Contracting (and procuring) for value and outcomes: a UK and European perspective

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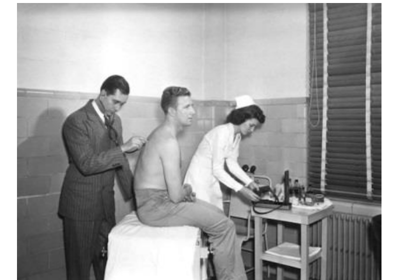
Today's session

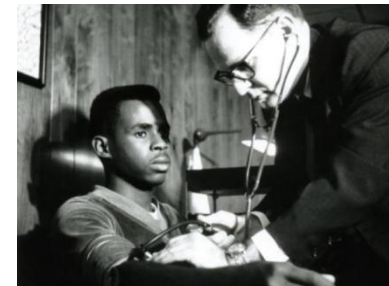
1. The challenge: why change
2. Levers within the system
3. Procuring for value and outcomes
4. Contracting for value and outcomes
5. Case study: Lambeth
6. Questions / discussion

The challenge

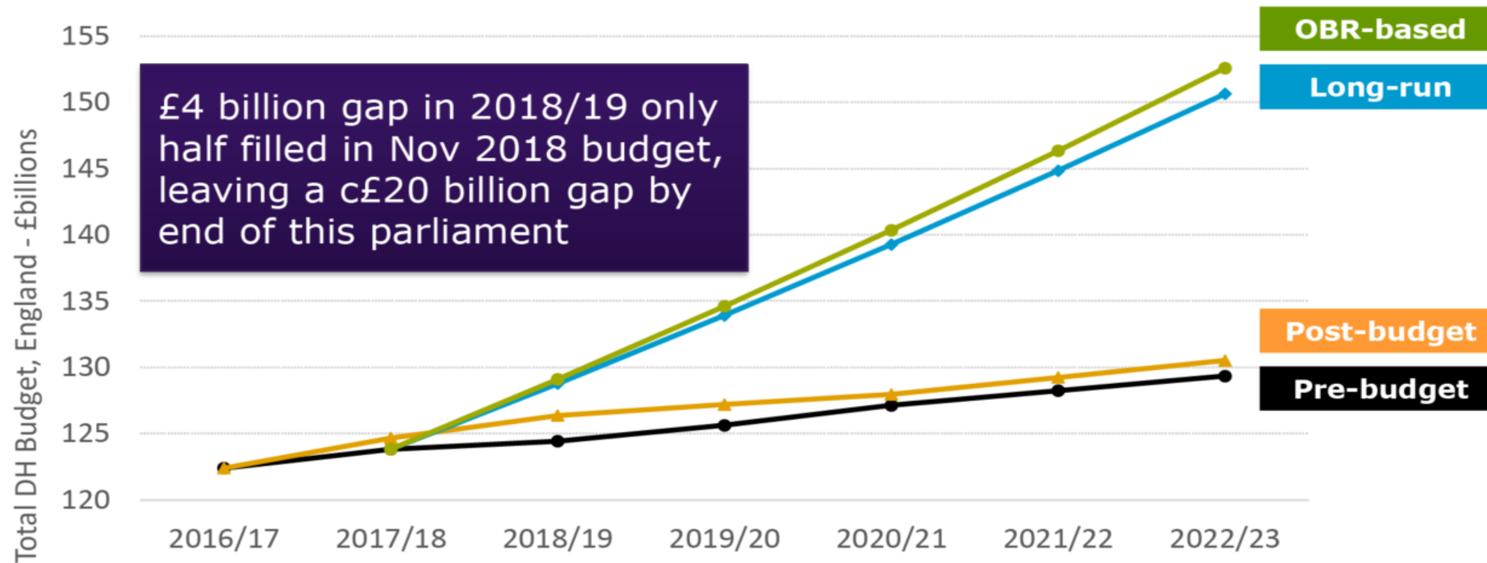
“The NHS stands on a burning platform - the model of acute care that worked well when the NHS was established is no longer capable of delivering the care that today’s population needs…”

Prof Sir Mike Richards

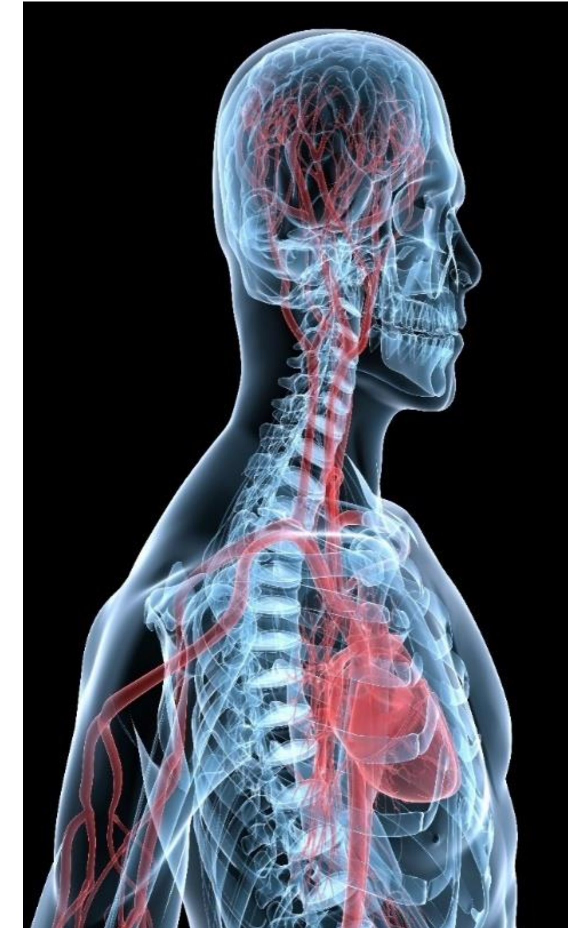




Finance, workforce and quality issues



(Taken from Kings Fund © 2018)



