Future payment systems in the NHS: capitated budgets and other innovations

Richard Murray
Director of Policy, The King’s Fund
Future payment systems in the NHS

- The English experience with payment systems
- Lessons learnt on payment system reform
- Future direction
- Conclusion
The experience with payment systems: mixed

<table>
<thead>
<tr>
<th>Example</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment by Results</td>
<td>Evaluations showed a small-ish impact of around 0.5% p.a. reduction in length of stay</td>
</tr>
<tr>
<td>CQUIN</td>
<td>Still awaiting evidence of impact</td>
</tr>
<tr>
<td>Best Practice Tariffs</td>
<td>Impact varied across the package, but some did show evidence of success</td>
</tr>
</tbody>
</table>

- The results of payment reform have perhaps not lived up to earlier expectations
- Design and implementation have proved hard and payment reform increasingly looks like a ‘long game’
- Monitor and NHS England have now embarked on a strategic review of PbR to ensure its fit for future purpose
Lessons learnt include:

- Take a long-term perspective
- Inventing new indicators is hard
- Engage clinicians
- Is operationally meaningful
- Financial incentives can have unintended consequences

Getting it right may well take more than one attempt.
Future direction: extending current models

There are existing tools within PbR that support integrated care and these are growing: e.g.

the cystic fibrosis year of care tariff aims, `to allow specialist cystic fibrosis multidisciplinary teams to direct care in a seamless, patient centred manner, removing any perverse incentives to hospitalise patients who can be well managed in the community and in their home`. 
Payment by Results Guidance for 2013-14, Department of Health. Feb 2013

But also integration appears in other pathway and best practice tariffs:
- Maternity pathway tariffs
- Parkinson’s Disease Best Practice Tariff with a requirement for a Parkinson’s Disease Nurse Specialist responsible for the co-ordination of care
- post-discharge pathway tariffs which place the responsibility on the acute provider for post-discharge care in cardiac and pulmonary rehabilitation, hip and knee replacement
Future direction: new payment models

`We are interested in learning from commissioners and providers that are implementing alternative payment approaches to enhance system-wide incentives ... for example... to focus ... on integrated care. Alternative payment approaches might include pathway, capitation or outcomes-based payments’


Key issues
- Aims to align financial structure and incentives with a single integrated pathway for patients – one budget and one payment. Monitor/NHS England trying to create a structure around new payment systems
- But these novel approaches do not set aside the `lessons learnt’ from attempts to make financial systems more sophisticated and locally flexible
- And as before, much of the devil lies in the detail: how well can outcomes be measured? Are clinicians engaged? Will there be unintended consequences? (capitation models can bring their own risks)
Conclusion

• Payment systems have not to date been a short cut to lower costs and better outcomes
• We need to be realistic about how much they can deliver and especially, how quickly
• They need to be part of the wider drive towards integrated care: underpinning, assisting and certainly not deflecting from the objective of more integrated care
• There is valuable experience from other attempts to use payments systems to change behaviour
• Looking to the future:
  - there is an increasing array of tools already within the existing PbR system to support integrated care though clearly still a long way to go
  - capitation offers some obvious attractions from the perspective of integrated care, but this does not set aside the caution from past attempts to use the payment system to fine tune incentives and/or bring about change