

Making change together

Next steps for
sustainability and
transformation plans

June 2017



‘We must honour our commitments and look after each other. We should address the difficult conversations and find things to agree upon, creating a common ground.’

Jim Mackey, Chief Executive, NHS Improvement

The challenge of leading change

STPs around the country are setting ambitious transformation agendas. Most contain significant plans to transform health and social care systems for the long term. Leading this change is going to be challenging with many difficult decisions along the way. Strong, visible leadership underpins the success of the most highly performing organisations and for STPs this will be no different. As they move into the delivery phase the right type of leadership behaviours need to have been embedded in the system.

This document sets out a framework for how STPs might be delivered. Key to this framework is creating strong, cohesive and collaborative leadership where all members have a shared vision and clear understanding of roles, responsibilities and accountability. This framework aims to support leaders to make collegiate decisions, in a regulatory environment that can sometimes mitigate against this.

We have been working with STPs across the country (17 of the 44). Based on this experience we believe there are four conditions that need to be met to ensure a successful outcome:

1. ***Commitment and ownership of plans*** – the STP has no statutory or legal power so it can only operate by agreement of the statutory bodies within its footprint. Unless boards and governing bodies have visibility and understanding of the objectives and are signed up to delivery plans change, will not happen.
2. ***Clear accountability*** – those charged with leading elements of the plan must feel a sense of accountability to others. This needs to be underpinned with clear reporting and information structures.
3. ***Distributed leadership*** – for real change to happen all organisations should have a role in driving it. The STP programme convenes and coordinates but implementation should be shared across a number of organisations.
4. ***Recognising the sense of urgency*** – due to the unprecedented financial pressure on the NHS pace is required. Where this does not happen, regulators are more likely to intervene.

Transforming your health and care economy

At the core of any strategy for system transformation needs to be a commitment to improving health outcomes and addressing operational and financial sustainability for the long term. Reducing demand and cost can be achieved through:

- new business models that incentivise population health management (accountable care)
- new operating models that reduce costs through sharing support services (collaborative productivity)
- new models for managing clinical services across multiple providers (hospital chain models).

New business models that incentivise population health management

It is now well accepted that there needs to be a reduction in demand for expensive hospital based care if the NHS is not to run out of money. Alongside this, local government social services departments have experienced budget cuts of up to 30% and eligibility for care packages is tightening as councils seek to live within their means.

The link between STPs and accountable care is becoming even more explicit. The leading STPs are starting to migrate into accountable care systems with different levels of integration and ambition (nine such systems were identified in the recent NHS five year forward view delivery plan). Accountable Care Organisations (ACOs) formally bring together previously separate providers from across health and care systems to manage the health of a given population group under a long term, fixed price contract. They are incentivised to invest in prevention and more community based care to deliver improved outcomes in return for the money available. The ‘triple aim’ is better outcomes, improved experience and sustainable finances.

How we can help

PwC’s rapid design process helps bring system leaders together to design an ACO at pace. It gets the transformation programme off to a flying start by injecting challenge, speed and rigour into discussions.

We support STP leaders to develop a high level ACO design in six weeks. The engagement is structured around three workshops with senior leadership from across the locality, facilitated by experts from our health and local government teams.

New operating models that support collaborative productivity

The Carter Review, NHS Improvement, and STPs are increasingly recognising that significant productivity gains lie beyond historical organisational boundaries. Realising the benefits from collaboration requires a mentality shift for providers, commissioners and system leaders, indeed a collective agreement that more can be achieved together than it can be alone.

Collaborative productivity bridges the gap between the short-term pursuit of operational improvement and whole system transformation. It overcomes competition between providers and builds a collective understanding that working collaboratively is necessary for achieving both system and organisational viability. It enables organisations with competing priorities to come together – commissioners included – and agree their areas of focus; how to harness their talent and innovate in a way that is good for the entire system.