NHS Commissioning Landscape

Secretary of State for Health

NHS England

£

Clinical Commissioning Groups

£

£

Hospitals, mental health units, community services (e.g. district nurses)

GP's, dentists, specialist services (e.g., intensive care)

Patients

Parliament

Public Health England

£

Public health services in local authorities

Parliament

£

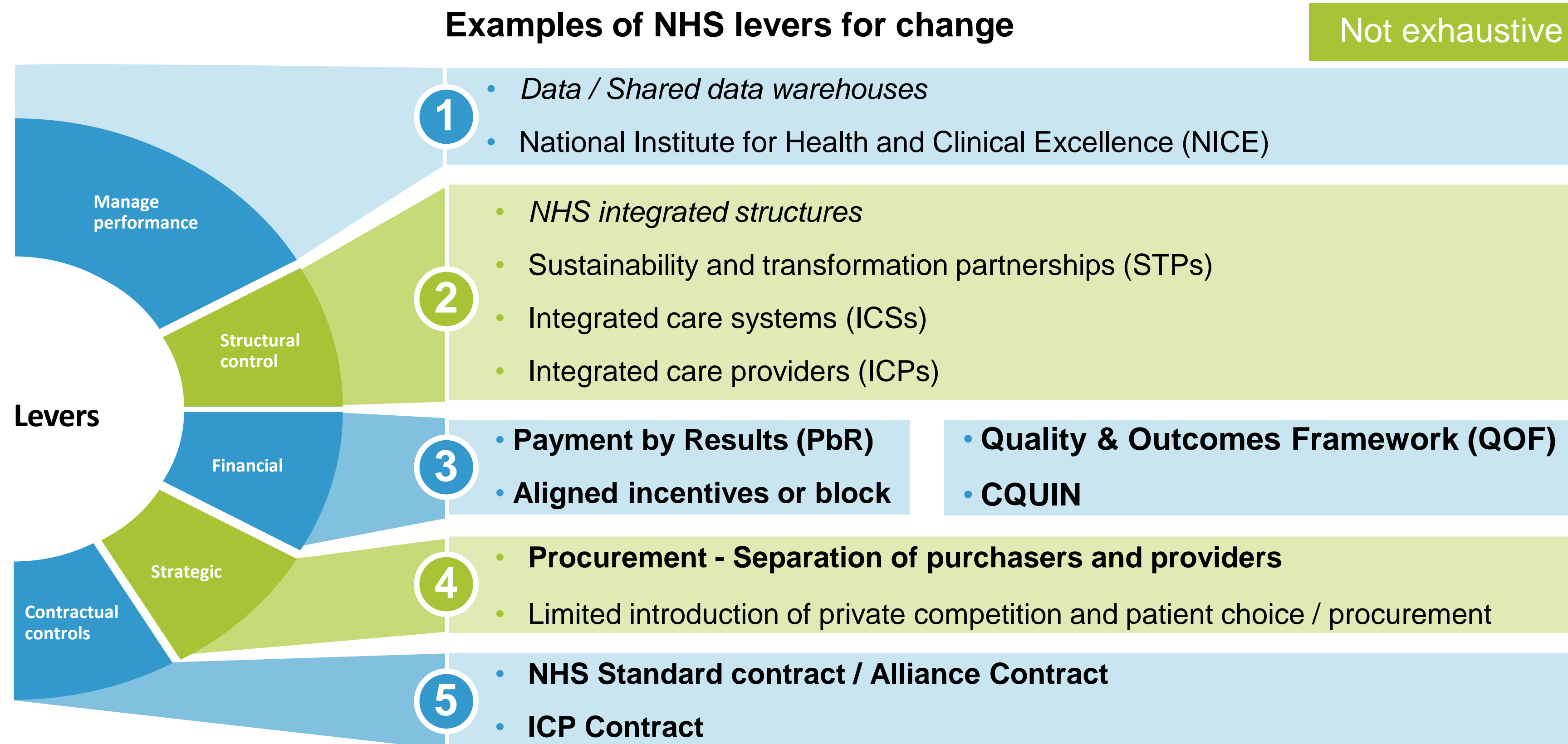
Social Care in Local Authorities

£

Community and third sector providers and care homes

Public

Levers within the system



Source: NHS Commissioning [England] practice and health system governance: a mixed methods realistic evaluation
By NHS [England] National Institute for Health Research.

