Finance Efficiency and Value

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1. Background and Context

The need for financial efficiency in the NHS has been recognised for many years with the aim of improving efficiency and reducing waste in the NHS.

Pre-Covid the scale of efficiency savings organisations were required to achieve had been increasing and non-recurrent measures were often used to meet annual requirements.

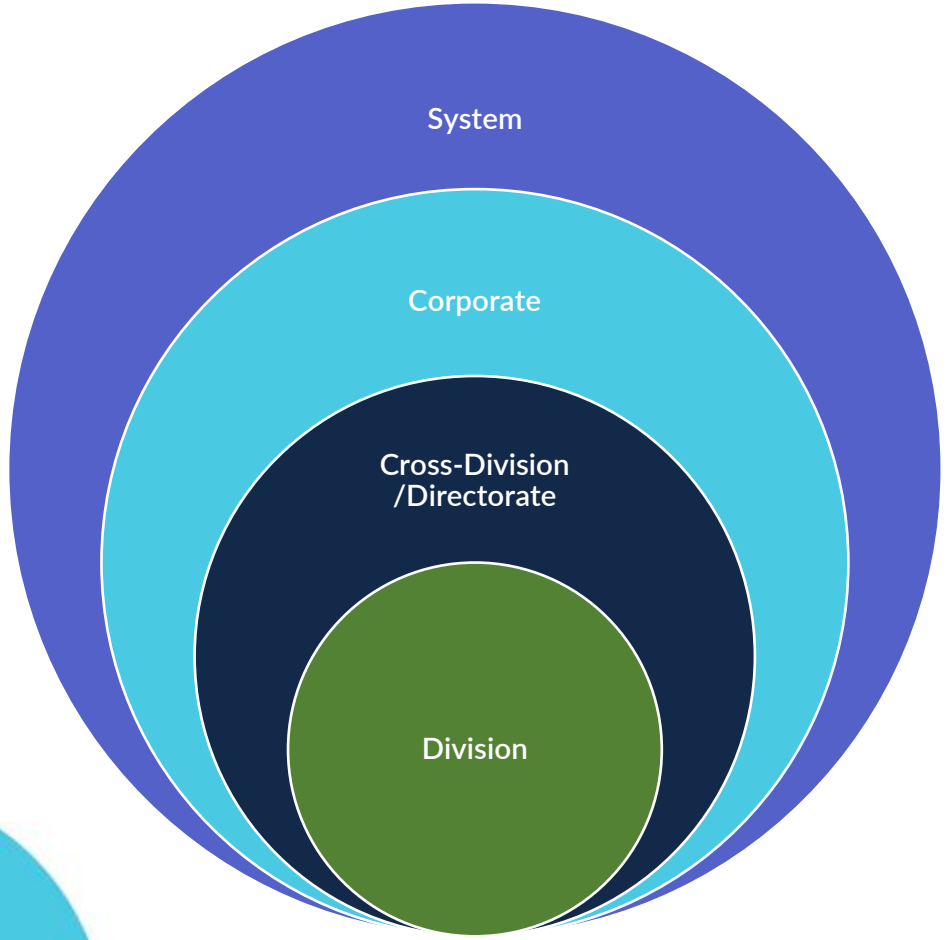
The Covid financial regime provided respite to organisations to focus on pandemic response and as we've seen the return to more familiar financial regimes financial efficiency is very prominent once again.

The scale of efficiency savings required are unprecedented and reliance on non-recurrent means to meet requirements is either not sustainable or will not meet required targets.

NHS organisations need to ensure they have rigorous and robust financial efficiency processes to maximise recurrent savings.

Identifying and delivering these savings in a systematic and controlled way will support the quantification of financial gaps (i.e. the difference between savings targets and deliverable savings) caused by current structural challenges across the NHS e.g. delayed discharges, which require cross systems solutions.

