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Dear Sir,

Consultation on payment proposals for mental health services for adults and older people commissioned by CCGs in 2016/17

We are writing in response to the consultation document outlining proposals for revising the payment rules for mental healthcare. The Healthcare Financial Management Association (the HFMA) is the professional financial voice of the NHS. We are a representative body for finance staff in healthcare. Our members work predominantly in the NHS and our aim is to maintain and develop the financial management contribution to healthcare in the UK. This letter draws on the views and expertise of the HFMA's Mental Health Steering Group and its recent survey of the HFMA's mental health faculty[1]. The Group comprises senior finance staff including directors of finance from both NHS and foundation trusts. As part of a wider remit, the Group looks at the technical aspects and practical application of the payment mechanism to mental health services and supports the development of the HFMA's work in this area.

Consultation Question 1: Given a choice of a year of care/episodic payment approach or a capitated payment approach, which option would you most likely adopt in 2016/17?

In our recent survey, we asked respondents to indicate the likely basis of contracts for 2016/17. 42% of the survey's respondents were confident that year of care/ episodic or capitated payment based contracts could be introduced in 2016/17. Results were as follows and are shown in terms of the percentage of respondents by level of confidence:

	Very low	Low	Moderate	High	Very high
2015/16	47	31	22	0	0
2016/17	15	44	27	15	0
2017/18	3	9	53	32	3

This shows that confidence significantly increases over the next two years suggesting that the mental health sector may need a period of transition to apply the new contract approaches. This transition is likely to require a staged approach across a 3 to 5 year contract. In order to deliver the range of benefits to service users and the NHS, all financial and operational risks should be managed across all parties.

Our survey also showed that contracts based on a capitated payment are more likely to be in place than those based on a year of care or episodic payment in 2016/17 with 45% of respondents moving towards

[1] A faculty is an HFMA network of organisations with a common interest that share experience and expertise, and want to use their combined numbers to try and influence thought and policy in their sector.

one of the proposed approaches. In our view, progress must be made in relation to currencies and payment models in mental health: whilst recognising that whatever approach is adopted will not be perfect, fine tuning can take place over time and a commitment to change must be made.

Consultation Question 2: What do you think would be the key challenges of implementing one of these two payment approaches in 2016/17?

In our view and drawing on the results of our survey, key challenges include:

- Commissioner reluctance and/ or lack of engagement
- The continued use of block contracts irrespective of national guidance
- The lack of widespread use of risk sharing agreements between commissioners and providers across all elements of the contract
- The level of current data quality for the whole patient pathway and the absence of mandatory format requirements
- Readiness for appropriate data collection to inform any new arrangements
- The wider financial agenda.

The HFMA's recent survey of its mental health provider faculty members indicated that 89% of respondents have block contracts in place for 2015/16 falling to 47% for 2016/17. Although this indicates a positive direction of travel, it is clear that a number of local health economies are some way from implementing new and/or different arrangements. In our view, CCGs need to be held to account to make sure that a move to any new arrangement happens and that the continued use of block contracts is not able to continue.

In addition, the amount of allocation that a commissioner sets aside for mental health services is likely to be based on historic, block arrangements (subject to a fixed efficiency rate) and therefore is unlikely to reflect current service usage. Service provision varies significantly across England and therefore any approach going forwards needs to be both flexible and practical and allow for a period of transition. Any implementation will result in gainers and losers, particularly across CCGs. This may increase their reluctance to implement any proposals and will require a managed transition. Ideally, any transitional period would allow providers and commissioners to work through the requirements together and identify the most appropriate payment mechanism to meet the needs of the local health economy.

These issues are compounded by two key issues:

1. NHS mental health providers dealing with multiple commissioners each taking a different approach to forthcoming contracts
2. Current levels of data quality. Some of our members would be keen to see a period of transition to mandatory data formats to give time for clinical engagement and the implementation of appropriate local processes covering the whole patient pathway. In the absence of robust data and the associated assurances it is difficult to link reimbursement to appropriate outcomes measures (see response to question 3 below). As a minimum, a clearer shared understanding is required of how data submitted to the Health and Social Care Information Centre (HSCIC) is treated and reported.

In addition, a number of local health economies are facing significant financial challenges. Identifying and implementing plans for a clinically and financially sustainable local health economy must be the priority.

Consultation Question 3: In light of these challenges, what support would you need to develop and implement the proposed payment approaches for mental healthcare, including delivering the quality and outcomes element of payment?

In our view, the following support would be needed:

- Guidance in relation to the modelling of the new approaches
- A mandatory data format
- An agreed approach to outcome measures including definitions, scope of work, methods of deliver, recording, reporting
- Clear guidance in relation to the use of clusters as the basis for the payment mechanism
- A multi-year contract with clear expectations about the role of CQUIN.

To that end, work must be quickly undertaken to agree at a national level a set of meaningful outcome metrics that can support delivery of high quality services. In order to develop a number of truly patient focus outcome measures, it is our view that these outcomes should be developed separately to any pricing methodology.

For example, local negotiation might result in a minimum outcome standard to achieve the maximum review period for each clustered service user. However, this may not in fact be a good indicator of service quality itself. It is also important to consider whether there is a place for system-wide outcome measures, the achievement of which would indicate a joint solution to local priorities.

We recognise that there are some organisations that are not in a position to operate even basic outcome measures in the absence of reliable common core information. We also recognise that it is up to individual local health economies to make any new approach work but it would be helpful to clearly establish an agreed approach to outcome measures as soon as possible. In addition, if provider income is to be linked to outcomes, the outcomes need to be within the provider's control – some existing schemes have measures way beyond what the provider is able to influence.

In our view, considerable momentum has been lost in the development of the payment mechanism for mental health services, notably in terms of the use of clusters and clustering information. The HFMA's Mental Health Steering Group would like to see clear support for a cluster-based contract in 2016/17. Our survey showed that 86% of respondents reported and monitored cluster activity within their trust's most significant contract and it is important to ensure that where the use of clusters has been significantly progressed to date, this work (including clinical engagement) is not lost. A clearly understood and transparent link between clusters and the proposed payment approaches would facilitate this discussion at a local level by enabling local NHS organisations to make informed decisions based on their progress to date with alternative payment approaches..

Consultation Question 4: Do you have any concerns about the potential requirement to use one of these options?

Our primary concern is the continued widespread use of block contracts for the reimbursement of mental health services (see response to question 2 above).

Payment that takes little account of demand, activity and desired service developments seems to offer few benefits and is an obstacle to real discussions about the services that commissioners want and the financial implications of delivering them. But moving beyond this, particularly in such a difficult financial environment, will require complete buy-in from providers and, crucially, commissioners that at present does not appear to exist.

In addition, it is vital that mental health is not treated as a 'silo' but that an affordable, sustainable system wide response is found to the health needs of local populations. One view is that a capitated model is needed in conjunction with integration with social care funding to free up thinking and providers to make undertake significant and effective transformation. It is also vital to take account of the affordability of

high quality mental health services. The continuous levy of a fixed efficiency percentage on block contracts only serves to reduce mental health funding in real terms.

The HFMA has provided feedback on the operation of the payment mechanism since its inception and would be happy to contribute further as it continues to be developed. We are particularly keen to help test out the practicalities of any new arrangements prior to implementation and will continue to consider developments at the quarterly meetings of our steering group. Please let us know if there is anything further we can do to help.

Yours sincerely

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Chair, HFMA Mental Health Steering Group

Director of Finance and Business, West London Mental Health NHS Trust

Paul Briddock

HFMA Director of Policy and Technical