Procurement for value and outcomes

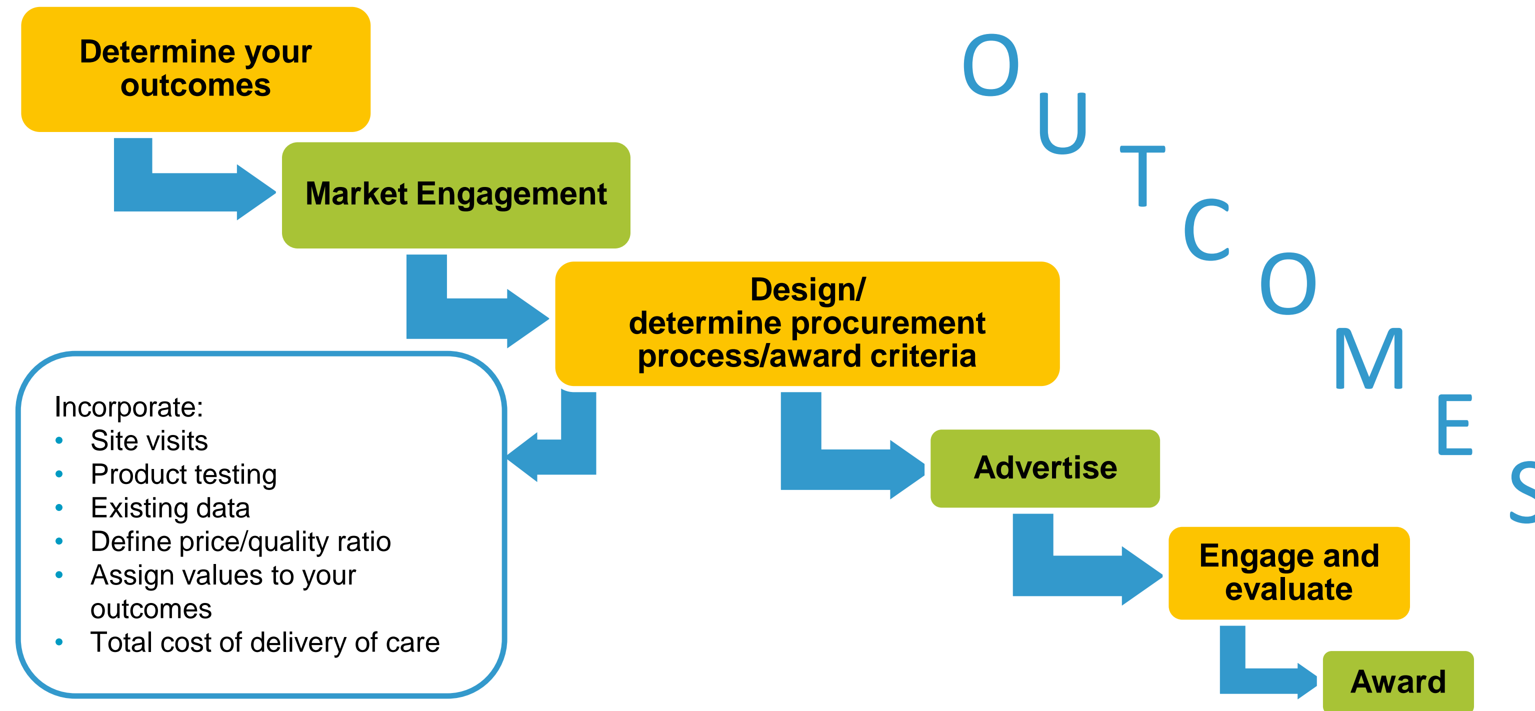
The move towards value based procurement

1. Move away from the focus on price to measurement of value (outcome / cost)

2. The Procurement Regulations give more support in looking at value

3. Reward suppliers who make more investment into the better outcomes that you want - including patient defined outcomes

Value based procurement can be applied in practice through a structured approach



Using Outcomes for value based procurement

Reward suppliers who make more investment into the better outcomes that we want - including patient defined outcomes

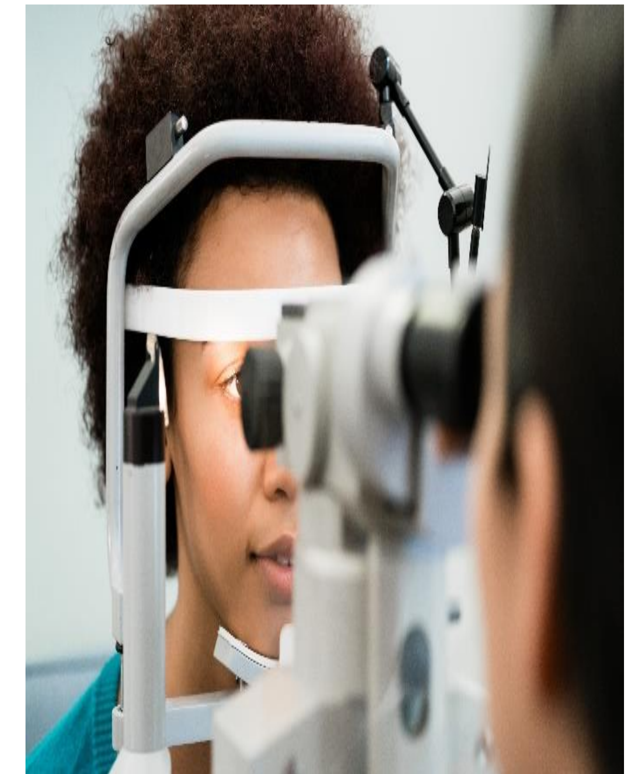
Issue around tracking and measuring the outcomes in real world during the tender phase - could come under 2 categories in evaluation:

- 1. Evidenced relevant improvements i.e. in Norway IV Catheters were assessed by Nurses and patients before tender awarded
- 2. Outcome focus in the contracts – assess the willingness to participate and risk share in the achievement of outcomes

