

GE4 Service Redesign and Clinical Practice Benchmarking for Locally-Priced Services

Scheme Code and Full Name	<i>GE4. Service Redesign & Clinical Practice Benchmarking for Locally-priced Services</i>
Section A.SUMMARY of SCHEME	
QIPP Reference	<i>[Include QIPP reference if any: : Add Locally]</i>
Duration	April 2017 to March 2019
<u>Problem to be addressed</u>	
Practice benchmarking is identified in health system performance research as a key intervention to enable efficiency gain. Local price and reference cost benchmarking information suggests at least a £150m saving opportunity to the NHS through a managed provider efficiency programme to drive costs, and therefore prices, down to most efficient provider service models. (Resistance to moving locally priced services to a national price often reflects lack of funding to redesign services such that efficient-cost prices would be sustainable.)	
<u>Change sought</u>	
A two year programme of redesign to adopt most efficient service models. Payment would be for completing the redesign phase, and reflected cost reductions in lower local prices. A provider-specific agreed plan will be developed for service reform of those services which are above the most efficient levels of cost. Local prices agreed in contract will reflect planned transition to reflect those lower costs over the 2 year period with an agreed programme of service areas and milestones for review embodied in a SDIP. Programme and specialist resources can be employed by trusts using CQUIN funds to enable local clinicians to benchmark practices and implement change.	
Section B. CONTRACT SPECIFIC INFORMATION <i>(for guidance on completion, see corresponding boxes in sections C below)</i>	
<u>B1.Provider</u> (see Section C1 for applicability rules)	<i>[Insert name of provider]</i>
<u>B2. Provider Specific Parameters.</u> What was or will be the first Year of Scheme for this provider, and how many years are covered by this contract? <i>(See Section C2 for other provider-specific parameters that need to be set out for this scheme.)</i>	2017/18 2 year programme
<u>B3.Scheme Target Payment</u> (see Section C3 for rules to determine target payment)	<i>Full compliance with this CQUIN scheme should achieve payment of:</i> Target Value: <i>[Add locally ££s]</i>
<u>B4. Payment Triggers.</u> The Triggers, and the proportion of the target payment that each trigger determines, and any	

partial payment rules, for each year of the scheme are set out in Section C4.

B5. Information Requirements

Obligations under the scheme to report against achievement of the Triggers, to enable benchmarking, and to facilitate evaluation, are as set out in Section C5.

Final indicator reporting date for each year.

Local price agreement (as Contract Variation) signed off by provider Chief Executive and Regional Director of Specialised Commissioning for each year savings achieved.

B6. In Year Payment Phasing & Profiling

1. Programme costs based on programme spend profile.
2. 50% of programme costs payment made on delivery of targeted local price reduction as per Provider/Commissioner signed off local price schedule.

Section C. SCHEME SPECIFICATION GUIDE

C1. Applicable Providers

Nature of Adoption Ambition: Universal Uptake

All acute providers with locally priced specialised services identified as having higher than lowest quartile reference costs and local prices

C2. Provider Specific Parameters

The scheme requires the following parameters to be set for each provider in advance of contract, in order to determine precisely what is required of each provider, and/or to determine appropriate target payment (as per C3.)

1. Specific locally priced service(s) subject to redesign commencing in Year One.
2. Specific locally priced service(s), if any, subject to redesign commencing in Year Two.

C3. Calculating the Target Payment for a Provider

The target overall payment for this scheme (the payment if the requirements of the scheme are fully met, to be set in Section B3 above) should be calculated for each provider, according to the following algorithm:

<Projected programme costs, to be ratified in agreed business plan, plus 50%*>

Year One:

Projected programme costs, to be ratified in agreed business plan, plus 50%.

Year Two:

Projected programme costs, to be ratified in agreed business plan, plus 50%.

Notes:

The scale of the programme must be estimated for inclusion in the CQUIN package in advance of completion of the business plan. If construction of the business plan reveals that a materially larger or smaller programme is required, a Contract Variation may be required.

Programme costs (before addition of the 50% CQUIN incentive) should normally be capped at £250k however local flexibility may be applied dependent on size of service redesign programme and level of benefit realisation.

*Where the scale of convergence to most efficient quartile costs and prices is substantial additional earning potentials for providers from commissioner savings delivered from agreed reduced local price agreements for 2018/19 onwards may be negotiated locally through a one year non-recurrent gain share arrangement on delivery of local price reduction at commissioner discretion.

