned by NHS England. For these services we will be taking new steps to improve the quality of services that are provided, including strengthening how we commission them nationally.
    - *Tier 2: Co-commissioned services* – These are services not routinely delivered in every CCG or in every local hospital, but which are delivered in many localities across England and need to be sensitive to that defined geography, which may cover three or four CCGs in some cases, or thirty or forty in others. We proposed that these services will be co-commissioned alongside CCGs from April 2015. This means that although NHS England will continue to retain accountability for them, CCGs will be invited formally to collaborate in what services are purchased. This will help integrate pathways, give CCGs the ability to plan on a population basis and create incentives to reduce demand for specialised services where possible. CCGs, working together with NHS England, will also have the freedom to allocate more money to early diagnosis and other preventative activities.
    - *Tier 3: Devolved services* – Over time we wish to fully devolve some services to CCGs or groups of CCGs. These are services provided in most localities. For these services, there are opportunities to redirect funding upstream – for instance, to help patients tackle their weight before it becomes a serious problem or to prevent chronic kidney disease – provided we give CCGs, working together as networks, the freedom to do so. NHS England has recommended to PSSAG that the following services currently commissioned by NHS England should in future be commissioned by CCGs (in addition to specialised wheelchair services and probably outpatient neurology, both of which were previously recommended by PSSAG as specialised but have now been delisted):
        - renal dialysis (excluding encapsulating sclerosing peritonitis surgery); and

- bariatric surgery.

7. This new approach will support the need for different aspects of commissioning to be best undertaken across geographies of different sizes, with no one size appropriate to all dimensions:

    - The **design of the service** needs to be appropriate to the needs of the relevant patient cohort; for highly complex services, required by very few patients, this necessitates a national footprint; for more common disorders, the service may be best designed across the geography of only one CCG; and for others, somewhere in between.
    - The **allocation of funding** needs to support a holistic approach which covers the fullest range of services for a specified population. For the vast majority of all NHS services, this allocation is made at CCG level.
    - The **risk sharing arrangements** which need to be in place to ensure that the inevitable year on year variation of episodes of care for rare, high cost disorders do not cause serious in-year financial problems for a single relatively small organisation.

8. We will work with CCGs to ensure that, through the co-commissioning arrangements model, each of these aspects is appropriately managed. CCGs will need collaborative arrangements to work with NHS England on the design of pathways over whatever geography best meets patients' needs. Co-commissioning arrangements will ensure the appropriate risk sharing arrangements are in place.

9. Our proposal for 2015/16 is to provide an allocation based upon spend with an appropriate uplift for Tier 3 services alongside CCG budgets, and to provide an indicative projection of the remainder of specialised services at CCG level, based upon spend, again adjusted with an appropriate uplift. This will ensure that a whole population view of commissioning can be undertaken and resources can be appropriately used to aid early diagnosis and intervention. We will devise a model whereby any underspend in a locality's specialised commissioning budget will result in that funding or a part of it being attributed to the CCG and hence available for local investment at the CCG's discretion. This will provide an incentive for CCGs to make appropriate investment in non specialised services in order to reduce demand on specialised.

10. For 2016/17 we are working to develop a needs-based target formula for specialised services at CCG level. We need to agree early on the proportion of services we anticipate moving from Tier 2 to Tier 3.

Next steps:

11. NHS England will be working with partners and stakeholders over the next 6 months to put in place co-commissioning arrangements in such a way as to maximise the potential benefits for patients, and grant additional freedoms to CCGs, whilst maintaining financial stability.

12. The Planning Guidance in December will be an opportunity to set out in greater detail how commissioning arrangements will change from the April 2015.

Actions required by the Board:

13. To agree the direction of travel for specialised commissioning and to consider the proposals for 2015/16 and beyond.

Dame Barbara Hakin

National Director for Commissioning Operations