Using these methods you can bring greater focus on the assessment and achievement of outcomes

How outcomes translate into a value based process and contract

<table>
<tr><th>Category</th><th>Domain tool/detail</th><th>Possible incorporation into procurement process</th></tr>
<tr><td rowspan="3">Intra-operative complications</td><td>Capsule problems</td><td rowspan="3">Procurement process
• Site visits to identify any existing issues
• Testing of the lenses during the evaluation
• Clinical data
Contract
• Consequences for intra-operative complications and incentives for reduction intra-operative complications</td></tr>
<tr><td>Dropped nucleus or lens fragment into vitreous</td></tr>
<tr><td>Other</td></tr>
<tr><td rowspan="2">Post-operative visual status</td><td>Post-operative visual acuity</td><td rowspan="2">Procurement process
• Testing of the lenses and drops during the evaluation
• Clinical data
Contract
• Consequences for poor post operative visual status and Incentives for improvement</td></tr>
<tr><td>Post-operative refractive error</td></tr>
<tr><td rowspan="4">Post-operative complications</td><td>Return to operative theatre</td><td rowspan="4">Procurement process
• Testing of the lenses and drops during the evaluation
• Clinical data
Contract
• Consequences for return to an operating theatre within 3 months of initial cataract surgery date
• Incentives for reduction of post-operative complications</td></tr>
<tr><td>Endophthalmitis</td></tr>
<tr><td>Persistent corneal edema</td></tr>
<tr><td>Other</td></tr>
<tr><td>Patient reported visual function</td><td>Vision-related activity limitation</td><td>Procurement process
• Testing of the lenses and drops during the evaluation
• Clinical data
Contract
• Consequences for poor visual function and Incentives for improvement</td></tr>
</table>



Value Based Procurement Process (1)

Norway: Patient feedback as a criteria Helseforetakenes Innkjøpsservice AS (HINAS) – IV Catheters

- Previous experience: poor quality products leading to negative feedback and unplanned costs
- Low levels of patient reported pain as an award criteria as well as other patient focussed aspects (ease of use / safety)
- 2 month evaluation period – tested products in hospitals
  Patients and Staff scored them after use in multiple settings
- Award on basis of a combination of cost and the qualitative factors
- Process was unsuccessfully challenged on basis of it being subjective but the challenge was rejected

Value Based Procurement Process (2)

Canada: Introducing innovative risk share into procurement tender for implantable cardioverterdefibrillators / cardiac resynchronisation devices

- Previous experience: issues over the life cycle of the devices / normal battery depletion. Surgery required to replace them with complications, hospital stays and costs associated.
- As part of the tender suppliers had to state life cycle of their devices in various conditions / issue was that clinical data to support this was sparse (i.e. new devices had not yet reached the end of their lifecycle).
- Payer required providers to share risk in performance – if the device required replacement prior to the stated period then provider pays for the patients replacement surgery (driver for Providers to tender with realistic lifecycle predictions and allow the payer to assess against desired patient outcomes.