How we can help

We are supporting a number of STPs to identify, quantify, and start implementing collaborative productivity opportunities which are likely to bring significant financial returns. *Collaborative Productivity* is PwC’s step by step guide for providers to help them maximise resources for patients by transforming support services through sharing.

Clinical redesign across multiple providers

The third major transformation heralded by STPs is the introduction of new models where hospital management functions operate across several hospitals (or ACOs). Often referred to as hospital chains, these models offer the benefits of strategic leadership, greater economies of scale, skill and efficiency, whilst providing operational and cultural autonomy.

The Dalton Review and Five Year Forward View have positioned hospital chains as an innovative, credible and collaborative model of healthcare delivery. The model boasts significant successes internationally and has recently gained traction in the NHS with two leading providers being approved as chain leaders.

A hospital chain is a group of hospitals operating under the same centralised strategic leadership. All sites in the chain are managed for the group by a devolved management team that have delegated decision-making responsibilities for their own hospital(s). They operate within the parameters set by the overarching chain leadership. The skillset of the leadership of a chain is what distinguishes it as an organisational model. It requires a separation of strategic management (at HQ level) from operational management (at each managed entity).

How we can help

PwC brings international experience (e.g. from our US and German colleagues) of how well-established chains function. We work with senior leaders to develop the vision, strategy, operating model and implementation plan for chains. We bring models and frameworks from our Mergers & Acquisitions practice to help leaders make sure that the benefits of the chain model are realised.

Developing a financial strategy

Key pillars of the financial strategy

Developing a sound financial footing is key to the success of STPs. There are four key pillars of a sound financial strategy.

Contracting and planning

STPs need to have mechanisms in place for agreeing and monitoring the system control total. The system leaders should establish the means by which organisations agree to move individual targets within an overall whole as well as a mechanism for administering pooled resources. There will need to be a focus on the reconciliation of organisational operating plans with the STP and overall financial targets. They will also need to consider options for new payment mechanisms such as capitation and block contracts where ACOs are being introduced.

Investment, risk and reward

Consideration will need to be given the right level of investment needed as well as which are the most viable sources to generate that funding. Besides getting funds from the Sustainability Transformation Fund (STF), the STP will likely need to seek investment through collective negotiations and arrangements with private sector organisations. A system-wide risk and gain share model should be established to ensure organisations who lose out financially from an initiative are suitably compensated. The model should allow commissioners and providers to contribute to system-wide change with some protection from a sudden loss in revenue and from unfunded fixed costs, or from an unpaid increase in activity. To complement this, the STP will need to consider a robust benefits realisation process that shapes how tangible benefits will flow across the system.

Cost reduction and efficiency

There will need to be oversight on managing cost bases to make current processes more effective. Cost reduction and efficiency will largely come from ‘at scale’ operating models. Indeed, many STPs are already exploring where they can derive economies of scale in their purchasing power, strategic asset management, and corporate services consolidation. The challenge will be to identify the ‘collaboration premium’ that comes from working as an STP.

Monitoring and responding to change

Monitoring and management arrangements will need to be put in place to ensure the system is delivering against the STP. In particular, there will need to be a monitoring mechanism for in-year delivery of system control total at organisational and aggregate level. This will work via the STP leadership, acting as the oversight group as well as feedback loop so everyone is aware of individual organisational variation from plan and can mitigate accordingly. Reporting requirements will need to be multi-level with the STP continuing to report financial performance through its own governance route and with NHSE and NHSI monitoring and reporting the financial performance of individual organisations against their agreed plans. These arrangements will together ensure there is insight that allows system leaders to take action when variances from plan occur.

How we can help

We can provide practical, hands on support for STPs focusing on the financial and commercial aspects of system-wide working. This includes turnaround support for systems facing deficits which need addressing in parallel with transformation programmes; corporate finance advice on new contracting and payment models; and support for raising capital finance, investment strategy and estates rationalisation.