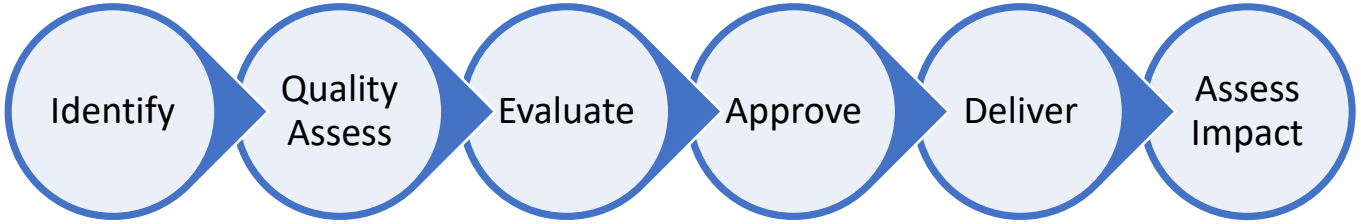
2. Resetting the model



- **System working together**: transformation programmes – ICB Collaboration At Scale, Region/Place £
- **Corporate initiatives**: efficiency improvements in support services e.g. reduction in time to recruit, differential transactional efficiencies contribution (-10%)
- **Cross divisional/directorate opportunities**: additional contributions from medicines, estates
- **Division efficiency and cost control**: converting non-recurrent to recurrent, review to spend.

3. Getting the basics right

Successful delivery of financial efficiency is underpinned by having clearly defined roles, responsibilities and processes for each element of the efficiency cycle:



'Ingredients' of successful financial efficiency schemes

- Clear Leadership and focus
- Some sort of PMO and support team (measurement and holding to account)
- Less top-down approach
- Ideas pipeline
- Capacity and time to get things done
- Clear focus on the impact of schemes on quality of care and patient experience
- Large element should focus on workforce
- Link with Transformation projects and external/system partners

Sources: MIAA, Kings Fund, HFMA and NHS Providers

How does your organisation compare?

- **Focus**: What are the key areas ? Workforce, Clinical Pathways, Meds? Majority of spend is on workforce – is there sufficient focus on this?
- **Leadership:** Is there a Board Level sponsor in the Trust? Is there a leader/shaper role in each Division?
- **Capacity:** What are the issues?
- **Support:** Are there any gaps? HR, Procurement, Finance, BI ?
- **Ideas**: Is there a forum where you focus on ideas and engage with staff on opportunities?
- **Delivery & Measurement:** How do you know if projects are stuck? Or when they are fully delivered?
- **Buddies/Benchmarking:** How can we support/challenge each other? And what ideas/support can we get from across the system?

'Case Study'

All NHS organisations completed HFMA's *Improving Financial Sustainability Checklist* in 22/23. We spoke to an organisation who scored highly when they self-assessed their financial efficiency arrangements. The key elements they highlighted as being key to their success were:

Theme	Elements
Process	Identified Covid specific spend
	Realistic target setting – budgets including financial efficiencu targets
	No PMO – CIP Council in place to share ideas
	Single process for business cases
	Pipeline in place
	Robust vacancy control
Skills	Empower teams 'What is your plan'?
	Finance Business Partner support
	Minimal barriers and gate keeping
	Benefits Realisation Team established
Behaviours	Culture is fundamental – budgets must be owned operationally
	Keep clinicians and operations staff engaged
	Have good patient related conversations
	Consistent leadership
	Make it easy for teams

4.Supporting Structures – Example Finance, Efficiency & Value (FEV) Unit

Focus on cost reduction in combination with activity, performance and efficiency improvement – a structured, PMO style approach.