Contracting for value and outcomes

Contracting for services / products

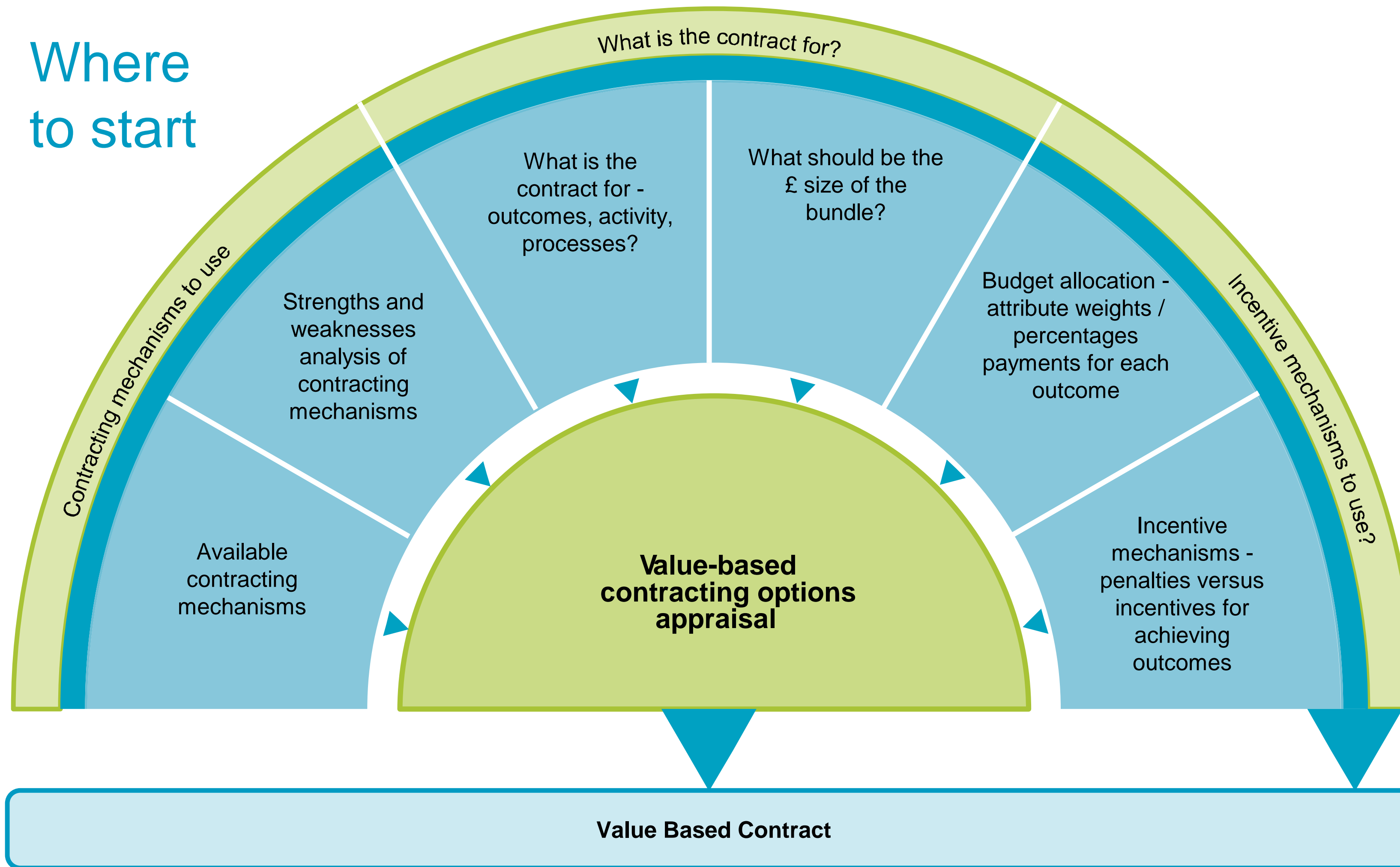
Price

- Current Contracting
- Command and control
- Inputs and processes
- Price

Value

- Value Based
- Contracting
- Collaboration
- Outputs and results
- Value

Where to start



Developed with Outcomes Based Healthcare

Payment by Results (PbR)

PbR is the payment system under which commissioners pay for each patient seen or treated, taking into account the complexity of the patient's healthcare needs. The currency for admitted patient care and A&E is the healthcare resource group (HRG). Traditionally been based on the average cost of services reported by NHS providers.

Caused activity to rise at a time when long waiting lists were a core issue

Improved the quality and quantity of financial and activity data

Evidence suggests that Payment by Results has led to some improvements in quality through enabling patient choice

Encourages cost control as providers seek to reduce costs below the price received; in turn reducing the price in future years

With confidence in Payment by Results falling, providers and commissioners are increasingly moving to block / aligned incentive contracts or negotiating local prices

Whilst 2/3rds of acute activity is notionally included in PbR it is not widespread for other services e.g. mental health and community

PbR pays for activity rather than results. The move from block budget to activity-based payment, increases in activity of between three per cent and nine per cent in the number of spells

Incentivising the shift from PBR activity to outcomes and value

- PBR is not delivering a more integrated service but a shift to block contracts alone will not necessarily incentivise improvements without proper measures or incentives to provide more “patient defined outcomes”
- Different incentives across system providers from different sectors creates a muddied picture and hard to see a clear overall purpose in areas with PBR/Block/GMS
- How can we move to a more prevention/value based model?

Contracting for VBHC: legal perspective

Clarity on scope of the pathway/equipment to be included

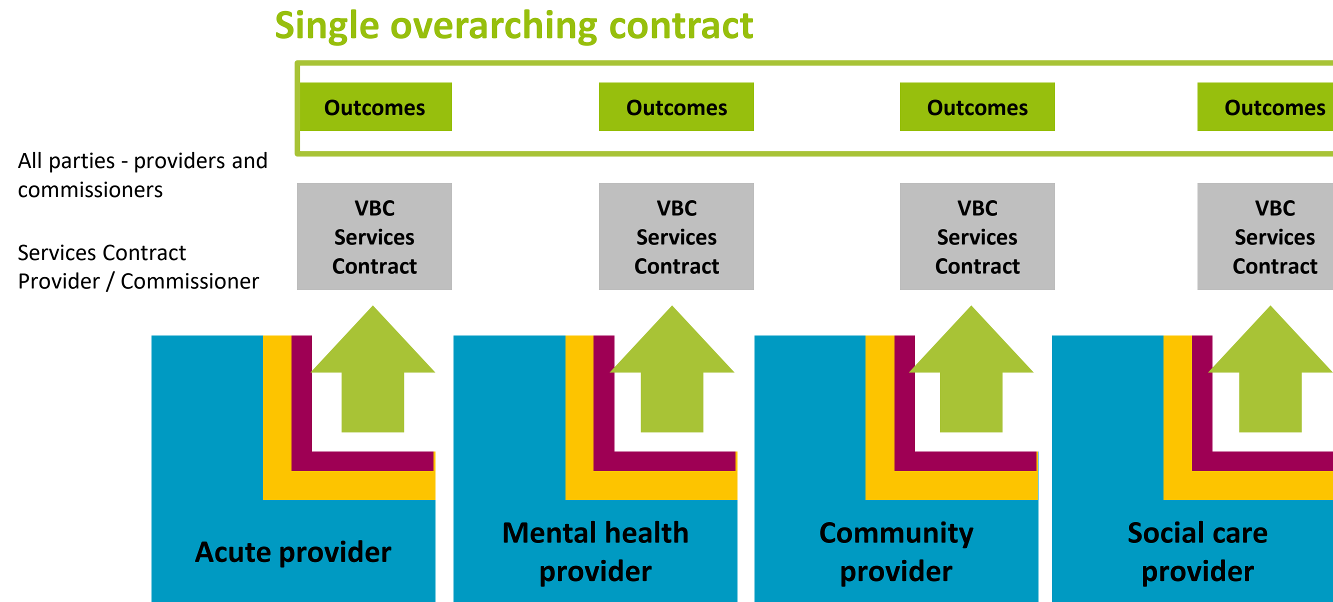
Has the payer determined what contracts are impacted and a transition plan to move to a value based model