Effective governance and preparing for delivery

Whilst the theoretical benefits of whole system working are clear, the reality of many disparate organisations with different strategies, leadership, legal and regulatory demands requires robust yet flexible governance.

Existing governance arrangements and the regulatory frameworks need to evolve to continue to provide assurance over the safety and quality of services provided by individual entities whilst also taking into account the sustainability of the system as a whole. There will be a need to balance shorter term and longer term priorities at individual entities in order to enable the necessary investment in change across the system as a whole.

Significant time and effort has gone into developing STPs. Key to delivering these plans and ensuring their objectives become a reality will be the leadership and governance arrangements that underpin them.

Governance arrangements for systems and STPs will need to be sufficiently agile to adapt to the changes that will occur as plans are implemented and whole system working matures.

We understand that there will be a number of challenges that STP governance models will need to respond to such as the focus on firefighting rather than transformation, lack of alignment in strategies and plans, and organisational sovereignty. From our experience in advising STPs we have determined a number of key conditions for good governance:

- distinct and defined roles and responsibilities for every group. These need to be recorded, signed up to and be easy to articulate to others
- a clear ultimate decision making body. This group needs to set the strategic direction and be the sign-off point for STP plans

- governance groups receive regular reports and updates highlighting progress, key decisions and outstanding issues
- clear and agreed change control processes in place
- a project board for both the clinical transformation programme and the provider productivity programme
- project boards should be supported by a designated project manager who would drive the work forward on a day to day basis, regularly report to their board and carry out risk management and benefits tracking
- give consideration to how and when input is needed from local authority colleagues, citizens and patients
- as delivery approaches ensure key enablers such as workforce, estates, digital and communications are enacted.

How we can help

We can work with you to ensure you have a robust plan that keeps you on track and gives you early notice of any risks or issues through:

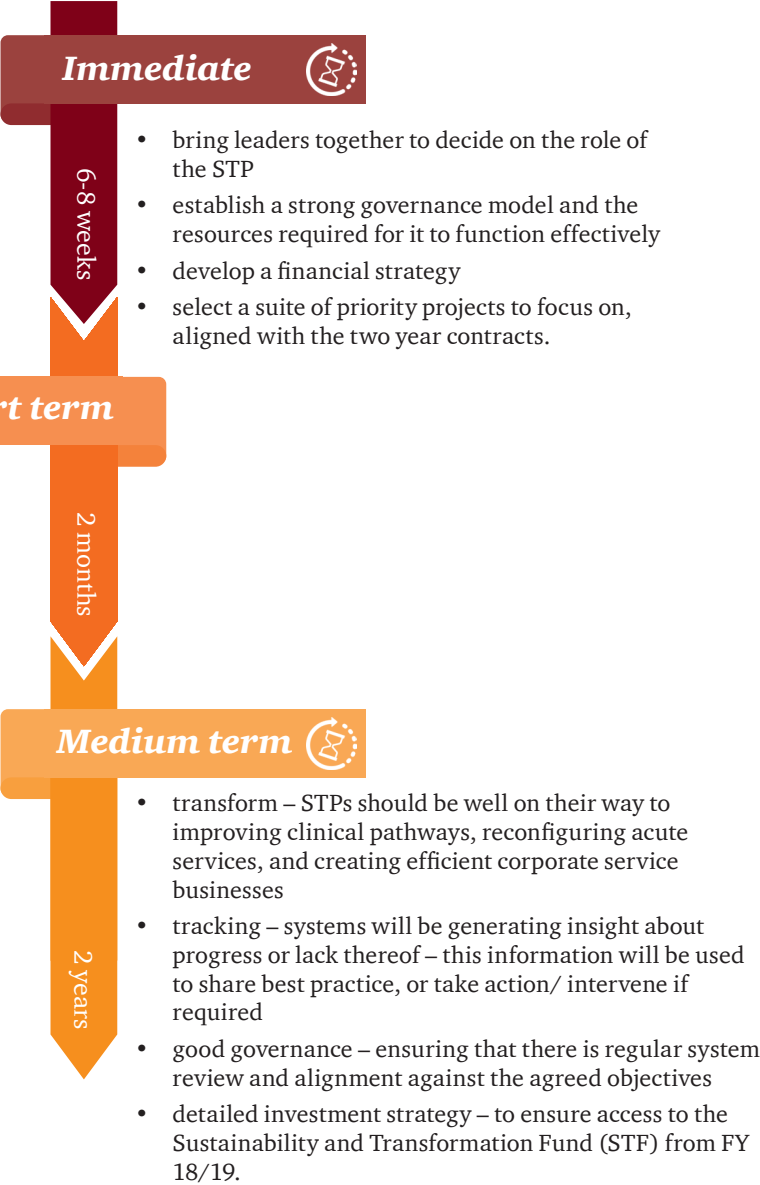
- advice and input on programme governance, structures and accountabilities
- targeted assurance reviews, using specialists if required, focused on key risks such as benefits realisation and data quality
- regular updates and an objective assessment of whether your plan is delivering identified actions with input on progress made.