C4. Payment Triggers and Partial Achievement Rules

Payment Triggers

The interventions or achievements required for payment under this CQUIN scheme are as follows:

Descriptions	First Year of scheme	Second Year
Trigger 1:	<p>Provider-specific agreed plan for service reform of those services which are above the most efficient levels of cost - signed off nationally.</p> <p>Specifically, for each service included in this scheme:</p> <ul style="list-style-type: none"> • Production of a Business Case clearly defining service review programme and milestones for KPIs signed off jointly by NHS England and the provider Board, with CQUIN costs of the system-redesign shown to be justified by the projected reduction in service costs and prices. • Agreed reduction in local prices reflecting planned transition to reflect those lower costs over the 2 year period, including gain share arrangements if any. 	Achievement of Year Two milestones set out in the Business Case.
Trigger 2	Where appropriate, creating and participating in network arrangements with peer group providers to enable local clinicians to benchmark practices and implement change.	Agreed signed contract variation for revised Price Schedule reflecting achievement of cost and price

		reduction as planned.
Trigger 3	Achievement of Year 1 milestones set out in the Business Case	

Percentages of Target Payment per Payment Trigger

The following table sets out the proportion of the Target payment that is payable on achievement of each of the Payment Triggers.

Percentages of Target Payment per Trigger	First Year of scheme	Second Year
Trigger 1	45%	40%
Trigger 2	40%	60%
Trigger 3	15%	
TOTAL	100%	100%

Partial achievement rules

Where more than one service is under review, allocation of CQUIN reward should be proportionate to the anticipated cost reduction in each service.

For each service, reward should be:

- All or nothing for Triggers 1 and 2, year 1.
- For Trigger 4 year 1, and Trigger 1 year 2, payment should be proportional to achievement of milestones against KPIs as agreed in the Business Case agreement for each service.

Definitions

Not applicable.

C5. Information Flows: for benchmarking, for evaluation, and for reporting against the triggers.

1. Business Case for service redesign programme
2. Provider specific service redesign plan
3. Agreed signed Price Schedule (for relevant contract year dependent on year 1 or year 2 achievement)
4. Network arrangements Terms of Reference and reporting requirements (where

appropriate)

Information for Benchmarking

- National benchmarked local price data
- 2015/16 Reference Costs
- Provider service line costing data

Information for Evaluation

To be agreed locally as per the provider specific service redesign plan.

Reporting of Achievement against Triggers

Milestone reporting of programme as per business case and service redesign plan including any KPI performance reporting.

Reporting Template requirement

To be locally agreed.

C6. Supporting Guidance and References

National Tariff Payment System
Carter Review
National Reference Costs

Section D. SCHEME JUSTIFICATION

D1. Evidence and Rationale for Inclusion

Evidence Supporting Intervention Sought

- Benchmarked data on reference costs and local prices demonstrates material variance in provider costs and local prices respectively.
- Rationale for the specific service re-design will be set out in the business case.

Rationale of Use of CQUIN incentive

This programme is targeted at delivering efficiencies in commissioner spend, ensuring prices cover provider cost, and deliver the improvements in cost per Weighted Activity Unit set out in the Carter productivity programme reflected in each provider's benefit realisation milestones.

Resistance to moving locally priced services to a national price often reflects lack of funding to redesign services such that efficient-cost prices would be sustainable.

The provider is expected to incur fixed non-recurrent costs from the required service redesign programme to deliver reduction in provider service costs. Therefore NHS England recognises that to fully incentivise the most optimum service design the CQUIN payment is required to ensure that providers are reimbursed appropriately during the redesign phase.

The programme is expected to maintain delivery of quality services whilst reducing commissioner spend and protecting provider financial sustainability.

D2. Setting Scheme Duration and Exit Route

Funding is required to cover one-off fixed costs relating to the service redesign programme. Therefore it is assumed that there will be no recurrent costs incurred by the provider following the end of the scheme.

D3. Justification of Size of Target Payment

The evidence and assumptions upon which the target payment was based, so as to ensure payment of at least 150% of average costs (net of any savings or reimbursements under other mechanisms), is as follows:

- Projected costs will be used to construct payment including a 50% premium as set out in Section C3.
- The justification of the costing against projected benefits will be developed in the Business Case to be produced in the implementation of this scheme. If costs cannot be justified, the scheme will be adjusted or aborted via a Contract Variation.

D4. Evaluation

To be developed locally as per service redesign programme and provider specific agreed plan for service reform of those services which are above the most efficient levels of cost - signed off nationally.