How much of the contract value is tied to the required outcomes and how the rest is reimbursed

Approaches to VBHC

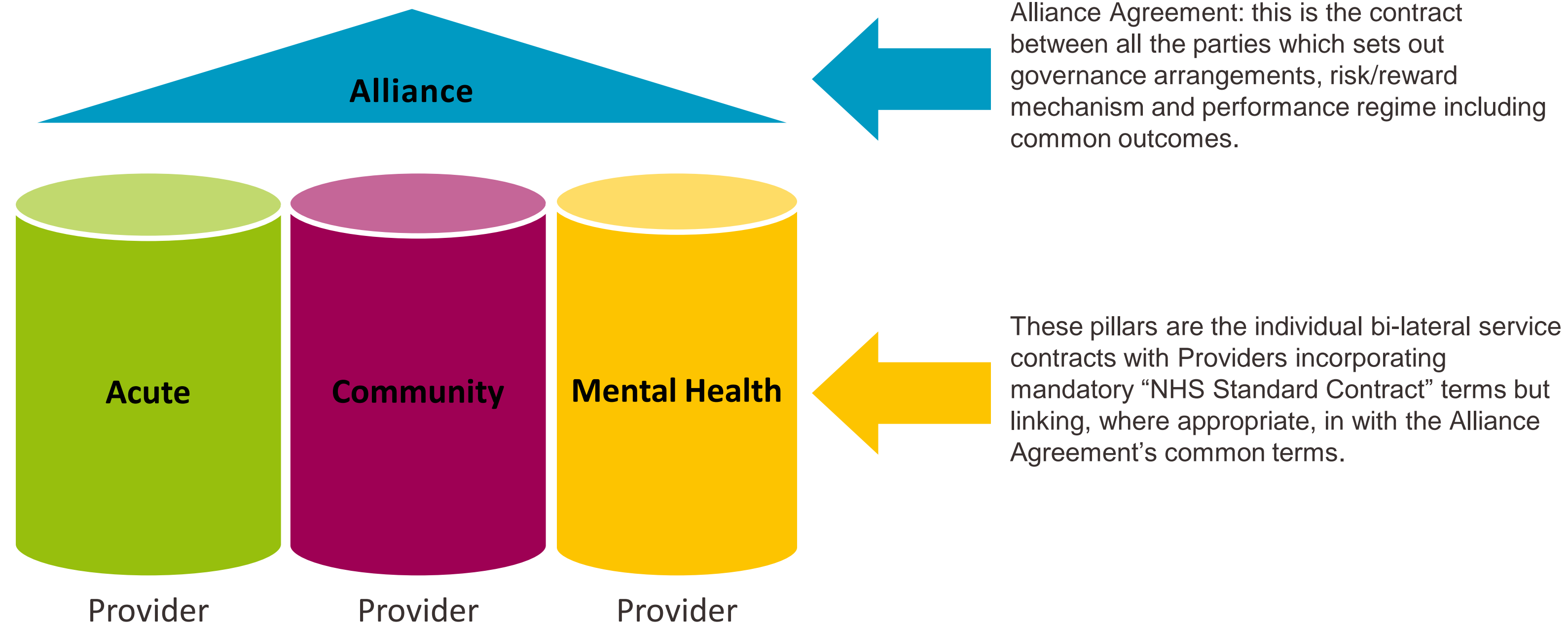
	Light touch			Transformational
Scope	Patients with existing service	Disease specific cohort	Population group	
Outcome measurement	Limited outcomes and process indicators	Development of outcomes and process measures	Outcome measures based on population priorities	
Budget	Service line budgets	Actual spending on pathway within several organisations	Capitated budget	
Performance	Contractual sanctions for not achieving KPIs	Additional payment linked to outcomes	Element of contract value linked to outcomes	Proportion of contract value linked to outcomes
Contract form	Separate contractual arrangements	Arrangement of key contract terms / KPIs between providers	Overarching agreement and existing contracts	Single contract with accountable provider
Collaboration	Informal collaboration between providers /commissioners	Some collaboration between providers or commissioners	Joint commissioning. Provider alliances prime contractor model etc.	

Contracting approach for VBHC across a pathway



- The VBC element (grey area) will be removed from the main clinical services contract and will be contracted for via a separate standalone VBC contract.
- The outcomes element (green area) will be removed from the main clinical services contract and will sit under the Single Overarching Contract (SOC) which is signed by all parties and held by the lead provider.