- **Focus**: Supporting and challenging cost reduction and improving productivity (maximisation of patient care within a given resource envelope)
- **Support Team, could be comprised of**:
  - **Head of Improvement** – needs to be a senior member of staff with relevant experience of working across functions.
  - **Productivity Improvement Managers** – need to be experienced staff with a willingness to work with budget holders to make cost reductions happen (fixed term *secondments from Operations*?)
  - **Productivity Finance Lead** – experienced and credible financial interface with a focus on cost improvement.
  - **Analysts** – Business Intelligence, activity and benchmarking and to support data maturity and evidenced based decision making.
  - **Admin support** – Proactive hands-on team support.

Utilise existing resources wherever possible, through reshaping/redesigning teams (and perhaps also delivering a cost improvement to set an example?)

Benefits	Possible Risks/Disadvantages
• Focus and accountability • Challenge, but also support to Divisions • Facilitates opportunities pipeline – IDEAS! • Removes barriers • Simplifies processes • Focus on improvements in process efficiency (activity/resource) • Works across disciplines – Cross cutting • Focus on cash out, but empathy with operational challenges – so dual focus on solutions. • Analytical and business change skills to support the delivery of the scale of the transformation change needed. • More likely to sustain vs ad hoc/organic approach to CIP.	• Divisional Ownership • Additional cost/time burden • Focus moves to process rather than delivery. • FEV team not credible/don't understand the operational challenges.

5. Financial Efficiency - Examples

Potential Areas for financial efficiency

- Hospital flow (see example Project 1)
- Continuing Healthcare – reviewing and appropriately stopping/changing high-cost packages of care
- Digital innovation
- Drugs and pharmacy – medicines management e.g. more effective use of DOACs, Ophthalmology Meds, Oral Nutrition products, stoma care, high-cost Biosimilar meds etc…
- Procurement e.g. approaches to procuring legal support and insurance
- Pathology and bloods
- Workforce innovation (e.g. expansion of ANPs vs Jnr Drs and bank and agency reduction)

Example Project 1
Close/reduce escalation beds
Areas for Focus:

- Task Force/Project group with capacity and resources
- Links/alignment with other areas of improvement and flow work (Virtual Ward, D2A, CHC, GIRFT etc)
- Involvement of LA and community teams plus Hospital @ Home team
- If can't close or reduce escalation beds, can these patients be cared for in a different way if less acute/fit for discharge ?
- Mutual aid – could certain patients be more effectively cared for elsewhere?

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Example Project 2
Workforce
Suggestions to minimise avoidable workforce costs
Areas for Focus:

- Annual (or longer) workforce plan
- Rostering – 3-month rota, more detailed planning
- Sickness/wellness management – H&W hub?
- Training and skills development
- Turnover and exit interviews – why do people leave?
- Reward and recognition
- Minimise time to recruit
- KPIs – how good is your workforce dashboard?
- Vacancy review and skill mix
- Transformation and cross cutting initiatives
- External/peer review of clinical establishment/ratios
- Eliminate agency usage

6. How MIAA can support your organisation

MIAA have a variety of approaches to support organisations in reviewing their financial efficiency arrangements. These include:

- Internal audit reviews of financial controls and financial efficiency systems and processes
- Programme support:
  - We have supported CHC programmes and in one system have saved over £6m to date (in almost 12 months), by reviewing and appropriately stopping/changing high-cost packages of care
  - C&M Medicine Management – this programme has saved a minimum of £8m per annum on projects such as; more effective use of DOACs, Ophthalmology Meds, Oral Nutrition products, stoma care and high-cost Biosimilar meds.
  - Identified potential savings of £2.3m in one system by changing the approach to purchasing additional commercial insurance
  - Reviewed and identified potential cross system savings by changing approaching to procuring legal support.

For further information or to discuss how MIAA can support you please contact:

Chris Harrop
Managing Director
Tel: 07881 036 900
Email: chris.harrop@miaa.nhs.uk

Louise Cobain
Assurance Director
Tel: 07795 564 916
Email: louise.cobain@miaa.nhs.uk

Keith Bowman
Solutions Director
Tel: 07770 971 007
Email: keith.bowman@miaa.nhs.uk