the right time

Costing faces big changes and the pursuit of value will need to be at the heart of everything the NHS does. The launch of the HFMA Healthcare Costing for Value Institute could not be more timely. Steve Brown reports

You might think there was nothing new about the NHS targeting the delivery of value. We've been there before with value for money and broader public sector 'best value' initiatives. But this time it's different.

And with major challenges facing the NHS to transform current delivery models and create sustainable services, delivering value has never been more important.

So the launch of the HFMA Healthcare Costing for Value Institute could not be more timely. 'Meeting the challenges we face has to mean delivering better value, which is defined both in terms of quality and cost,' says Paul Briddock, policy and technical director at the HFMA. 'We know we have to survive, at least in the short term, on growth that is below the long-run average. But even if we didn't, the trend for increasing demand and changes in the size and make-up of the population threaten the sustainability of service models.

'Understanding value is about understanding what it is we are trying to deliver – improvements in outcomes, patient experience and avoiding the need for healthcare. It can't be about just focusing on the inputs and delivering more and more of what we are already doing. We need new models that deliver these better outcomes within budget.

'And we need tools and systems that help us to understand the value delivered by new approaches and to ensure that the sought-after value is actually delivered by new patient pathways. This is what makes the institute so important. We are all aiming for the same goals. How do we work out where to target improvement efforts? How do we assess the value of new and existing pathways? How do we implement new systems?'

So value provides the overarching context for the institute – value in healthcare providers and how commissioners deliver value across their whole budgets, comparing spend in one programme area with another. But costing – raising its profile among finance practitioners, clinicians and boards and supporting costing practitioners in particular – will be a fundamental work stream.

'You can't understand value unless you understand cost,' says Mr Briddock. 'You need it right alongside quality information to inform business cases and decisions and analyse results. And that means cost data has to be robust and comparable across organisations.'

John Graham, chairman of the HFMA's Costing Practitioner Groups and chair of Monitor's Costing Policy Advisory Group, says: 'The HFMA has been raising the profile of costing and costing practitioners for the last few years alongside its work developing the clinical costing standards.

'We've always been clear that good costing information is essential to day-to-day decision-making, as well as for informing price-setting. That means the importance of cost data has to be recognised by boards, clinicians, finance teams and budget holders and it means we have to give greater weight to costing as a discipline. We've made fantastic strides over the years, but this is the next step and organisations will be looking for the best ways to share learning across the sector.'

The arrival of the new institute is also timely because of Monitor's proposal to transform costing over the coming years. The HFMA's costing standards – which already feature as part of Monitor's *Approved costing guidance* – have helped acute, and more recently mental health, providers to implement and improve their patient costing approaches.

They have highlighted good and best practice in allocation methods for different service areas and provided guidance on issues such as matching of patient records and the treatment of non-patient care costs. Monitor's proposed approach builds on this work, with a few differences such as the requirement first to organise costs by resource groups and then activities.

But the big difference is the proposal to mandate the approach. If the proposals go ahead, the whole service, including acute, mental health and community providers (and relevant private sector providers), will be required to collect patient-level costs using a prescribed methodology and submit costs to Monitor to inform pricing and currency development.

Tight timeframe

Although Monitor has set a seven-year timeframe for this transformation, in practice it presents big challenges and the timing is tight. There is a major work programme – for the centre in developing guidance; for system suppliers in ensuring their systems can support the new approach; and for providers in implementing/refining costing and other data feeder systems and starting to use the produced data to inform decision-making.

'The new institute needs to be at the heart of this work programme,' says Mr Graham. Monitor has already identified the need for 'national forums for costing professionals to communicate with each other' and has talked about raising both the numbers and capabilities of costing professionals.

'This is exactly where the institute can deliver,' adds Mr Graham. 'We've been running an annual costing conference aimed at costing practitioners for some years and we've engaged with the whole costing community each year to understand where they need greater support and guidance through the standards. The institute is perfectly placed to build on this.'

The institute will also be looking beyond the technical job of improving

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costing to support organisations in using the data. There are increasing examples of providers using cost data to highlight unwarranted variation in practice and opportunities for quality and productivity improvement.

The institute will provide a platform to showcase these examples and give organisations an opportunity – through workshops, conferences and dedicated online forums – to share learning and ideas. This will naturally lead into the development of a value work stream, aimed more at finance directors and clinicians – who are seen as key to the success of a switch to value-based healthcare.

A value masterclass is already being lined up with Robert Kaplan, senior fellow at Harvard Business School. Last year, Mr Kaplan wrote about how not to cut healthcare costs, covering common mistakes such as cutting back on support staff, focusing narrowly on procurement prices and failing to benchmark and standardise.

CCG sign-up

It is not just providers who are interested in value – the institute will recognise this in its programme. Liverpool Clinical Commissioning Group has already signed up and finance director Tom Jackson thinks it is vital that commissioners are fully involved in the push for value.

He says that looking at intervention and process-based outcomes in providers is clearly important. 'But where are all the population-based outcomes in all of this?' he says. Doing a technically excellent knee replacement is meaningless if the outcome doesn't meet the patient's expectations, says Mr Jackson. 'We have a similar issue with diabetes pathway,' he says. 'We have quite good outcomes on interventions, but if you look at the population as a whole, we have more amputations than other places. The reason is we aren't catching enough people with diabetes early enough. So once you are in the system, you are fine, but at a population level the outcomes aren't that good.'

He insists that any approach to delivering value needs to keep both aspects in mind – improving outcomes at the intervention level and at the population level, as well as keeping in mind the importance of patient experience and satisfaction.

Commissioners have their own data challenges. Last year health secretary Jeremy Hunt called on CCGs to collect and analyse their spending on a per patient basis to help them 'pinpoint more clearly where there is the greatest potential to improve patient outcomes by reducing avoidable costs through more innovative use of preventative measures'.

There are clear parallels to providers' patient-level cost journey and again commissioners are likely to need support in taking forward the technical exercise and then acting on the data.

'It is operationally challenging and, realistically, we are a couple of years off this,' says Mr Jackson. 'But if we want to be person-centred then this is where we need to be.'

One thing is clear: the HFMA Healthcare Costing for Value Institute, which launches formally in April, has an extensive but interesting agenda to address.

More details at www.hfma.org.uk/costing or see inside back cover