Alliance contracting model for VBHC



Case study: Lambeth

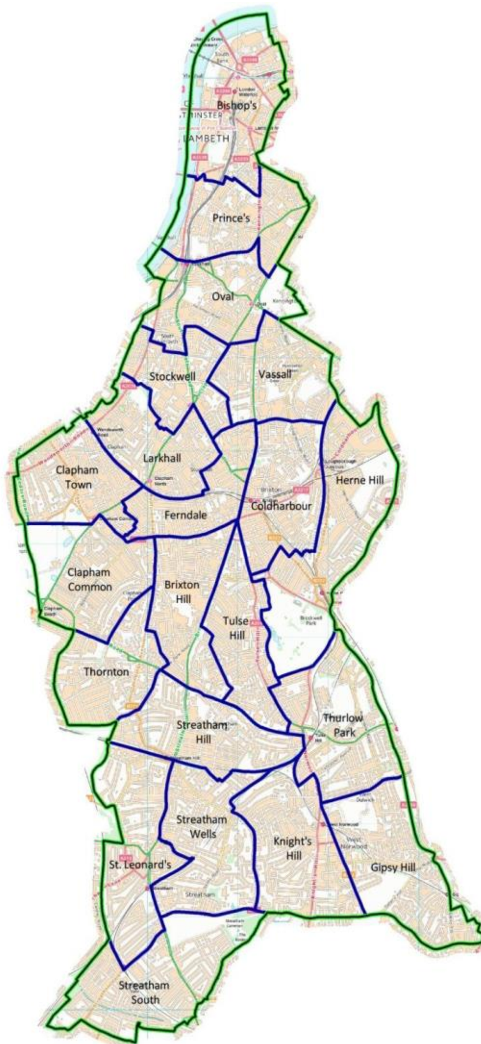
The COLLABORATIVE

Population: 321k

Caribbean population will **fall by 5%,** but **African** population will **increase by 30%**

High population turnover

9% increase in population over next **10 years**



5th most **densely populated** borough in England/Wales

Young and ethnically **diverse**

SMI – **highest psychosis rate** in UK (0.77/1000)

44% of population **BAME**

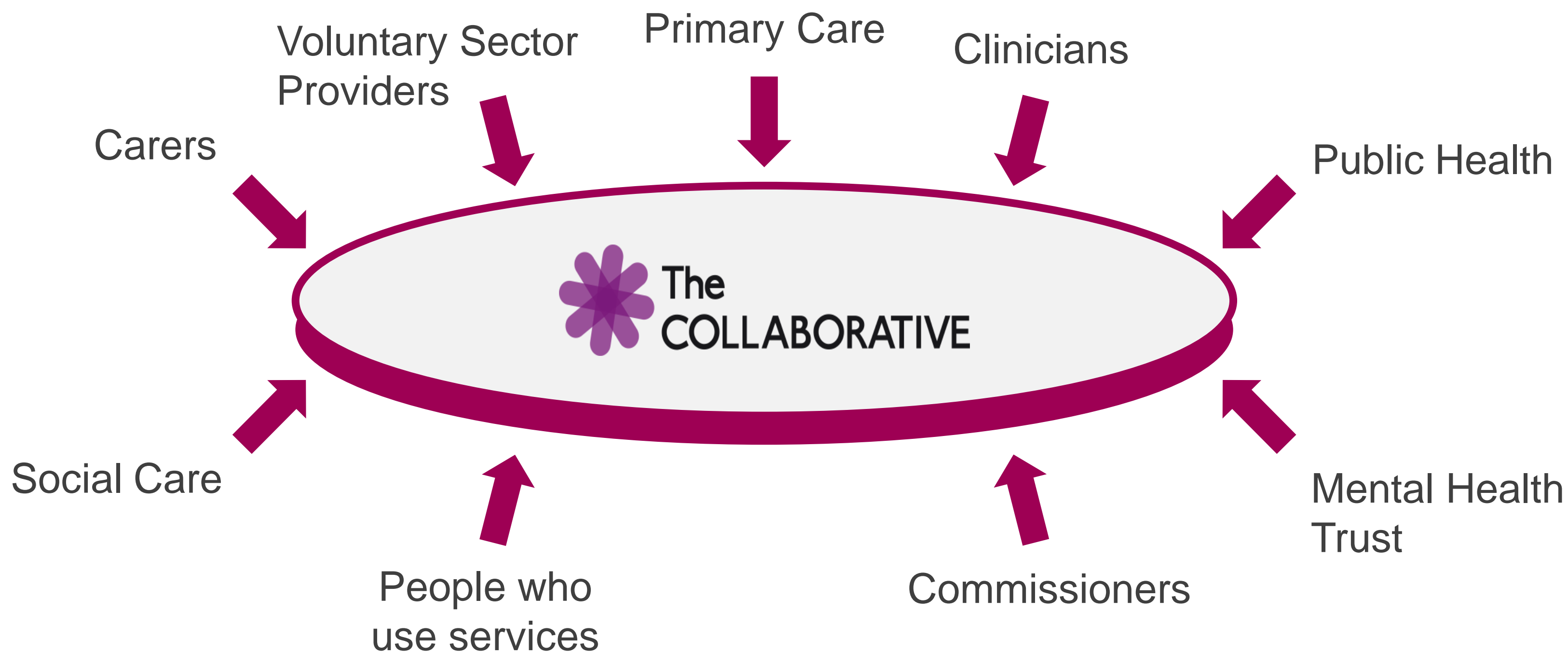
29th most deprived Local Authority in **England**