We can work with you to develop a clear understanding of your key areas of governance and risk and provide the assurance required to manage them effectively. We can help you create a user friendly and interactive data assurance dashboard which can be used to monitor success and drill down into the detail of the data. We can provide an independent view across the system and multiple organisations.

What to do next

We recognise that systems across the country are at different stages of transformation. However, all systems will need to reflect on their position in light of the impetus provided by the recent NHS Five Year Forward View delivery plan to rapidly align their leaders and mobilise their delivery teams to avoid being left behind. The following actions need to be taken:

- mobilise a dedicated team whose main task will be to provide a rapid injection of pace in the preparation of detailed delivery plans
- develop financial and performance monitoring tools building in KPIs, such as staff satisfaction, changes in GP referral rates, changes in procurement and sourcing patterns and take-up of programmes by the public etc.
- sign-off any new leadership, governance and delivery structures
- for those systems that are progressed in the area of accountable care and population health management, shadow-running arrangements may be able to commence including the development of a Pre-Consultation Business Case for clinical reconfiguration
- for those who submitted a Case for Change on Corporate Services Consolidation to NHSI, complete an option appraisal of new operating and delivery models.



Our team

Support for STP leaders

PwC provides a wide range of services for STPs leaders, from helping create and secure buy-in to system-wide strategies and plans, to providing technical advice on financial modelling, governance, and contracting. We will coordinate our services to meet your specific needs.

Contracting and commercial advice

PwC can provide practical, hands on support for STPs focusing on the financial and commercial aspects of system-wide working. This includes turnaround support for systems facing deficits which need addressing in parallel with transformation programmes; corporate finance advice on new contracting and payment models; and support for raising capital finance, investment strategy and estates rationalisation.

Good governance

We are committed to working with our clients to ensure accountability can be properly aligned with business units and that the organisation's risk are fully mitigated. We consider all areas of your operating model and will apply a tailor made solution to your unique set of circumstances.

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Strategy and transformation

Strategy and transformation team advises senior leaders within STPs on major transformation across systems, including ACOs, collaborative productivity and hospital chains. We bring national and international experience as well as innovative thinking from business and management thinking to help find new ways to solve old problems.

Financial improvement and planning

When it comes to financial turnaround and improvement, we take a hands on approach driving your delivery plans across the entire STP. Where required, we start with a rapid diagnostic to assess the financial challenges, implementation readiness and 100-day implementation plan for ongoing development. This allows us to provide a clear understanding of the financial position you are faced with in order to design a customised solution.

Analytics and insight

We are experts in using data analytics to understand and segment your population. Having developed the most up to date and reliable data mining systems, our team is able to project the costs and resource required to serve under your current delivery model. With these insights, we are also capable of advising on any necessary interventions that have the potential to have a high impact for your entire health economy.

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170605-093735-EA-UK