The Lambeth Living Well collaborative Partnership Platform

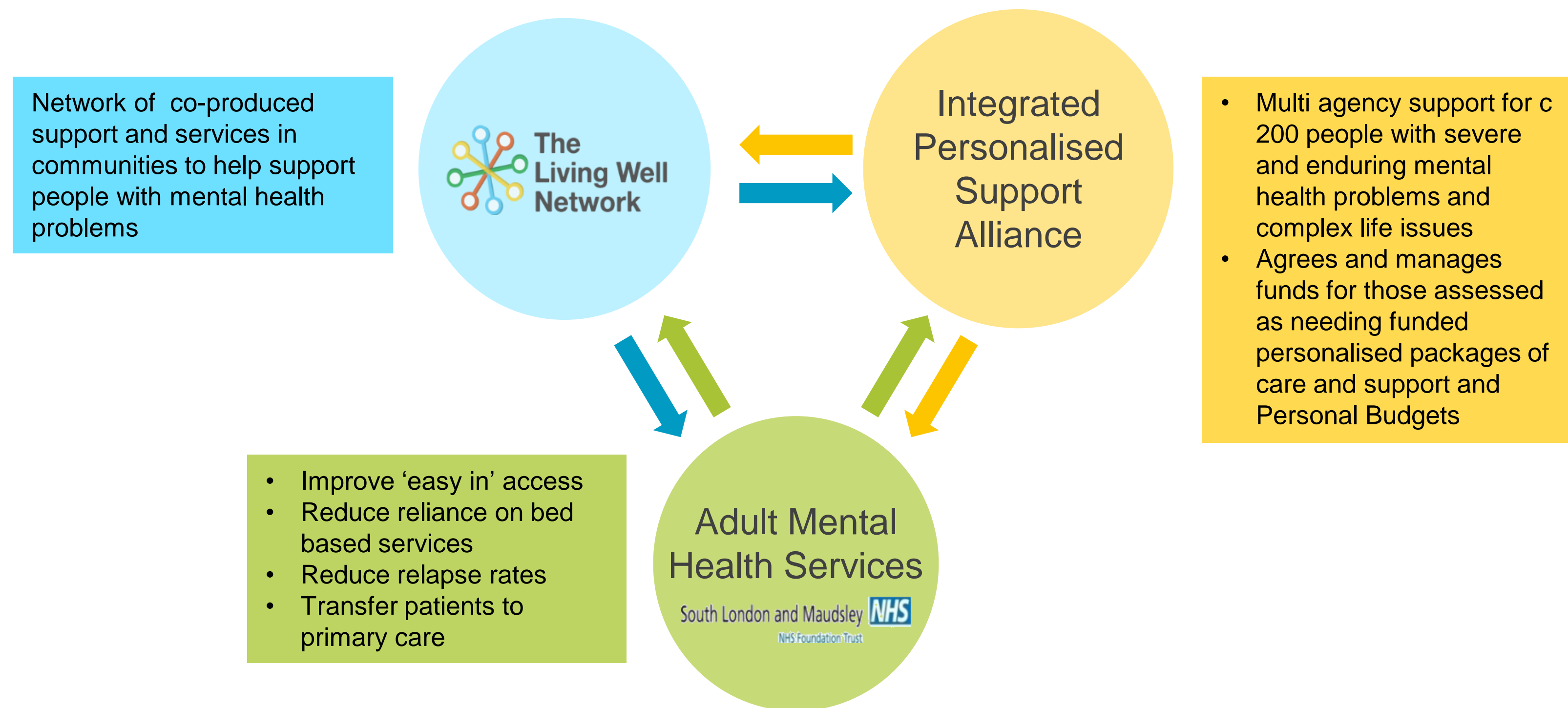
Issue: to radically improve outcomes within a context of reduced public expenditure

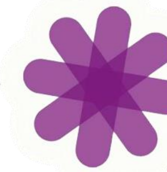
"We will "work to" provide the context within which every citizen whatever their abilities or disabilities, can flourish, contribute to society and lead the life they want to lead."

Lambeth Living Well Collaborative
The platform to support service change



Lambeth Living Well - Transforming how the adult mental health system works





Lambeth Living Well - Working as an Alliance

Shared principles & values of working:

- ✓ Co-production in all we do
- ✓ Service user at the heart
- ✓ Honesty
- ✓ Best for service decision making for service improvement and development decisions
- ✓ Empathy and understanding of each other
- ✓ Openness through open book reporting & accounting
- ✓ Transparency through publication of our outcomes & performance
- ✓ Unanimous decision making

Lambeth Living Well Alliance Lessons learned

The COLLABORATIVE

- Development of collaborative relationships (focused on common vision, outcomes) trumps everything!
- Building relationships and innovating takes time, effort, resilience & "letting go" whilst feeding the "beast".
- Development of holistic outcomes evidence base challenging e.g. metrics, data capture.
- Culture change – working holistically with multiple professional, clinical, stakeholder interests (bottom up and top down approach).
- Power of "narrative"

Challenges in moving to value / outcomes

Move away from inputs/cost basis – importance of data / benchmarking

Initial costs to set up the new way of working – changes in the finance/payment mechanisms

New models of collaboration

Managing a new risk profile

Key messages

- For something to be incentivised, it should be both measurable and directly attributed to the provider(s)
- There needs to be a different dynamic between payer/commissioner and provider; moving from a focus on inputs and activity towards outcomes
- Value can be introduced both in the procurement and contracting for services
- Value is secured through a mix of factors including contracts/measurement. This needs to be consistent over time
- Transparency of data, whilst challenging in the short term, should have long term benefits

‘Knowledge is the enemy of disease, the application of what we know will have a bigger impact than any drug or technology likely to be introduced in the next decade.’
Sir Muir Gray

Any questions?

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